



**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the three and six months ended  
October 31, 2020 and 2019

## **PRIME MINING CORP.**

### Management's Discussion and Analysis

For the three and six months ended October 31, 2020 and 2019

(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 December 11, 2020, and relates to the financial condition and results of operations for the three and six months ended October 31, 2020. Past performance may not be indicative of future performance. This MD&A should be read in conjunction with the condensed interim consolidated financial statements ("interim financial statements") and related notes for the three and six months ended October 31, 2020, which have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting using accounting consistent with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). As such, the interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the years ended April 30, 2020 and 2019 ("audited financial statements").*

*The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The three months ended October 31, 2020 and 2019, are also referred to as "Q2 2021" and "Q2 2020", respectively. The six months ended October 31, 2020 and 2019, are also referred to as "YTD 2021" and "YTD 2020", respectively. All amounts are presented in Canadian dollars, the Company's presentation currency, unless otherwise stated. References to "US\$" and "MXP" 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. On August 27, 2019, the Company changed its name from ePower Metals Inc. to Prime Mining Corp. 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 1507 - 1030 West Georgia Street, Vancouver, BC, V6E 2Y3. The Company has wholly owned subsidiaries in the United States, 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 YTD 2021, 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, North Crown Mining explored the property, drilling 381 reverse circulation holes and commissioned a resource estimate and preliminary economic assessment. The property was returned to the original concession holders in the early 2000s. Vista Gold Corp. ("Vista Gold") reassembled the land package and drilled 48 core holes in several of the deposits. Vista Gold also completed metallurgical test work and had a resource estimate calculated and a preliminary economic assessment made. Great Panther Silver Ltd optioned the property in 2014, through the acquisition of CanGold Ltd., and drilled 41 core holes in 2015. Minera Alamos Inc. ("MAI") optioned the property from Vista Gold in 2017. Prime acquired the option from MAI in 2019 and began a surface exploration program of trenching and roadcut channel sampling.

The Company believes that the Los Reyes Project is an overlooked, underexplored 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**

##### **Acquisition**

On July 20, 2020, the Company announced the completion of the acquisition of the Los Reyes Project with a payment of US\$1,500,000 to Vista Gold, which was made on July 17, 2020 (the "Acquisition Date"). With this payment, Vista Gold no longer retains two separate 2% net smelter royalties on production from open-pit or underground mining, or a back-in right to assume a 49% non-carried interest in any underground mining at Los Reyes.

Prime is required to pay Vista an additional US\$2,100,000 through two payments of:

- (i) US\$1,100,000 no later than six months from the Acquisition Date; and
- (ii) US\$1,000,000 no later than twelve months from the Acquisition Date.

If the Company fails to make the two payments, Vista Gold's net smelter royalties and back-in right will be reinstated.

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### **Summer Surface Exploration Program**

In July 2020, the Company continued the surface exploration program, focusing on the Noche Buena deposit.

Noche Buena is the southernmost deposit along the San Miguel West - San Miguel - Noche Buena trend. The mineralized structure at Noche Buena strikes 140° and dips between 50°- 60° to the southwest. The deposit has a drill-tested strike length of approximately 560 m and a true width of between 10 and 40 m within the current resource model. The zone has been traced intermittently for approximately 1.1 kilometres between Upper Sequence rhyolite in the southeast and its junction with the San Miguel vein in the northwest.

Rock chip sampling at Noche Buena is confirming the true area and grade of gold and silver mineralization outcropping at surface and is expected to result in an increase in the overall resource size. Examples of the results include surface trench NB-4490N which cuts at an angle across the structure, returned 42.0 m (18.0 m estimated true width ("etw")) at 1.93 gpt Au and 25.7 gpt Ag, including a 9.0 m (4.0 m etw) interval with 7.46 gpt Au and 98.1 gpt Ag. Other results include trench NB-4660N that returned 52.5 m at 0.9 gpt Au and 13.4gpt Ag, including 1.5 m at 9.84 gpt Au and 18.4 gpt Ag as well as trench NB-4700N that returned 33.0 m at 1.0 gpt Au and 19.7 gpt Ag, including 1.5 m at 6.17 gpt Au and 81.1 gpt Ag.

Refer to *"Prime Mining Finds More Significant Surface Mineralization at its Los Reyes Gold-Silver Project"* news release dated August 8, 2020 for results data tables, a copy of which was published on SEDAR.

### **Fall Surface Exploration Program**

In September 2020, the Company continued the surface exploration program, focusing on the Guadalupe East, Noche Buena and San Miguel East deposits as well as conducting prospecting and mapping. Infill trenching was completed at Zapote North and South.

Heavy rains in August and September curtailed productivity due to flash flooding and high water at river crossings. The Noche Buena sampling was largely completed although some infill and extensions are required. Trench and roadcut channel sampling at San Miguel East commenced beginning in the more easily accessible areas. The San Miguel East sampling is mostly complete, but a few infill trenches are underway. Once the results are all received from the assay lab they will be reported.

Guadalupe East is one of eight deposits that make up the Los Reyes Project resource. Rock chip sampling inside the old, existing mine adit GE-Adit 17 returned 2.21 gpt Au and 95 gpt Ag over 46 m, including 29.0 gpt Au and 226 gpt Ag over 2.0 m. Sampling in the adit, which lies outside of the current Guadalupe East resource boundary, was on 2 metre intervals across the adit roof. The true vein width is not known at this time.

Two other veins in GE-Adit 17 were also sampled, returning 0.84 gpt Au and 37.7 gpt Ag over 4.5 m and 0.76 gpt Au and 23.6 gpt Ag over 6.0 m, respectively. These veins may be a continuation of the San Manuel vein system and the results suggest that the Guadalupe system remains open to the east where historic drilling has not occurred.

Sampling results from existing mine adit GL-Adit 20 returned 1.69 gpt Au and 62.3 gpt Ag over 19.5 m, including 4.55 gpt Au and 121.4 gpt Ag over 3.0 m. Results from existing adit GE-Adit 25, further to the north, returned gold and silver mineralization that demonstrates this part of the San Manuel vein system within Guadalupe is also underexplored and merits additional exploration work.

Chip sampling from roadcut GL-RS5A returned 0.48 gpt Au and 43.5 gpt Ag over 21 m. These surface sampling results and limited historic drilling in and around the current Guadalupe East pit resource boundary indicate an opportunity to expand the resource to the west.

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Roadcut channel and trench sampling was initiated along selected locations within the Guadalupe East deposit to delineate the surface expression of the multiple veins within this part of the Los Reyes system. Infill trench sampling at Zapote North targeted areas with insufficient surface data. This data has been incorporated into the drill hole planning to maximize the expansion of the mineral resource estimate.

In late November 2020, a drill rig was mobilized and is on-site.

Refer to the following news releases, published on SEDAR, for results data tables:

- *"Prime Mining Reports Results of Guadalupe East Sampling at Los Reyes Continue to Demonstrate Resource Expansion Potential"* dated October 26, 2020, and
- *"Prime Mining Begins Drilling Los Reyes As New Trench Results Show More High-Grade at Surface"* dated November 24, 2020.

### **Expenditures**

During YTD 2021, expenditures of \$1,222,467 have been incurred on project advancement. Most significant expenditures of \$411,181 and \$374,745, have been incurred on salaries and personnel and resource estimation, respectively.

### **Resource update**

On April 2, 2020, Prime announced an updated mineral resource estimate ("Updated Resource") prepared by Stantec Consulting Ltd. ("Stantec") for the Los Reyes Project.

The Updated Resource increases total oxide mineralized material and upgrades the assurance category estimate reliability. The new pit constrained Updated Resource (at 0.22 g/t Au cutoff) increased to 19.8 million tonnes Measured and Indicated plus 7.1 million tonnes Inferred from 6.8 million tonnes Indicated and 3.2 million tonnes Inferred historic global resource (at 0.5 g/t Au cutoff).

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

## **Corporate**

### **Private Placement**

On June 12, 2020, the Company closed a private placement of 20,000,000 units at a price of \$0.50 per unit for gross proceeds of \$10,000,000. Each unit consists of one common share and one common share purchase warrant exercisable at a price of \$1.10 until June 12, 2025. Clarus Securities Inc. and Desjardins Securities Inc. acted as co-lead agents in connection with completion of the offering. Net proceeds will be used by the Company for exploration and development of the Company's Los Reyes Project and for general corporate purposes. All securities issued in connection with the offering were subject to a statutory hold period which expired on October 13, 2020. The Company paid a cash commission of \$397,200 and out-of-pocket costs of \$81,275 to finders in connection with the private placement.

### **Stock Option Grants**

- During August 2020, stock options were granted to purchase up to 425,000 common shares at a price of \$1.92 per share.
- During October 2020, stock options were granted to purchase up to 300,000 common shares at a price of \$1.65 per share.
- During December 2020, stock options were granted to purchase up to 125,000 common shares at a price of \$1.75 per share.

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The stock options granted have a 5-year life and vest one-third at date of grant, one-third six months from the grant date and one-third twelve months from the grant date.

### **Management Changes**

- On August 4, 2020, the Company announced the appointment of Ian Harcus as Chief Financial Officer, replacing Simon Anderson who relinquished his role as Chief Financial Officer but will remain with the Company in a transition capacity.
- On October 1, 2020, the Company appointed Kerry Sparkes as Executive Vice President-Exploration, replacing Greg Liller who relinquished his role as Chief Operating Officer but remains as technical advisor. Bruce Kienlen also relinquish the title of Vice President-Exploration but will continue with his role as Senior Geologist in support of Mr. Sparkes. Additionally, the Company appointed Mario Castellanos as Project Manager who will provide day-to-day management of the Los Reyes exploration program. Mr. Castellanos is a geologist and a Principal of Resource Geosciences Incorporated, a company with more than 20 years experience working on exploration projects in Mexico. Mr. Castellanos will be supported in project management by Ing. Luis Saenz, a geologist who is part of the current exploration team.

### **OUTLOOK**

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#### **Los Reyes Project - Exploration program**

Prime is executing a planned 10,000-metre drilling and 7,000-metre surface trench sampling exploration program employing a three-pronged approach:

- 1) Increase current mineral resource confidence: Upgrade 7.1 million tonnes of Inferred mineral resources to the Measured and Indicated category, which currently contains 19.75 million tonnes at 1.0 gpt gold and 26.2 gpt silver:
  - 2,000 metres of surface rock chip sampling in trenches
  - 1,500 metres of drilling in 12 to 15 shallow drill holes
  - Focus areas include Noche Buena, Tahonitas, and Zapote including surface rock chip sampling in trenches at San Miguel East and San Miguel West.
- 2) Expand resource near-term: Add gold and silver ounces by trenching and drilling along strike and down dip in areas adjacent to the existing eight open pit-constrained mineral resource areas:
  - 1,500 metres of surface rock chip sampling in trenches
  - 3,500 metres of drilling with some holes reaching a depth of 200 metres
  - Focus areas include the mineralized structures at Zapote, San Miguel East, and south-east extensions to Noche Buena and Tahonitas.
- 3) Add future targets: Define the potential to add new gold and silver ounces at depth and in unexplored areas where existing data and new mapping information confirm mineral potential:
  - 3,500 metres of surface rock chip sampling in trenches
  - 5,000 metres of drilling with some holes reaching a depth of 350 metres
  - Focus areas include potential mineralized structures extending between San Miguel East, Guadalupe East, and Las Primas, and between Guadalupe West and the Zapote/Mariposa trend. A structural re-interpretation indicates new northwest trending structures parallel to the Zapote trend may exist.

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**MINERAL PROPERTIES – OTHER**

During fiscal 2020, the Magenta Gold and Cobalt Project located in Sinaloa, Mexico and the Panther Creek Cobalt Project located in Idaho, United States were evaluated by the Company for future potential development. The Company concluded that no additional resources would be allocated to these projects and the rights would be forgone. The Company has fully impaired these assets.

**QUARTERLY RESULTS**

	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Loss for the period	\$ (1,656,466)	\$ (2,338,461)	\$ (6,656,665)	\$ (851,653)
Loss per share – basic and diluted	(0.02)	(0.03)	(0.11)	(0.01)
Total assets	21,590,035	21,271,577	10,360,210	16,370,577
Total non-current liabilities	1,012,702	1,049,880	64,304	87,067
Cash balance	7,678,959	8,032,658	1,020,820	1,518,003
Working capital	\$ 7,368,744	\$ 7,891,266	\$ (426,873)	\$ 444,950

  

	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Loss for the period	\$ (3,007,064)	\$ (362,424)	\$ (176,437)	\$ (400,669)
Loss per share – basic and diluted	(0.06)	(0.02)	(0.01)	(0.02)
Total assets	17,187,209	6,109,289	5,836,175	4,840,837
Total non-current liabilities	102,150	120,515	10,346	12,229
Cash balance	2,850,893	32,788	6,244	85,051
Working capital	\$ 1,570,032	\$ (1,126,431)	\$ (692,174)	\$ 79,733

**Review of Consolidated Financial Information for Q2 2021 compared to Q2 2020**

Loss for the Company was \$1,656,466 (\$0.02 per share) compared to \$3,007,064 (\$0.06 per share) during Q2 2020, as a result of the following factors:

**Corporate and administrative expense**

Corporate and administrative expenses decreased to \$1,741,286 compared to \$2,448,680 during Q2 2020. The significant cash components of these expenses include salaries and personnel, consulting and professional fees and investor relations.

Salaries and personnel decreased to \$349,953 compared to \$444,589 during Q2 2020. The comparative year included signing bonuses provided to senior management.

Consulting and professional fees include legal, accounting, capital and strategic advisors, decreased to \$126,299 compared to \$271,100 during Q2 2020. The expense decrease is a result of reduced capital and strategic advisor expenditures. The Company is established and during Q2 2021 focused more on project development and advancement.

Investor relations expenses includes news releases, communications programs, and participation at conferences. The expense decreased to \$34,758 compared to \$200,674 during Q2 2020. During Q2 2020, activities increased significantly following the rebranding of the Company and the acquisition of an option to acquire the Los Reyes Project.

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The significant non-cash component of these expenses includes share-based compensation, which was \$1,085,539 compared to \$1,408,600 during Q2 2020. The decrease is a result of the granting and vesting of options and share price movement. During Q2 2020, 4,600,000 options were granted and vested immediately. During Q2 2021, options to acquire up to 300,000 common shares were issued to senior management that vest over 12 months. The increased share price in the interim increased the value of each option granted.

**Depreciation**

Depreciation expense represents depreciation of equipment and the right-of-use asset associated with the Company's office lease. The Q2 2021 and Q2 2020 expenses are consistent, with an increase of \$8,829, as there has not been any substantial change in the equipment owned by the Company.

**Financing**

Financing expense was \$2,275 compared to \$513,414 during Q2 2020. During Q2 2020, the Company incurred expenses related to interest, commitment fees and a share bonus on a bridge loan that formed part of the Los Reyes transaction.

**Foreign exchange**

Foreign exchange represents changes in the value of monetary assets and liabilities denominated in foreign currencies. Most of this expense relates to IVA receivable in the Company's Mexican subsidiaries that is denominated in Mexican pesos and the US dollar long-term payable.

**Review of Consolidated Financial Information for YTD 2021 compared to YTD 2020**

Loss for the Company was \$3,994,927 (\$0.05 per share) compared to \$3,369,488 (\$0.10 per share) during YTD 2020 as a result of the following factors:

**Corporate and administrative expense**

Corporate and administrative expenses increased to \$3,986,788 compared to \$2,787,621 during Q2 2020. The significant cash components of these expenses include salaries and personnel, consulting and professional fees and investor relations.

Salaries and personnel increased to \$812,183 compared to \$572,282 during YTD 2020 due to increased senior management team members. As the Company has sought to develop the Los Reyes Project additional team members, including a new CFO and VP of Investor Relations, have been added to the management team. Additionally, director fees were paid during YTD 2021 which were not incurred during YTD 2020.

Consulting and professional fees decreased to \$198,293 compared to \$328,569 during YTD 2020 due to reduce capital advisor and strategic advisor fees. During YTD 2020, the Company was under development and thus additional expenditures were incurred.

Investor relations decreased to \$249,591 compared to \$296,039 during YTD 2020 due to reduced activities during Q2 2021.

Rent and office increased to \$130,635 compared to \$57,044 during YTD 2020 due to additional team members utilizing office resources.

The significant non-cash component of these expenses includes share-based compensation, which was \$2,444,500 compared to \$1,408,600 during YTD 2020. The increase is a result of additional options being granted to directors and management during YTD 2021. The increased share price in the interim increased the value of each option granted.



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**Financing**

Financing expense was \$20,174 compared to \$517,429 during YTD 2020. During YTD 2020, the Company incurred expenses related to interest, commitment fees and a share bonus on a bridge loan that formed part of the Los Reyes transaction. The loan was fully paid in June 2020 reducing interest expense.

**Significant Quarterly Variations**

- Q3 2019 - The Company fully impaired the \$221,000 carrying value of its Brokopondo cobalt property.
- Q4 2019 - The Company increased spending on management and communications in advance of closing the Los Reyes transaction.
- Q2 2020 - The Company incurred several significant expenditures associated with the transformation of its business when it acquired an interest in the Los Reyes Project that was reflected in increased investor relations, financing, personnel and share-based compensation expenses.
- Q3 2020 - The Company undertook an additional investor communication program that resulted in a more significant loss.
- Q4 2020 - The Company recognized an impairment provision of \$5,844,000 and share-based compensation of \$285,000.
- Q1 2021 - The Company awarded stock options and recognized share-based compensation of \$1,359,000.
- Q2 2021 - The Company increased the senior management team and awarded stock options recognizing share-based compensation of \$1,085,539.

**Cash flows**

	<b>For the six months ended October 31,</b>	
	<b>2020</b>	<b>2019</b>
Cash used in operating activities	\$ (1,243,082)	\$ (2,332,483)
Cash provided by financing activities	11,065,029	9,069,026
Cash used in investing activities	(3,163,808)	(3,891,894)
<b>Increase in cash</b>	<b>6,658,139</b>	<b>2,844,649</b>
<b>Cash, beginning of period</b>	<b>1,020,820</b>	<b>6,244</b>
<b>Cash, end of period</b>	<b>\$ 7,678,959</b>	<b>\$ 2,850,893</b>

**Operating activities**

During YTD 2021, salaries and personnel expenditures of \$812,183 were incurred by the Company which is a significant portion of the operating expenditures. Additionally, there was office rent and administrative expenditures of \$282,221. Legal and accounting expenditures of \$198,293 were also incurred.

**Financing activities**

During YTD 2021, the Company completed a private placement resulting in net proceeds of \$9,431,740 (refer to *Highlights and Key Developments* section). The Company issued 4,415,535 common shares for gross proceeds of \$2,207,767 upon exercise of warrants. The Company issued 1,555,000 common shares for gross proceeds of \$630,000 upon exercise of options. The Company repaid the long-term loan of \$1,000,000 and interest and fees of \$164,678.

During YTD 2020, the Company completed a private placement resulting in net proceeds of \$8,143,215. Additionally, the Company received cash of \$1,000,000 from a loan payable. Loan repayments were \$201,345 during YTD 2020.

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#### **Investing activities**

During YTD 2021, the Company completed the acquisition of the Los Reyes Project. As part of this transaction, the Company set up a long-term receivable for value added sales taxes that are recoverable from the Mexican government and a corresponding liability to refund part of those taxes to the vendor of the Los Reyes property. Additionally, as part of the Los Reyes Project transaction, the Company incurred an obligation to issue 330,000 common shares valued at \$465,000 which is recorded as a component of shareholders' equity. Additional expenditures of \$1,222,467 were incurred relating to Los Reyes Project. Expenditures were not incurred on other properties.

During YTD 2020, primarily acquisition expenditures were incurred for the Los Reyes Project.

#### **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 October 31, 2020, the Company had working capital of \$7,368,744 including cash of \$7,678,959, compared to a working capital deficiency of \$426,873 at April 30, 2020.

At October 31, 2020, the Company has the following capital resource commitments:

- The Company must undertake exploration and make cash progress payments to maintain its exploration property rights.
- To prevent net smelter royalties and back-in rights from being reinstated on the Los Reyes Project, the Company must pay US\$1,100,000 and US\$1,000,000, no later than January 2021 and July 2021, respectively.
- The Company is committed to make payments under property and equipment leases totalling \$103,573 through 2023.

Subsequent to October 31, 2020, capital resources were affected by the following:

- The Company signed a drilling contract committing US\$609,000 to the contractor and drill program.

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**RELATED PARTY TRANSACTIONS**

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**Agreements****Management**

In addition to Daniel Kunz's service as an officer of the Company, effective May 1, 2019, the Company entered into an agreement with Daniel Kunz & Associates LLC. ("DKA") such that DKA will provide engineering and management services as needed up to 75 hours per month. DKA is a company beneficially owned by the Company's executive director. Services under the agreement are primarily provided by Daniel Kunz, Alexander Kunz and several associates retained by Daniel Kunz & Associates, LLC. As payment for these services, the Company paid a cash fee of US\$42,000 upon completion of the Los Reyes transaction; a 12-month retainer of \$150,000 provided that DKA subscribed to 500,000 units of the August 2019 financing which it did; and, beginning on completion of the Los Reyes transaction, a monthly fee of US\$10,500. Beginning in September 2020, the Company is to accrue a fee of US\$9,500 to be paid quarterly in cash or shares at the option of the Company.

In addition to the above payments, the Company granted an option to DKA to acquire up to 1,000,000 common shares at \$0.40 per share for a period of five years. In August 2020, the Company agreed to grant DKA an option to acquire up to a further 1,000,000 common shares at the prevailing share price.

On the appointment of Daniel Kunz as chief executive officer of the Company in June 2020, the Company entered into a new agreement with DKA that replaced the existing agreement. The new agreement is for a term of 24 months but renews annually. The contract provides for an annual base fee of US\$200,000, options to purchase up to 1,000,000 common shares and a signing bonus of US\$200,000 subject to DKA subscribing for at least 800,000 units in the June financing, which it did.

The Company has an agreement to pay its COO a monthly fee of \$15,000 and the COO is entitled to receive a further bonus payment of US\$4,000 during the term of the contract. The agreement may be cancelled on 30 days' notice, but the Company has prepaid the first 12 months of the contract with a non-refundable payment of \$180,000. At July 31, 2020, the COO had earned the full amount.

In June 2020, the Company entered into a new agreement with its former COO, now technical advisor, which provided for monthly fees of US\$10,000 per month and a one-time payment of US\$60,000 on acceptance of the contract subject to the COO arranging to subscribe for at least 120,000 units of the private placement that closed in June 2020, which he did. The contract may be terminated by either party on 30 days' notice.

The Company has an agreement to pay the former VP of Exploration, Senior Geologist, a monthly fee of \$15,000 and a one-time fee of \$60,000 applied against his monthly base fee at a rate of \$5,000 per month. The contract provides for a one-month notice period.

The Company has an agreement to pay the CFO, a monthly fee of \$15,000. The contract provides for a one-month notice period.

The Company has an agreement to pay the VP of Investor Relations, a monthly fee of \$16,500. The contract provides for a one-month notice period.

The Company has an agreement to pay the EVP of Exploration, a monthly fee of \$15,000. The contract provides for a one-month notice period.

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**Directors**

The Company pays:

- the Chairperson an annual retainer fee of \$65,000;
- independent board members an annual retainer fee of \$40,000; and
- the Audit Committee Chairperson an additional annual retainer fee of \$10,000.

**Transaction and balances****Management**

During YTD 2021, Prime recorded fees of:

- \$423,913 to a company controlled by Daniel Kunz, a director and officer of the Company;
- \$107,827 to the Company's former COO and current technical advisor;
- \$77,000 to the Company's former VP Exploration and current Senior Geologist;
- \$60,000 to the Company's Executive VP;
- \$37,500 to the Company's CFO;
- \$54,500 to the Company's VP of Investor Relations;
- \$15,000 to the Company's EVP of Exploration; and,
- \$9,750 to a company controlled by the Company's former CFO for his and related secretarial services.

**Directors**

During YTD 2021, director fees were paid of \$61,650.

At October 31, 2020, the Company owed \$31,000 to related parties for fees.

As part of the Los Reyes transaction in fiscal 2020, the Company borrowed \$1,000,000 from Mr. Bowering subject to a 2% commitment fee (\$20,000), interest at 12% and issuance of 666,667 common shares as a bonus with an issue-date value of \$200,000. Interest on the loan in the period ended July 31, 2020 was \$15,262. The loan was repaid in June 2020.

All related party transactions have been recorded at the exchange amount, which is the amount of consideration agreed to between the parties.

**OUTSTANDING SHARE DATA**

At December 11, 2020, the Company had the following equity securities outstanding:

	<b>Authorized</b>	<b>Outstanding</b>
Equity securities – voting <sup>(1)</sup>	Unlimited common shares	85,573,417 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 8,510,000 common shares
Warrants convertible to voting common shares		Warrants to acquire 35,369,490 common shares

<sup>(1)</sup> At December 11, 2020, the Company has an obligation to issue 330,000 shares.

**PRIME MINING CORP.**

Management's Discussion and Analysis

For the three and six months ended October 31, 2020 and 2019

(In Canadian dollars, except where noted)

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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 October 31, 2020. The Company's significant accounting policies are described in note 3 of the Company's consolidated financial statements for the years ended April 30, 2020 and 2019.

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**CHANGES IN ACCOUNTING STANDARDS**

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The accounting policies applied in the preparation of the Company's condensed interim consolidated financial statements for the three and six months ended October 31, 2020 and 2019, are consistent with those applied and disclosed in the Company's annual consolidated financial statements.

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**FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

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The Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities and lease liabilities. 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 13 of the interim 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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As at October 31, 2020, and the date hereof, the Company had no proposed transaction.

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**RISKS AND UNCERTAINTIES**

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For a detailed listing of the risk factors faced by the Company, please refer to the Company's MD&A and Annual Information Form for the year ended April 30, 2020.

**PRIME MINING CORP.**

Management's Discussion and Analysis

For the three and six months ended October 31, 2020 and 2019

(In Canadian dollars, except where noted)

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**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 Senior Geologist, Bruce Kienlen, a "qualified person" as defined by National Instrument 43-101 - Standards of Disclosure for Mineral Projects.