

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

For the three and nine months ended  
September 30, 2023 and 2022  
(Unaudited)

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

(In Canadian dollars) - Unaudited

	Note	September 30, 2023	December 31, 2022
<b>ASSETS</b>			
<b>Current</b>			
Cash		\$ 39,231,792	\$ 23,811,434
Receivables		27,985	82,592
Prepaid expenses		173,617	168,996
<b>Total current assets</b>		<b>39,433,394</b>	24,063,022
Value added tax receivable	4	839,172	840,662
Property and equipment	5	565,837	686,954
Exploration and evaluation asset	6	12,514,568	12,514,568
<b>Total assets</b>		<b>\$ 53,352,971</b>	\$ 38,105,206
<b>LIABILITIES</b>			
<b>Current</b>			
Trade payables and accruals	9	\$ 959,878	\$ 1,173,290
Current portion of lease liabilities		38,996	35,850
<b>Total current liabilities</b>		<b>998,874</b>	1,209,140
Long-term payable	7	755,255	756,596
Lease liabilities		96,724	126,425
<b>Total liabilities</b>		<b>1,850,853</b>	2,092,161
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	8	151,024,067	120,115,589
Reserves	8	19,060,787	17,535,146
Deficit		(118,582,736)	(101,637,690)
<b>Total shareholders' equity</b>		<b>51,502,118</b>	36,013,045
<b>Total liabilities and shareholders' equity</b>		<b>\$ 53,352,971</b>	\$ 38,105,206

Nature and continuance of operations (note 1)

Approved by the Board of Directors on November 14, 2023:

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

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*"Paul Sweeney"* Director

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

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

(In Canadian dollars) - Unaudited

	Note	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
<b>Operating expenses</b>					
Exploration and evaluation	6	\$ 3,843,138	\$ 3,757,180	\$ 11,870,095	\$ 13,744,083
General and administrative	3	1,445,023	1,792,978	4,547,620	5,452,246
Value added tax provision	4	465,999	631,240	2,093,929	2,109,789
Depreciation	5	36,827	45,182	128,069	126,810
Financing		3,540	4,419	11,269	15,531
Foreign exchange loss (gain)		8,453	(278,801)	(553,558)	(336,027)
<b>Loss from operations</b>		<b>(5,802,980)</b>	<b>(5,952,198)</b>	<b>(18,097,424)</b>	<b>(21,112,432)</b>
Interest income		567,519	60,979	1,152,378	118,927
<b>Loss and comprehensive loss for the period</b>		<b>\$ (5,235,461)</b>	<b>\$ (5,891,219)</b>	<b>\$ (16,945,046)</b>	<b>\$ (20,993,505)</b>
<b>Weighted average shares outstanding - basic and diluted</b>					
		<b>143,285,994</b>	112,696,711	<b>136,514,593</b>	112,686,400
<b>Loss per share - basic and diluted</b>		<b>\$ (0.04)</b>	\$ (0.05)	<b>\$ (0.12)</b>	\$ (0.19)

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

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

<b>Nine months ended</b>	<b>September 30, 2023</b>	September 30, 2022
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$ (16,945,046)	\$ (20,993,505)
Items not affecting cash:		
Depreciation	128,069	126,810
Interest income	(1,152,378)	(118,927)
Share-based compensation	1,971,021	3,468,216
Consulting services	124,790	-
Financing expense	11,269	15,531
Equipment disposal	-	31,606
Foreign exchange	149	7,821
Change in non-cash working capital items:		
Receivables	54,607	(8,348)
VAT receivables	-	12,020
Prepaid expenses	(4,621)	(5,257)
Trade payables and accruals	(134,441)	(543,997)
Cash used in operating activities	<b>(15,946,581)</b>	<b>(18,008,030)</b>
<b>FINANCING ACTIVITIES</b>		
Shares issued for cash	30,337,521	140,250
Share issuance costs	(78,184)	-
Lease liabilities payments	(37,824)	(44,534)
Cash provided by financing activities	<b>30,221,513</b>	<b>95,716</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of equipment	(6,952)	(275,476)
Interest received	1,152,378	118,927
Cash provided by (used in) investing activities	<b>1,145,426</b>	<b>(156,549)</b>
<b>Increase (decrease) in cash</b>	<b>15,420,358</b>	<b>(18,068,863)</b>
<b>Cash, beginning of period</b>	<b>23,811,434</b>	<b>27,413,707</b>
<b>Cash, end of period</b>	<b>\$ 39,231,792</b>	<b>\$ 9,344,844</b>

For the periods presented, there were no significant non-cash transactions completed that are disclosed elsewhere in the condensed interim consolidated financial statements.

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

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

(In Canadian dollars) - Unaudited

	Note	Common shares	Share capital	Reserves	Deficit	Shareholders' equity
At December 31, 2022		127,154,718	\$ 120,115,589	\$ 17,535,146	\$ (101,637,690)	\$ 36,013,045
Private placement, share issuance costs		-	787	-	-	787
Shares issued for consulting services		63,025	124,790	-	-	124,790
Warrants exercised	8b)	15,861,729	30,070,771	-	-	30,070,771
Options exercised		150,000	438,797	(172,047)	-	266,750
RSUs exercised		133,333	273,333	(273,333)	-	-
Share-based compensation	8d), 8e), 8f)	-	-	1,971,021	-	1,971,021
Loss for the period		-	-	-	(16,945,046)	(16,945,046)
<b>At September 30, 2023</b>		<b>143,362,805</b>	<b>\$ 151,024,067</b>	<b>\$ 19,060,787</b>	<b>\$ (118,582,736)</b>	<b>\$ 51,502,118</b>
	Note	Common shares	Share capital	Reserves	Deficit	Shareholders' equity
At December 31, 2021		112,573,205	\$ 100,113,471	\$ 13,466,551	\$ (74,265,430)	\$ 39,314,592
Warrants exercised		127,500	140,250	-	-	140,250
Share-based compensation	8d), 8e)	-	-	3,468,216	-	3,468,216
Loss for the period		-	-	-	(20,993,505)	(20,993,505)
At September 30, 2022		112,700,705	\$ 100,253,721	\$ 16,934,767	\$ (95,258,935)	\$ 21,929,553

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

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

For the three and nine months ended September 30, 2023 and 2022

(In Canadian dollars, except share numbers) - Unaudited

**1. Nature and continuance of operations**

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

The Company’s subsidiaries are as follows:

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

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

The Company is listed for trading on the TSX Venture Exchange (“TSX-V” or the “Exchange”) under the symbol PRYM. The Company’s head office and principal place of business is located at Suite 710, 1030 West Georgia Street, Vancouver, BC, V6E 2Y3. The Company’s registered and records office is located at Suite 2200, 885 West Georgia Street, Vancouver, BC, V6C 3E8.

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

The Company has not generated revenue from operations. The Company recorded a loss of \$16,945,046 during the nine months ended September 30, 2023 and, as of that date, the Company’s deficit was \$118,582,736. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. The Company had cash of \$39,231,792 at September 30, 2023 that the Company estimates will be sufficient to maintain operations for at least the next twelve months.

There are many external factors that can adversely affect general workforces, economies and financial markets globally such as global health conditions and political conflict in other regions. It is not possible for the Company to predict the duration or magnitude of the adverse results of these factors and its effects on the Company’s business or ability to raise funds.

**PRIME MINING CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three and nine months ended September 30, 2023 and 2022

(In Canadian dollars, except share numbers) - Unaudited

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**2. Basis of preparation**

**a) Statement of Compliance**

These condensed interim consolidated financial statements (“interim financial statements”) were approved by the Board of Directors and authorized for issue on November 14, 2023.

These interim financial statements have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). As such, these interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2022, the eight months ended December 31, 2021 and the year ended April 30, 2021 (“annual consolidated financial statements”).

**b) Material accounting policies**

*Basis of measurement*

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

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

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

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

*Basis of consolidation*

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

*Foreign currency transactions*

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

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

**PRIME MINING CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three and nine months ended September 30, 2023 and 2022

(In Canadian dollars, except share numbers) - Unaudited

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

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

**c) Critical accounting estimates and judgements**

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

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

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

**d) Comparatives**

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

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

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



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

For the three and nine months ended September 30, 2023 and 2022

(In Canadian dollars, except share numbers) - Unaudited

**3. General and administrative expense**

	Note	Three months ended September 30,		Nine months ended September 30,	
		2023	2022	2023	2022
Salaries, directors' fees and personnel	9	\$ 414,567	\$ 334,154	\$ 1,194,472	\$ 964,920
Consulting and professional fees	9	214,558	172,475	540,085	377,675
Investor relations		163,767	111,720	494,456	229,700
Office and other		114,830	135,132	347,586	411,735
Share-based compensation	8d), 8e), 8f), 9	537,301	1,039,497	1,971,021	3,468,216
		<b>\$ 1,445,023</b>	<b>\$ 1,792,978</b>	<b>\$ 4,547,620</b>	<b>\$ 5,452,246</b>

**4. Value added tax receivable**

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

The Company recorded the VAT paid on the purchase of Los Reyes Project resulting in a VAT receivable of US\$827,586. During the year ended December 31, 2022, the Company received VAT of US\$206,897 (2021 - \$nil). At September 30, 2023, there remained a VAT receivable balance of \$839,172 (US\$620,659). Upon receipt of the VAT receivable the Company is required to settle the long-term payable (note 7).

*Value added tax provision*

The complex application process can impact the collectability and timing of funds from the government. As a result, the Company has recognized a provision for a portion of the VAT incurred during the reporting period. During the nine months ended September 30, 2023, the Company recorded a provision for VAT incurred of \$2,093,929 (nine months ended September 30, 2022 - \$2,109,789) related to additional Los Reyes Project expenditures. Since inception, the Company has recorded a VAT provision of \$6,326,068.

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

For the three and nine months ended September 30, 2023 and 2022

(In Canadian dollars, except share numbers) - Unaudited

**5. Property and equipment**

	Office equipment	Right of use assets	Project equipment	Total
<b>Cost</b>				
At January 1, 2023	\$ 76,463	\$ 424,228	\$ 783,917	\$ 1,284,608
Additions	-	-	6,952	6,952
At September 30, 2023	76,463	424,228	790,869	1,291,560
<b>Accumulated depreciation</b>				
At January 1, 2023	62,007	248,852	286,795	597,654
Depreciation	4,177	34,794	89,098	128,069
At September 30, 2023	66,184	283,646	375,893	725,723
Carrying amount September 30, 2023	\$ 10,279	\$ 140,582	\$ 414,976	\$ 565,837
	Office equipment	Right of use assets	Project equipment	Total
<b>Cost</b>				
At January 1, 2022	\$ 66,905	\$ 424,228	\$ 514,992	\$ 1,006,125
Additions	9,558	-	268,925	278,483
At December 31, 2022	76,463	424,228	783,917	1,284,608
<b>Accumulated depreciation</b>				
At January 1, 2022	54,455	202,460	132,891	389,806
Depreciation	7,552	46,392	122,298	176,242
Disposal	-	-	31,606	31,606
At December 31, 2022	62,007	248,852	286,795	597,654
Carrying amount December 31, 2022	\$ 14,456	\$ 175,376	\$ 497,122	\$ 686,954

**6. Exploration and evaluation asset and expenditures****a) Acquisition of the Los Reyes Project**

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

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

During July 2023, the Company entered into an additional agreement with local landowners. The agreement requires an annual payment of 600,000 Mexican Pesos. Once the process of exploitation of the mining lands commences the payment amount will increase to US\$60,000 annually.

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

For the three and nine months ended September 30, 2023 and 2022

(In Canadian dollars, except share numbers) - Unaudited

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

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

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

	Note	Three months ended		Nine months ended	
		September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Drilling		\$ 1,758,478	\$ 1,891,276	\$ 5,905,759	\$ 7,533,488
Salaries and personnel	9	777,409	806,328	2,437,622	2,251,030
Resource assaying, estimation and technical services		683,029	596,054	1,602,763	2,279,225
Equipment and field supplies		317,193	289,893	1,097,202	1,273,716
Land payments and maintenance		154,270	81,790	416,128	219,092
General and administrative		152,759	91,839	410,621	187,532
		<b>\$ 3,843,138</b>	<b>\$ 3,757,180</b>	<b>\$ 11,870,095</b>	<b>\$ 13,744,083</b>

*ii. Los Reyes Projects cumulative expenditures*

Project expenditures since acquisition, are summarized as follows:

	Total
Drilling	\$ 20,867,717
Salaries and personnel	9,063,938
Resource assaying, estimation and technical services	6,458,149
Equipment and field supplies	3,746,756
Land payments and maintenance	1,125,167
General and administrative	1,241,407
	<b>\$ 42,503,134</b>

**7. Long-term payable**

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

During the year ended December 31, 2022, the Company received US\$206,897 (2021 - \$nil) of the VAT receivable. A payment of US\$186,207 (2021 - \$nil) was made to Vista Gold. The remaining payable amount of \$755,255 (US\$558,621) requires payment when the VAT receivable is collected.

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

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

For the three and nine months ended September 30, 2023 and 2022

(In Canadian dollars, except share numbers) - Unaudited

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

Unlimited number of common shares without par value.

**b) Issued capital**

At September 30, 2023, there were 143,362,805 issued and outstanding common shares (December 31, 2022 - 127,154,718).

The Company had the following common share transactions during the nine months ended September 30, 2023:

- The Company issued 15,861,729 common shares for gross proceeds of \$30,070,771 upon exercise of warrants.
- The Company issued 150,000 common shares for gross proceeds of \$266,750 upon exercise of options.
- The Company issued 133,333 common shares for gross proceeds of \$nil upon exercise of RSUs.
- Pursuant to an agreement entered in June 2022, the Company issued 63,025 common shares with a fair value of \$124,790 and 63,025 warrants (note 8c) to pay a financial advisory firm fee.

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

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

**c) Warrants**

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

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

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

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

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

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

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

**d) Stock options**

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

Stock option transactions and the number of stock options outstanding during the nine months ended September 30, 2023, and the year ended December 31, 2022, are summarized as follows:

	Number of share options	Weighted average exercise price (\$)
Outstanding at December 31, 2021	10,210,000	1.78
Granted	1,275,000	2.51
Forfeited	(725,000)	3.51
Exercised	(250,000)	0.40
Outstanding at December 31, 2022	<b>10,510,000</b>	<b>1.78</b>
Granted	<b>900,000</b>	<b>1.77</b>
Exercised	<b>(150,000)</b>	<b>1.78</b>
Outstanding at September 30, 2023	<b>11,260,000</b>	<b>1.78</b>
Exercisable at September 30, 2023	<b>10,301,667</b>	<b>1.77</b>

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

For the three and nine months ended September 30, 2023 and 2022

(In Canadian dollars, except share numbers) - Unaudited

Share options outstanding and exercisable at September 30, 2023, are as follows:

<b>Outstanding</b>				<b>Exercisable</b>		
Exercise price (\$)	Number of options	Weighted average exercise price (\$)	Weighted average remaining life of options (years)	Number of options exercisable	Weighted average exercise price (\$)	Weighted average remaining life of options (years)
0.40	2,150,000	0.40	1.01	2,150,000	0.40	1.01
0.42	250,000	0.42	1.36	250,000	0.42	1.36
0.95	3,100,000	0.95	1.71	3,100,000	0.95	1.71
1.08	200,000	1.08	5.00	-	1.08	5.00
1.30	700,000	1.30	1.75	700,000	1.30	1.75
1.65	300,000	1.65	2.01	300,000	1.65	2.01
1.92	400,000	1.92	1.84	400,000	1.92	1.84
1.97	700,000	1.97	4.37	233,333	1.97	4.37
2.05	875,000	2.05	3.88	583,334	2.05	3.88
3.53	400,000	3.53	3.50	400,000	3.53	3.50
4.18	2,185,000	4.18	2.99	2,185,000	4.18	2.99
	<b>11,260,000</b>	<b>1.78</b>	<b>2.29</b>	<b>10,301,667</b>	<b>1.77</b>	<b>2.09</b>

The fair value of stock options recognized during the nine months ended September 30, 2023, as an expense was \$1,262,584 (nine months ended September 30, 2022 - \$3,406,468).

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

	<b>Nine months ended</b>	
	<b>September 30, 2023</b>	September 30, 2022
Risk-free interest rate	<b>3.51%</b>	2.79%
Expected life of options	<b>5 years</b>	5 years
Annualized volatility	<b>70.2%</b>	85.3%
Forfeiture rate	-	-
Dividend rate	-	-
Weighted average grant-date fair value per option	<b>\$1.02</b>	\$1.72

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

**e) Restricted share units**

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

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

	Number of RSUs
Outstanding at December 31, 2022	400,000
Granted	-
Settled	(133,333)
Outstanding at September 30, 2023	<b>266,667</b>

The fair value of the RSUs recognized during the nine months ended September 30, 2023, included in share-based compensation expense was \$340,903 (nine months ended September 30, 2022 - \$61,748).

**f) Deferred share units**

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

During the nine months ended September 30, 2023, the Company granted 372,634 DSUs to directors of the Company with a fair market value of \$654,871. The DSUs vest in twelve months.

	Number of DSUs
Outstanding at December 31, 2022	-
Granted	372,634
Outstanding at September 30, 2023	<b>372,634</b>

The fair value of the DSUs recognized during the nine months ended September 30, 2023, included in share-based compensation expense was \$367,534 (nine months ended September 30, 2022 - \$nil).

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**9. Related party transactions and balances**

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

Key management compensation includes:

	<b>Nine months ended</b>	
	<b>September 30,</b>	September 30,
	<b>2023</b>	2022
Salaries, personnel and benefits <sup>(1)</sup>	\$ 1,061,138	\$ 922,028
Directors fees	206,403	199,935
Consulting fees	51,423	50,386
Share-based compensation	1,672,995	2,083,985
	<b>\$ 2,991,959</b>	<b>\$ 3,256,334</b>

<sup>(1)</sup> Salaries, personnel and benefits includes salaries of \$225,000 (nine months ended September 30, 2022 - \$207,731) included in exploration and evaluation expenditures (note 6b).

Trade payables and accruals include \$14,633 (December 31, 2022 - \$268,327) owed to directors and officers of the Company.

**10. Segmented information**

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

	<b>September 30,</b>	December 31,
	<b>2023</b>	2022
Canada	\$ 150,861	\$ 189,832
Mexico	12,929,544	13,011,690
	<b>\$ 13,080,405</b>	<b>\$ 13,201,522</b>

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

The Company's interest rate risk mainly arises from changes in the interest rates on cash. Cash generates interest based on market interest rates. At September 30, 2023, the Company was not subject to significant interest rate risk.



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**b) Credit risk**

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

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

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

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

**c) Currency risk**

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. At September 30, 2023, the Company has activities in other countries which exposes the Company to foreign exchange risk.

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

	<b>September 30, 2023</b>	December 31, 2022
US dollar	\$ (113,386)	\$ (107,820)
Mexican peso	\$ 69,681	\$ 88,757

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

	<b>September 30, 2023</b>	December 31, 2022
Cash	\$ 199,924	\$ 121,360
VAT receivable	839,172	884,805
Payables and accruals	672,136	440,200
Long-term payable	\$ 755,255	\$ 756,596

**d) Liquidity risk**

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

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**e) Fair value hierarchy**

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

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

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