PRIME MINING CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the years ended December 31, 2023 and 2022

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 March 25, 2024, and relates to the financial condition and results of operations for the years ended December 31, 2023 and 2022. 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 years ended December 31, 2023 and 2022, which have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

The first, second, third, and forth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3" and "Q4", respectively. The years ended December 31, 2023 and 2022, are also referred to as "fiscal 2023" and "fiscal 2022". All amounts are presented in Canadian dollars, the Company's presentation currency, unless otherwise stated. References to "US$" and "MXN" are to United States dollars and Mexican pesos, respectively.

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

OVERVIEW OF THE BUSINESS

The Company was incorporated on May 14, 1981 in British Columbia. Prime is a reporting issuer in British Columbia and Alberta, and an issuer on the TSX Exchange ("TSX"). 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, and Mexico 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 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 in which we work;
2) use of resources to create maximum value at Los Reyes; and
3) corporate responsibility and governance.

During the year ended December 31, 2023, the Company has seen progress in all three areas with continued emphasis on operating under appropriate health guidelines, strengthened exploration team performance and advances in our corporate administration.

(In Canadian dollars, except where noted)

<u>Los Reyes Gold and Silver Project</u>

Los Reyes is a high-grade, low sulphidation epithermal gold-silver project located in Sinaloa State, Mexico. Since acquiring Los Reyes in 2019, Prime has spent $47,748,955 on direct exploration activities and has completed over 168,000 metres of drilling. On May 2, 2023, Prime announced an updated multi-million-ounce high-grade open pit constrained resource (refer to the May 2, 2023 news release for more details).

May 2, 2023 Resource Statement

Assurance Category	Ore Tonnes Mt	Average Gold Grade (g/t)	Contained Gold (k ozs)	Average Silver Grade (g/t)	Contained Silver (k ozs)	Average AuEq Grade (g/t)	Contained AuEq (k ozs)
Measured (M)	-	-	-	-	-	-	-
Indicated (I)	27.2	1.16	1,013	40.40	35,263	1.68	1,470
M+I	*27.2*	*1.16*	*1,013*	*40.40*	*35,263*	*1.68*	*1,470*
Inferred	18.1	0.85	497	31.52	18,334	1.26	734

Drilling is ongoing and suggests that the three known main deposit areas (Guadalupe, Central and Z-T) are larger than previously reported. Potential also exists for new discoveries where mineralized trends have been identified outside of the currently defined resource areas. Historic operating results indicate that an estimated 1 million ounces of gold and 60 million ounces of silver were recovered from five separate operations at Los Reyes between 1770 and 1990. Prior to Prime's acquisition, recent operators of Los Reyes had spent approximately US$20 million on exploration, engineering, and prefeasibility studies.

HIGHLIGHTS AND KEY DEVELOPMENTS

<u>Los Reyes Project</u>

The 2024 drill program commenced January 1, 2024. Currently, five core drills are in operation targeting resource expansions along strike and down dip, as well as testing new, generative drill targets outside of the current resource footprint.

Refer to the *2024 Outlook* section below for details pertaining to the planned objectives of the 2024 drill program.

<u>Summary of Exploration activities during fiscal 2023</u>

- Completed 58,896 metres ("m") of drilling over 184 holes following success-based exploration program; 162 drill holes intercepted mineralization above approximately 0.2 gpt Au cutoff.
- Expanded high-grade mineralization at Z-T by 350 m along strike and multiple high-grade shoots by several hundred metres down dip.
- Grew the mineralized grade shells at Central and Guadalupe Trends, where we have discovered several new high-grade antithetic veins.
- Continued to develop generative targets, with particular success at Las Primas, as well as several other zones including Fresnillo, Mina, Mariposa and the 300 Trend.
- Advanced our metallurgical, geochemical, geotechnical and project understanding through testwork and field studies.

Z-T Trend – Expansion Drilling and Interpretation

During fiscal 2023, the Company's drilling continued to encounter high grades and wide zones of mineralization at the Z-T Trend, supporting expansion of the Au-Eq grade shell.

Drilling at silver-rich Tahonitas extended mineralization 350 m to the south-east.

In the Zapote West area, exploration along the "300 Trend" began in 2023 as follow-up to the detailed surface mapping completed by the Prime exploration team. The 300 Trend is roughly a 2km long mineralized structure that splays from the main Zapote trend with a 300-degree azimuth and consists of structurally controlled quartz and quartz breccia zones. Eleven widely spaced diamond drill holes tested the structure over an 800 m strike length and to a depth of 250 m, intersecting the mineralized structure in all holes, with the best intersection returning 7.12 grams per tonne ("gpt") gold-equivalent ("AuEq") (6.37 gpt Au and 57.6 gpt Ag) over 2.1 m estimated true width ("etw").

High-grade plunging shoots remain open at depth and along strike in multiple areas along the Z-T Trend. While Prime has drill tested high-grade mineralization along a more than 3km strike length at Z-T, surface mapping has defined a strike length of more than 4km for the Z-T structure.

In 2024, Prime is targeting expansion drilling at Z-T along with generative drilling at Mariposa to the north-west.

Z-T Drill Highlights - Additional new discovery strike extent down dip and below mineral resource estimate ("MRE"):

- 6.19 gpt AuEq (3.33 gpt Au and 220.9 gpt Ag) over 11.6 m etw in hole 23TA-64 in Tahonitas, including:
    - 41.92 gpt AuEq (24.0 gpt Au and 1,385.0 gpt Ag) over 1.0 m etw.
- 4.86 gpt AuEq (3.80 gpt Au and 82.0 gpt Ag) over 13.3 m etw in hole 23TA-69, located 100 m below the MRE resource pit, including:
    - 9.30 gpt AuEq (8.15 gpt Au and 89.2 gpt Ag) over 3.7 m etw.
    - 3.87 gpt AuEq (3.16 gpt Au and 54.9 gpt Ag) over 20.5 m etw in hole 23TA-71, located 220 m down dip and below the MRE resource pit, including:
    - 8.72 gpt AuEq (7.63 gpt Au and 84.0 gpt Ag) over 5.5 m etw.
- 2.09 gpt AuEq (1.26 gpt Au and 63.9 gpt Ag) over 11.6 m etw in hole 23TA-90, including:
    - 3.83 gpt AuEq (2.61 gpt Au and 94.5 gpt Ag) over 2.2 m etw.

Significant SE strike extension potential at Tahonitas:

- 3.74 gpt AuEq (0.99 gpt Au and 212.5 gpt Ag) over 5.7 m etw in hole 23TA-100, located 350m along strike to the SE from the MRE pit crest, including:
    - 10.94 gpt AuEq (2.97 gpt Au and 616.0 gpt Ag) over 1.3 m etw.
- 2.33 gpt AuEq (0.83 gpt Au and 115.9 gpt Ag) over 7.1 m etw in hole 23TA-91, located 150m along strike to the SE from the MRE pit crest.

Mariposa, a generative target northwest of Z-T, returned strong gold grades:

- 3.3 gpt AuEq (3.11 gpt Au and 14.8 gpt Ag) over 2.2 m etw downhole in new hole 23MA-11

Guadalupe Trend – Expansion Drilling and Interpretation

The Guadalupe Trend hosts approximately one-half of the Indicated gold-equivalent resource in the Company's 2023 MRE. Within this trend, Guadalupe East hosts significant high-grade material, with drill hole 23GE-147 returning one of the highest-grade intercepts ever recorded at the Project at 45.3 gpt Au and 2,723 gpt Ag over 4.75 m (80.6 gpt AuEq over 3.9 m etw). This hole expands the very-high grade mineralization along several antithetic structures within the 2023 resource pit and returned substantially higher grades than previously estimated in many instances.

Drilling completed in fiscal 2023 in the San Manuel-Echeguren shaft area, which includes 23GE-142, -144, and -145, resulted in the expansion of the >1gpt AuEq grade shell approximately 370 m along strike from the current Guadalupe East MRE pit crest (measured from pit to the intercept in 23GE-146), with mineralization open in several directions.

In 2024, drilling at Guadalupe is planned to expand the known high-grade areas.

Guadalupe East – High grade gold and silver:
- 13.51 gpt AuEq (10.10 gpt Au and 263.8 gpt Ag) over 2.2 m etw in hole 23GE-142 at Guadalupe East, including:
  - 23.46 gpt AuEq (17.80 gpt Au and 437.0 gpt Ag) over 1.2 m etw; and,
  - 44.39 gpt AuEq (18.20 gpt Au and 2,024.0 gpt Ag) over 1.0 m etw
- 15.06 gpt AuEq (5.46 gpt Au and 742.0 gpt Ag) over 0.8 m etw in hole 23GE-136.
- 17.95 gpt AuEq (9.69 gpt Au and 638.6 gpt Ag) over 31.25 m etw in hole 23GE-147, including:
  - 52.67 gpt AuEq (29.41 gpt Au and 1,797.3 gpt Ag) over 6.45 m etw, and including,
  - 80.57 gpt AuEq (45.34 gpt Au and 2,722.6 gpt Ag) over 3.90 m etw.
- 27.56 gpt AuEq (8.17 gpt Au and 1,498.0 gpt Ag) over 0.6 m etw in new hole 23GE-144.

Orito Sur, a generative target north of Guadalupe East, returned strong gold and silver grades:
- 5.3 gpt AuEq (2.70 gpt Au and 200.5 gpt Ag) over 2.4 m etw in new hole 23OS-01.

Mina, a generative target northeast of Guadalupe East, also returned strong grades:
- 4.24 gpt AuEq (2.54 gpt Au and 131.3 gpt Ag) over 4.9 m downhole in new hole 23MINA-13.

Central Trend – Expansion Drilling and Interpretation

2023 drilling at Noche Buena, located in the southeastern-most end of the Central Trend demonstrated mineralization up to 150 m along strike from the bottom of the MRE pit. Drilling confirms the ongoing expansion of potential gold-silver resources in addition to and not included in the Company's MRE. Additionally, Prime intersected a substantial volume of high-grade mineralization in the previously untested gap between the Noche Buena and San Miguel East MRE pits.

In 2024 target, Prime drilling at Central is intended to increase the Central Area resource through additions at Noche Buena and its connection to San Miguel East.

Central – High grade, near-surface material at Noche Buena:
- 4.99 gpt AuEq (4.11 gpt Au and 67.9 gpt Ag) over 9.1 m etw in hole 23NB-46, located 150 m along strike from the bottom of the MRE pit, including:
  - 37.48 gpt AuEq (31.40 gpt Au and 470.0 gpt Ag) over 1.1 m etw.
- 1.50 gpt AuEq (1.23 gpt Au and 20.5 gpt Ag) over 14.0 m etw in hole 23NB-39, located immediately adjacent to the MRE pit, including:
  - 5.17 gpt AuEq (4.19 gpt Au and 76.0 gpt Ag) over 2.0 m etw.
- 2.43 gpt AuEq (0.91 gpt Au and 117.3 gpt Ag) over 6.5 m etw in new hole 23NB-59.

Noche Buena and San Miguel East – Drilling to fill the gap returns strong silver values:

- 4.49 gpt AuEq (1.48 gpt Au and 232.6 gpt Ag) over 5.0 m etw in hole 23NB-51, including:
  - 8.00 gpt AuEq (2.70 gpt Au and 409.4 gpt Ag) over 2.6 m etw and;
  - 3.51 gpt AuEq (3.36 gpt Au and 11.9 gpt Ag) over 1.2 m etw.
- 3.81 gpt AuEq (1.62 gpt Au and 169.2 gpt Ag) over 2.6 m etw in hole 23NB-53, including:
  - 8.21 gpt AuEq (2.77 gpt Au and 420.0 gpt Ag) over 1.0 m etw;
- 1.33 gpt AuEq (0.55 gpt Au and 60.1 gpt Ag) over 4.4 m etw in hole 23SME-37, including:
  - 2.65 gpt AuEq (2.03 gpt Au and 48.2 gpt Ag) over 0.7 m etw;
- 2.23 gpt AuEq (0.99 gpt Au and 95.9 gpt Ag) over 1.4 m etw in hole 23SME-34, located on the north-east side of San Miguel East.

Las Primas – Generative Drilling and Interpretation

Las Primas, located between the Central and Guadalupe Trends, was first identified through historical records and the Company's earlier sampling and mapping work. Newly discovered Las Primas mineralization lies entirely outside of the MRE and contains high-grades and significant thicknesses. The precious metals mineralization is in high-grade plunging shoots containing multiple gram per tonne AuEq centers with outer, lower-grade halos.

In 2023, mapping and drilling at Las Primas confirmed the continuity of at least two mineralized structural corridors that remain open in all directions. Drilling at Las Primas intercepted several new high grade mineralized structures that appear to have many similarities to Guadalupe East in particular, which is located 500 m to the northeast. Early mineralization modeling suggests a vertical extent of over 300 m and 450 m along strike.

In 2024, Las Primas is targeted as part of the generative drilling program.

Las Primas Area – Prime discovery:

- 15.63 gpt AuEq (11.60 gpt Au and 311.1 gpt Ag) over 4.5 m etw in hole 23LP-18, including:
  - 27.52 gpt AuEq (20.39 gpt Au and 550.8 gpt Ag) over 2.5 m etw, and including,
  - 56.28 gpt AuEq (41.90 gpt Au and 1,111.0 gpt Ag) over 1.1 m etw;
- 12.34 gpt AuEq (10.85 gpt Au and 114.9 gpt Ag) over 2.5 m etw in hole 23LP-14 at Las Primas, including:
  - 17.50 gpt AuEq (15.40 gpt Au and 162.2 gpt Ag) over 1.7 m etw.
- 1.73 gpt AuEq (1.70 gpt Au and 2.3 gpt Ag) over 9.6 m etw in hole 23LP-06, including:
  - 4.94 gpt AuEq (4.88 gpt Au and 4.7 gpt Ag) over 3.0 m etw.
- 1.20 gpt AuEq (0.87 gpt Au and 25.8 gpt Ag) over 14.6 m etw in hole 23LP-07, starting just below surface.

Fresnillo – Generative Drilling and Interpretation

Fresnillo, located between the Z-T and Central Trends, was first drilled as part of Prime's 2022 drill program. Fresnillo is a highly prospective earlier stage target with 2023 drilling intercepting thick mineralized structures.

In 2024, follow-up drilling is planned with surface mapping and modelling ongoing.

Fresnillo – Prime original discovery:

- 1.67 gpt AuEq (1.44 gpt Au and 17.6 gpt Ag) over 15.8 m etw in hole 22FRE-09, including:
  - 5.36 gpt AuEq (4.73 gpt Au and 48.4 gpt Ag) over 2.9 m etw.
- 1.65 gpt AuEq (1.06 gpt Au and 45.2 gpt Ag) over 10.9 m etw in hole 23FRE-19, including:
  - 12.30 gpt AuEq (6.63 gpt Au and 438.0 gpt Ag) over 0.85 m etw.

<u>Exploration activities during Q1 2024</u>

In Q1 2024, the Company focussed drilling activities on the following areas:

- Tahonitas at the Z-T Trend;
- Las Primas, and
- Noche Buena.

During the quarter, the Company highlighted certain drill results from 2023 in the following news releases (further summarized in the above-noted 2023 summary of exploration):

Prime Intersects 3.74 gpt AuEq Over 5.7m at Z-T in New High-Grade Mineralized Zone 350m Beyond Current Resource Pit While Extending High-Grade Shoots at Depth - February 6, 2024

<u>Expansion Drilling Highlights in the Z-T Area</u>
The Company reported 21 core holes at Tahonitas with the following highlights:

- 3.59 gpt AuEq (3.54 gpt Au and 4.1 gpt Ag) over 6.6 m etw in hole 23TA-85, including:
    - 6.21 gpt AuEq (6.17 gpt Au and 2.9 gpt Ag) over 1.4 m etw, and including,
    - 12.35 gpt AuEq (12.10 gpt Au and 19.1 gpt Ag) over 1.0 m etw.
- 2.09 gpt AuEq (1.26 gpt Au and 63.9 gpt Ag) over 11.6 m etw in hole 23TA-90, including:
    - 3.83 gpt AuEq (2.61 gpt Au and 94.5 gpt Ag) over 2.2 m etw.
- 3.74 gpt AuEq (0.99 gpt Au and 212.5 gpt Ag) over 5.7 m etw in hole 23TA-100, including:
    - 10.94 gpt AuEq (2.97 gpt Au and 616.0 gpt Ag) over 1.3 m etw.
- 2.33 gpt AuEq (0.83 gpt Au and 115.9 gpt Ag) over 7.1 m etw in hole 23TA-91, including:
    - 8.14 gpt AuEq (2.85 gpt Au and 409.0 gpt Ag) over 0.9 m etw.
- 2.21 gpt AuEq (0.69 gpt Au and 117.8 gpt Ag) over 5.0 m etw in hole 23TA-94.
- 6.39 gpt AuEq (4.51 gpt Au and 145.3 gpt Ag) over 1.2 m etw in hole 23TA-99.

Prime Intercepts High Grades at Las Primas and Record High Grades at Guadalupe East - January 10, 2024
Drilling at Las Primas has intercepted several new high grade mineralized structures that appear to have many similarities to Guadalupe East, located 500m to the northeast. This discovery highlights the potential at Las Primas, which lies entirely outside of the previously reported 2023 Mineral Resource Estimate ("MRE"). Early mineralization modeling suggests a vertical extent of over 300m and 450m along strike.

Drill hole 23GE-147 at Guadalupe East contains one of the highest-grade intercepts ever recorded at the Project, with 45.3 gpt Au and 2,723 gpt Ag over 4.75m (80.6 gpt AuEq). 23GE-147 expands the very-high grade mineralization along several antithetic structures within the 2023 resource pit and returned substantially higher grades than previously estimated in many instances.

<u>Drill Highlights – Generative: Las Primas Area</u>
The Company reported five core holes at Las Primas. Highlights are listed below:

- 15.63 gpt AuEq (11.60 gpt Au and 311.1 gpt Ag) over 4.5 m etw in hole 23LP-18, including:
    - 27.52 gpt AuEq (20.39 gpt Au and 550.8 gpt Ag) over 2.5 m etw, and including,
    - 56.28 gpt AuEq (41.90 gpt Au and 1,111.0 gpt Ag) over 1.1 m etw;
- 1.91 gpt AuEq (1.29 gpt Au and 47.7 gpt Ag) over 10.20 m etw in 23LP-20, including
    - 6.43 gpt AuEq (2.2 gpt Au and 327 gpt Ag) over 1.3 m etw;
- 1.89 gpt AuEq (0.73 gpt Au and 89.61 gpt Ag) over 2.6 m etw in hole 23LP-17, including:
    - 5.61 gpt AuEq (1.97 gpt Au and 281 gpt Ag) over 1.0 m etw.

(In Canadian dollars, except where noted)

Drill Highlights – Expansion: Guadalupe Zone, Guadalupe East Area

The Company reported one core hole at Guadalupe East. Highlights are listed below:

- 17.95 gpt AuEq (9.69 gpt Au and 638.6 gpt Ag) over 31.25 m etw in hole 23GE-147, including;
  - 52.67 gpt AuEq (29.41 gpt Au and 1,797.3 gpt Ag) over 6.45 m etw, and including,
  - 80.57 gpt AuEq (45.34 gpt Au and 2,722.6 gpt Ag) over 3.90 m etw.

Drilling Summary (2023 and 2022)

	Q4 2023	Q3 2023	Q2 2023	Q1 2023	**Fiscal 2023**
Drill holes completed	**53**	35	44	52	**184**
Drilling metres	**17,215**	11,768	14,201	15,712	**58,896**

	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Fiscal 2022
Drill holes completed	58	48	84	76	266
Drilling metres	14,895	13,241	24,642	22,587	75,365

Project Expenditures

Project expenditures during the years ended December 31, 2023 and 2022, are summarized as follows:

	Fiscal 2023	Fiscal 2022
Drilling	**$ 8,215,329**	$ 9,587,542
Salaries and personnel	**3,896,133**	3,461,425
Resource assaying, estimation and technical services	**2,534,064**	2,661,624
Equipment and field supplies	**1,474,474**	1,573,495
Land payments and maintenance	**487,214**	255,877
General and administrative	**508,702**	192,442
	$ 17,115,916	$ 17,732,405

Review of expenditures for Q4 2023 compared to Q4 2022

Drilling increased to $2,309,570 compared to $2,054,054 during the Q4 2022. The Q4 2023 exploration program drilled more meters than the Q4 2022 exploration program increasing expenditures.

Salaries and personnel increased to $1,458,511 compared to $1,210,395 during Q4 2022, as a result of adjustments to staffing levels and salaries. Additionally, there were increased bonuses awarded during Q4 2023.

Resource and estimation and technical services increased to $931,301 compared to $382,399 during Q4 2022. The increase is a result of more assays being completed per metre drilled compared to the prior period. Additionally, expenditures were incurred on the metallurgical test work and other technical programs.

Equipment and field supplies increased to $377,272 compared to $299,779 during Q4 2022, as a result of increased drilling meters. Additionally, the increase is due to general cost increases for supplies and result of local foreign currency appreciation.

(In Canadian dollars, except where noted)

General and administrative expenditures relate primarily to local consulting, accounting, and legal support. Additionally, salaries are included related to Minera Amari corporate personnel. The expenditures increased to $98,081. The increase is the result of an additional employee and increased travel to the site. Additionally, there have been increased legal and consulting expenses as a result of legal reviews pertaining to the new Mexican Mining Decree and work with the Ejido.

Review of expenditures for fiscal 2023 compared to fiscal 2022

Drilling decreased to $8,215,329 compared to $9,587,542 during fiscal 2022. The 2023 exploration program has drilled fewer meters than fiscal 2022 exploration program reducing expenditures.

Salaries and personnel increased to $3,896,133 compared to $3,461,425 during fiscal 2022. Additional employees and salary adjustments have led to increased expenditures during fiscal 2023.

Resource and estimation and technical services decreased to $2,534,064 compared to $2,661,624 during fiscal 2022. As a result of fewer meters drilled during the 2023 exploration program assaying expenditures have decreased. This decrease in spending was offset by increased spending on technical programs and studies.

Equipment and field supplies decreased to $1,474,474 compared to $1,573,495 during fiscal 2022. The decrease is due to decreased activities at the Los Reyes Project. Additionally, reduced field supplies, such as core boxes, were required as a result of decreased meters drilled.

Land payments and maintenance increased to $487,214 compared to $255,877 during fiscal 2022. Property concession payments have remained consistent with fiscal 2022. The increase is due to increased road works and additional land access payments to Ejido members.

General and administrative expenditures relate primarily to local consulting, accounting, and legal support. Additionally, salaries are included related to Minera Amari corporate personnel. The expenditures increased to $508,702. The increase is the result of an additional employee and increased travel to the site. Additionally, there have been increased legal and consulting expenses as a result of reviewing the mining law changes in Mexico and work with the Ejido.

Aggregate Los Reyes Project expenditures

Project expenditures since acquisition, are summarized as follows:

	Total
Drilling	**$ 23,177,287**
Salaries and personnel	**10,522,449**
Resource assaying, estimation, and technical services	**7,389,450**
Equipment and field supplies	**4,124,028**
Land payments and maintenance	**1,196,253**
General and administrative	**1,339,488**
	$ 47,748,955

Resource estimate

In May 2023, the Company reported it's first mineral resource estimate ("MRE") based on the addition of Prime's almost 110,000 m of core (90%) and Reverse Circulation (10%) drilling. The new 2023 pit constrained MRE (at 0.22 g/t Au cut-off) comprised 27.2 million tonnes Measured and Indicated resources (1,013,000 ounces contained Au at 1.16 g/t and 35.26 million ounces contained Ag at 40.4 g/t) and an additional 18.1 million tonnes (497,000 ounces contained Au at 0.85 g/t and 18.33 million ounces contained Ag at 31.5 g/t) of Inferred material.

The 2023 MRE estimate increased the pit-constrained tonnes 38% for the Measured and Indicated category (60% increase in contained Au with a 16% increase in average gold grade, plus 112% increase in contained Ag with a 54% increase in average Ag grade). The pit-constrained tonnes increased 155% for the Inferred category (178% increase in contained Au with a 9% increase in average gold grade, plus 168% increase in contained Ag with a 5% increase in average Ag grade).

This MRE was completed under the supervision of John Sims, a member of the American Institute of Professional Geologists since 2004, an 'Independent Qualified Person' as defined by NI 43-101 guidelines, with over 35 years of related experience. Prime filed a NI 43-101 compliant updated Technical Report in support of this resource update on June 13, 2023.

Corporate

Warrant acceleration

During April 2023, the volume weighted average trading price of the Company's common shares on the TSX Venture Exchange ("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 warrants. 4,590 warrants expired without being exercised.

Management

During April 2023, the Company appointed Ms. Indi Gopinathan, as Vice President Capital Markets and Business Development.

During February 2024, the Company appointed Mr. Scott Hicks, as Chief Executive Officer. Mr. Daniel Kunz remains as a strategic advisor and director.

ESG

During April 2023, the Company issued it's inaugural 2022 sustainability report.

Annual general meeting

During July 2023, the Company held the annual general meeting which resulted in the election of all the directors listed as nominees in management's information circular dated June 9, 2023, as well as the approval of all matters presented.

Directors

During August 2023, Mr. Kerry Sparkes was appointed, and Mr. Paul Larkin resigned as a director of the Company.

During February 2024, Mr. Scott Hicks was appointed to the Board of Directors, concurrent with the CEO appointment.

Deferred share units grants

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.

During September 2023, DSUs were granted to purchase 64,795 common shares. The DSUs were granted to a director and will vest after twelve months.

During January 2024, DSUs were granted to purchase 661,202 common shares. The DSUs were granted to the board of directors and will vest after twelve months.

Restricted share units grant

During January 2024, restricted share units ("RSUs") were granted to purchase 455,846 common shares. The RSUs will vest over a three-year period, with one-third vesting on the first-year anniversary of the grant, one-third on the second-year anniversary, and one-third on the third-year anniversary. Settlement will occur at the end of the third year.

Stock options grants

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.

During September 2023, stock options were granted to purchase up to 200,000 common shares at a price of $1.08 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 January 2024, stock options were granted to purchase up to 991,626 common shares at a price of $1.83 per share. The stock options granted have a five-year life with one-third vesting on the first anniversary of the grant date, one-third vesting on the second anniversary of the grant date, and one-third vesting on the third anniversary of the grant date.

Financial advisory firm fee

During June 2023, the Company issued 63,025 common shares and 63,025 warrants to pay a financial advisory firm fee. Each warrant is exercisable into one common share at an exercise price of $2.52 until June 8, 2026.

During December 2023, the Company issued 82,720 common shares and 82,720 warrants to pay a financial advisory firm fee. Each warrant is exercisable into one common share at an exercise price of $2.04 until December 8, 2026.

TSX graduation

During December 2023, the Company graduated from the TSX-V to the TSX.

Mining law ruling

Following a process commenced by the Company in July 2023, a Federal judge in Mexico has granted its applications for Federal protection, or 'Amparos', to conduct its activities under the previous (1994) mining-related laws, and is thereby not subject to the 2023 reforms for both the Los Reyes Project, as well as the adjacent El Rey claim once the latter claim is granted.

Critical to the rulings, the granted applications protect the Los Reyes Project and El Rey claims constitutionally from any further changes to mining related laws in Mexico. This protection extends to the 2023 mining-related laws, which included reforms to water usage, reclamation considerations and the scope and term of mining concessions.

As expected, and required by law, the government has appealed the rulings. However, the rulings are expected to be upheld given the procedural shortcomings of the 2023 mining law implementation and likelihood that the 2023 reforms will be deemed unconstitutional by the Supreme Court.

2024 OUTLOOK

The Company is targeting 40,000 metres in its fiscal 2024 drill program and will continue to evaluate drilling plans using its success-based approach. This evaluation will also include prioritization of targets based on probability of resource development and generative area discovery potential. Additional work will include geological mapping and geochemical sampling.

Five drill rigs are active on site at Los Reyes, with fiscal 2024 exploration focused on:

- Extending the high-grade Z-T Area shoots that remain open at depth, as well as along strike, both north and south.
- Expanding the known high-grade mineralization at Guadalupe East.
- Increasing the Central Area resource through additions at Noche Buena and its connection to San Miguel East.
- Generative target drilling of high-grade intercepts at Las Primas, Mariposa, Fresnillo, Mina and others to further develop the resource potential at Los Reyes.

Project activities are also planned to include:

- Technical: Continue preliminary investigations of metallurgical, geotechnical and mine planning parameters, including process flowsheet optimization, assessment of open pit versus underground opportunities and evaluation of permitting requirements.
- Community Engagement: Continue to engage with local ejidos (communities) through educational and community programming, access (road) improvements and water access.
- Los Reyes Resource Update: Target a late-2024 resource increase, subject to drilling results from the full year 2023 and on-going 2024.

(In Canadian dollars, except where noted)

ANNUAL AND QUARTERLY RESULTS

Annual results

		Year ended December 31, 2023		Year ended December 31, 2022		Eight months ended December 31, 2021
Loss for the year	**$**	**(24,389,430)**	$	(27,372,260)	$	(14,297,342)
Loss per share – basic and diluted		**(0.18)**		(0.24)		(0.13)
Total assets		**47,908,403**		38,105,206		41,785,376
Total non-current liabilities		**825,152**		883,021		1,098,326
Cash balance		**33,811,215**		23,811,434		27,413,707
Working capital	**$**	**31,532,347**	$	22,853,882	$	26,232,817

Quarterly results

		Q4 2023		Q3 2023		Q2 2023		Q1 2023
Loss for the period	**$**	**(7,444,384)**	$	(5,235,461)	$	(5,714,118)	$	(5,995,467)
Loss per share – basic and diluted		**(0.05)**		(0.04)		(0.04)		(0.05)
Total assets		**47,908,403**		53,352,971		57,756,010		33,829,051
Total non-current liabilities		**825,152**		851,979		846,486		872,751
Cash balance		**33,811,215**		39,231,792		43,669,878		19,240,951
Working capital	**$**	**31,532,347**	$	38,434,520	$	43,109,164	$	18,692,657

		Q4 2022		Q3 2022		Q2 2022		Q1 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

Review of Consolidated Financial Information for Q4 2023 compared to Q4 2022

Loss for the Company was $7,444,384 ($0.05 per share) compared to $6,378,755 ($0.06 per share) during Q4 2022, as a result of the following factors:

Corporate and administrative expense
Corporate and administrative expenses increased to $2,242,862 compared to $1,929,743 during fiscal 2022. The significant cash components of these expenses include salaries and personnel, consulting and professional fees and investor relations.

Salaries and personnel increased to $1,167,603 compared to $815,494 during fiscal 2022, as a result of adjustments to senior management salaries and additions to the senior management group. Additionally, bonuses awarded to senior management increased as a result of the increased base salaries paid during fiscal 2023.

Consulting and professional fees include legal, accounting, capital and strategic advisors, increased to $223,341 compared to $177,052 during Q4 2022, as a result of additional financial advisory firm fees.

Investor relations expenses includes news releases, communications programs, and participation at conferences. The expense increased to $141,608 compared to $158,854 during Q4 2022. During Q4 2023, activities continued to increase as a result of new management reviewing and enhancing investor relation programs.

The significant non-cash component of these expenses includes share-based compensation, which was $420,261 compared to $675,100 during fiscal 2022. The decrease is a result of less vesting value of granted options, as options remaining to vest had less fair value per option. This decrease was offset by RSU and DSU expense of $57,344 and $165,015, respectively, related to the vesting of units during fiscal 2023.

Exploration and evaluation
Exploration and evaluation expense was $5,245,821 compared to $3,988,322 during Q4 2022. The Company increased exploration activities at the Los Reyes Project. Refer to the *Highlights and Key Developments* section above.

Value added tax provision
Value added tax provision decreased to $481,737 compared to $577,118 as a result of 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.

<u>Review of Consolidated Financial Information fiscal 2023 compared to fiscal 2022</u>

Loss for the Company was $24,389,430 ($0.18 per share) compared to $27,372,260 ($0.24 per share) during fiscal 2022, as a result of the following factors:

Corporate and administrative expense
Corporate and administrative expenses decreased to $6,790,482 compared to $7,381,989 during fiscal 2022. The significant cash components of these expenses include salaries and personnel, consulting and professional fees and investor relations.

Salaries and personnel increased to $2,362,075 compared to $1,780,414 during fiscal 2022, as a result of adjustments to senior management salaries and additions to the senior management group.

Consulting and professional fees include legal, accounting, capital and strategic advisors increased to $763,426 compared to $554,727 during fiscal 2022, as a result of additional financial advisory firm fees.

Investor relations expenses includes news releases, communications programs, and participation at conferences. The expense increased to $636,064 compared to $384,554 during fiscal 2022. During fiscal 2023, activities continued to increase as a result of new management reviewing and enhancing investor relation programs.

The significant non-cash component of these expenses includes share-based compensation, which was $2,391,282 compared to $4,143,316 during fiscal 2022. The decrease is a result of granting 900,000 share options at a weighted average grant-date fair value of $1.02 compared to 1,275,000 share options at a weighted average grant-date fair value of $1.72. Additionally, the Company incurred RSU and DSU expense of $398,247 and $532,549, respectively, related to the granting and vesting of units during fiscal 2023.

Exploration and evaluation
Exploration and evaluation expense was $17,115,916 compared to $17,732,405 during fiscal 2022. The Company decreased exploration activities at the Los Reyes Project. Refer to the *Highlights and Key Developments* section above.

Value added tax provision
Value added tax provision decreased to $2,575,666 compared to $2,686,907 as a result of project expenditures and foreign exchange adjustments. The Mexican peso has appreciated substantially during the period resulting in an increased provision on the Mexican peso denominated VAT.

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.

Interest income
Interest income increase to $1,654,911 compared to $177,257 during fiscal 2022. The Company maintained significant cash balances that earned interest during fiscal 2023.

Significant Quarterly Variations

- Q1 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.
- Q2 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.
- Q3 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.
- Q4 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.
- Q1 2023 - The Company incurred additional salaries and personnel expense of $380,301 related to normal operations. There was share-based compensation expense of $752,057. Additionally, exploration and evaluation expenses of $3,987,651 were incurred at the Los Reyes Project. A value added tax provision of $920,008 further increased the loss for the period.
- Q2 2023 - The Company incurred additional salaries and personnel expense of $399,604 related to normal operations. There was share-based compensation expense of $681,663. Additionally, exploration and evaluation expenses of $4,039,306 were incurred at the Los Reyes Project. A value added tax provision of $707,922 further increased the loss for the period.
- Q3 2023 - The Company incurred additional salaries and personnel expense of $414,567 related to normal operations. There was share-based compensation expense of $537,301. Additionally, exploration and evaluation expenses of $3,848,138 were incurred at the Los Reyes Project. A value added tax provision of $465,999 further increased the loss for the period.
- Q4 2023 - The Company incurred additional salaries and personnel expense of $1,167,603 related to normal operations and bonus awarded to senior management. There was share-based compensation expense of $420,261. Additionally, exploration and evaluation expenses of $5,245,821 were incurred at the Los Reyes Project. A value added tax provision of $481,737 further increased the loss for the period.

(In Canadian dollars, except where noted)

Cash flows

		Year ended December 31, 2023		Year ended December 31, 2022
Cash used in operating activities	**$**	**(21,803,972)**	$	(23,310,263)
Cash provided by financing activities		**30,202,875**		19,809,216
Cash provided by (used in) investing activities		**1,600,878**		(101,226)
Increase (decrease) in cash		**9,999,781**		(3,602,273)
Cash, beginning of year		**23,811,434**		27,413,707
Cash, end of year	**$**	**33,811,215**	$	23,811,434

Operating activities
During fiscal 2023, salaries and personnel expenditures of $2,362,075 were incurred by the Company which is a significant portion of the operating expenditures. There were office rent and administrative expenditures of $637,635. Investor relations expenditures of $636,064 were also incurred. Additional expenditures of $17,115,916 were incurred relating to Los Reyes Project. The Company incurred VAT expenditures of $2,575,666.

During fiscal 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. The Company incurred VAT expenditures of $2,686,907.

Financing activities
During fiscal 2023, the Company had the following significant financing activities:

- Accelerated the exercise of the $2.00 warrants and issued 14,025,410 common shares for gross proceeds of $28,050,820, 4,590 warrants expired without being exercised.
- Issued 1,836,319 common shares for gross proceeds of $2,019,951 upon exercise of warrants.
- Issued 150,000 common shares for gross proceeds of $266,750 upon exercise of options.

During fiscal 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.

Investing activities
During fiscal 2023, the Company received interest of $1,654,941.

During fiscal 2022, the Company purchased new equipment totalling $278,483. Additionally, the Company received interest of $177,257.

(In Canadian dollars, except where noted)

LIQUIDITY AND CAPITAL RESOURCES

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

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

Factors that may affect the Company's liquidity are continuously monitored. These factors include the market price of gold, operating costs, exploration expenditures, the timing of VAT recoveries, foreign currency fluctuations, health and safety risks, 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, 2023, the Company had working capital of $31,532,347 including cash of $33,811,215, compared to a working capital of $22,853,882 at December 31, 2022. Accounts payable and accruals increased to $2,430,553 compared to $1,173,290, at December 31, 2022, due to bonuses awarded to senior management. The long-term payable of $738,832 requires payment when the value added tax receivable of $820,924 is refunded.

At December 31, 2023, 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 $145,838 through 2027.

RELATED PARTY TRANSACTIONS

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

Key management compensation includes:

		December 31, 2023		December 31, 2022
Salaries, personnel and benefits	**$**	**2,353,601**	$	1,822,199
Directors fees		**279,493**		268,685
Consulting fees		**79,148**		55,993
Share-based compensation		**2,058,243**		2,302,574
	$	**4,770,485**	$	4,449,451

Trade payables and accruals include $875,993 (December 31, 2022 - $268,327) owed to directors and officers of the Company.

(In Canadian dollars, except where noted)

OUTSTANDING SHARE DATA

At March 25, 2024, the Company had the following equity securities outstanding:

	Authorized	Outstanding
Equity securities – voting	Unlimited common shares	144,359,505 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 11,431,626 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 722,513 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 995,356 common shares
Warrants convertible to voting common shares		Warrants to acquire 22,553,564 common shares

MATERIAL ACCOUNTING POLICY INFORMATION

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"), effective as of December 31, 2023. The Company's material accounting policy information are described in note 3 of the Company's consolidated financial statements for the years ended December 31, 2023 and 2022.

CRITICAL ACCOUNTING ESTIMATES

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

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

The accounting policies applied in the preparation of the Company's consolidated financial statements for the years ended December 31, 2023 and 2022, are consistent with those applied and disclosed in the Company's consolidated financial statements.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments consist of cash, trade payables and accruals, 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 17 of the consolidated financial statements.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

In compliance with the Canadian Securities Administrators' Regulation we have filed certificates signed by the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") that, among other things, report on the design of disclosure controls and procedures and the design of internal controls over financial reporting.

Disclosure Controls and Procedures

The CEO and the CFO have designed disclosure controls and procedures, or have caused them to be designed under their supervision, in order to provide reasonable assurance that:

i. material information relating to the Corporation has been made known to them; and
ii. information required to be disclosed in the Corporation's filings is recorded, processed, summarized and reported within the time periods specified in securities legislation.

There were no changes made to the Company's disclosure controls and procedures in Q4 2023.

Internal Control over Financial Reporting

The CEO and the CFO have also designed internal controls over financial reporting ("ICFR") or have caused them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Management has undertaken to put into place or caused to be put in place under its supervision, a system of internal controls appropriate for its size, and reflective of its level of operations.

Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable, not absolute, assurance with respect to financial statement preparation and presentation. There have been no significant changes in our internal controls during the three months and year ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that any design will not succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

OFF-BALANCE SHEET ARRANGEMENTS

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

PROPOSED TRANSACTIONS

At December 31, 2023, and the date hereof, the Company had no proposed transaction.

RISKS AND UNCERTAINTIES

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. The Company's mineral property interests are of high risk and are considered to be speculative in nature. There is no certainty that the expenditures made by the Company towards the search for and evaluation of minerals with regard to its mineral property interests, or otherwise, will result in discoveries of commercial quantities of silver or other minerals.

In addition, the Company may expend substantial funds in exploring some of its properties only to abandon them and lose its entire expenditure on the properties if no commercial or economic quantities of minerals are found. Even if commercial quantities of minerals are discovered, the exploration properties might not be brought into a state of commercial production.

Finding mineral deposits is dependent on a number of factors, including the technical skill of exploration personnel involved. The commercial viability of a mineral deposit once discovered is also dependent on a number of factors, some of which are the particular attributes of the deposit, such as content of the deposit including harmful substances, size, grade, and proximity to infrastructure, as well as metal prices and the availability of power and water in sufficient supply to permit development. Most of these factors are beyond the control of the entity conducting such mineral exploration. Where expenditures on a property have not led to the discovery of mineral reserves, such incurred expenditures will generally not be recoverable. Furthermore, the exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate or even mitigate. While the discovery of a mineral-bearing structure may result in an increase in value for shareholders, few properties which are explored are ultimately developed into producing mines. Substantial expenditures are required to locate and establish mineral reserves through drilling, for development of metallurgical processes to extract the metal from the ore, and in the case of new properties, for construction of the mining and processing facilities and infrastructure at any site chosen for mining.

It is difficult to ensure that the exploration or development programs planned by the Company will result in a profitable commercial mining operation. Whether gold, silver or other precious or base metal or mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as quantity and quality of mineralization and proximity to infrastructure; mineral prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. Other factors include: the ability to hire and retain qualified people, the ability to obtain suitable machinery, equipment or labour, and the ability to obtain necessary services in jurisdictions in which the Company operates. Unfavourable changes to these and other factors have the potential to negatively affect the Company's operations and business.

In the exploration and development phases of a project, no absolute assurance can be given that any particular level of recovery of minerals will be realized or that any potential quantities and/or grade will ever qualify as a resource, or that any such resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, if production is commenced, mineral reserves are finite and there can be no assurance that the Company will be able to locate additional reserves as its existing reserves are depleted.

In general, mining operations involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of silver, precious metals and other minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding, and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage, and possible legal liability.

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 14% 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 has limited financial resources, no history of mineral production, operations or source of operating cash flow and continues to experience losses from operations, a trend the Company expects to continue. The exploration and development of the Los Reyes Project, including continuing exploration, will require additional financing. Historically, the Company has been financed through the issuance of Common Shares or other equity securities. Although the Company has been successful in the past in obtaining financing, the Company has limited financial resources. The Company has no assurance that additional funding will be available to it in the future to fulfill the Company's existing obligations or further exploration and development and, if obtained, on terms favourable to the Company. The ability of the Company to arrange additional financing in the future will depend, in part, on prevailing capital market conditions as well as the business performance of the Company.

The most likely source of future financing presently available to the Company is through the sale of additional Common Shares, which would mean that each existing shareholder would own a smaller percentage of the Common Shares then outstanding. Alternatively, the Company may rely on debt financing and assume debt obligations that require it to make interest and capital payments. Also, the Company may issue or grant warrants or options in the future pursuant to which additional Common Shares may be issued. Exercise of such warrants or options will result in dilution of equity ownership to the Company's existing shareholders.

Failure to obtain required financing could result in delay or indefinite postponement of its anticipated activities in the coming years and could cause the Company to forfeit its interests in some or all of the Company's properties or to reduce or terminate the Company's operations. Failure to obtain required financing would have a material adverse effect on the Company's business, financial condition, and results of operations.

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.

Permitting Risk
The Company's operations in each of the jurisdictions in which it operates are subject to receiving and maintaining permits (including environmental permits) from appropriate governmental authorities.

Furthermore, prior to any development on any of its properties, the Company must receive permits from appropriate governmental authorities. The Company can provide no assurance that necessary permits will be obtained, that previously issued permits will not be suspended for a variety of reasons, including through government or court action, or that delays will not occur in connection with obtaining all necessary permits, renewals of permits for existing operations, or additional permits for any possible future changes to operations, or additional permits associated with new legislation. The Company can provide no assurance that it will continue to hold or obtain, if required to, all permits necessary to develop or continue operating at any particular site, which would materially adversely affect its operations.

Foreign Country Risk

The Company's sole material property 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, silver 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. No assurance can be given that new tax laws, rules or regulations will not be enacted or that existing tax laws will not be changed, interpreted, or applied in a manner that could result in the Company being subject to additional taxation or that could otherwise have a material adverse affect on the Company.

Further, violence in Mexico is well documented and has, over time, been increasing. Conflicts between the drug cartels and violent confrontations with authorities are not uncommon. Other criminal activity, such as kidnapping and extortion, is also an ongoing concern. Many incidents of crime and violence go unreported and efforts by police and other authorities to reduce criminal activity are challenged by a lack of resources, corruption, and the pervasiveness of organized crime. Incidents of criminal activity have occasionally affected the communities in the vicinity of the Company's operations. Such incidents may prevent access to the Company's property or offices; halt or delay operations and production; result in harm to employees, contractors, visitors, or community members; increase employee absenteeism; create or increase tension in nearby communities; or otherwise adversely affect the Company's ability to conduct business. The Company can provide no assurance that security incidents, in the future, will not have a material adverse effect on its operations.

Inflation Risks

Inflation rates in the jurisdictions in which the Company operates have continued to increase. A significant portion of the upward pressure on prices has been attributed to the rising costs of labour and energy, the fiscal and monetary stimuli provided by governments in response to the COVID-19 pandemic as well as continuing global supply-chain disruptions, with global energy costs increasing significantly following the invasion of Ukraine by Russia in February 2022. Moreover, the Middle East is an important contributor to global oil supplies and any instability in the region, such as the Israel-Hamas conflict that commenced in October 2023, can cause price hikes due to anticipated supply disruptions, which can in turn affect global inflation rates and trade balances. These inflationary pressures have affected the Company's labour, commodity and other input costs and such pressures may or may not be transitory. Any continued upward trajectory in the inflation rate for the Company's inputs may have a material adverse effect on the Company's operating and capital expenditures for the development of its projects as well as its financial condition and results of operations.

Mine Development Risks

Mine development projects require significant expenditures during the development phase before production is possible. Development projects are subject to the completion of successful feasibility studies and environmental assessments, issuance of necessary governmental permits and availability of adequate financing. The economic feasibility of development projects is based on many factors such as: estimation of mineral reserves, anticipated metallurgical recoveries, environmental considerations and permitting, and anticipated capital and operating costs of these projects. Development projects are uncertain, and it is possible that actual capital and operating costs and economic returns will differ significantly from those estimated for a project prior to production. Particularly for development projects, estimates of proven and probable mineral reserves and cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies that derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates of metals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual capital and operating costs and economic returns will differ significantly from those currently estimated for a project prior to production. Any of the following events, among others, could affect the profitability or economic feasibility of a project: unanticipated changes in grade and tons of ore to be mined and processed, unanticipated adverse geological conditions, unanticipated metallurgical recovery problems, incorrect data on which engineering assumptions are made, availability and costs of labour, costs of processing and refining facilities, availability of economic sources of power, adequacy of water supply, availability of surface on which to locate processing and refining facilities, adequate access to the site, unanticipated transportation costs, government regulations (including regulations with respect to prices, royalties, duties, taxes, permitting, restrictions on production, quotas on exportation of minerals and environment), fluctuations in metals prices, accidents, labour actions, the availability and delivery of critical equipment, successful commissioning and start-up of operations, including the achievement of designed mill recovery rates and force- majeure events.

If actual results are less favourable than currently estimated, the Company's business, results of operations, financial condition and liquidity could be materially adversely affected. Fluctuations in the market price of gold, silver and other metals may significantly adversely affect the value of the Company's securities and the ability of the Company to develop the Los Reyes Project. The value of the Company's securities may be significantly affected by the market price of gold, silver and other metals, which are cyclical and subject to substantial price fluctuations. Market prices can be affected by numerous factors beyond the Company's control, including levels of supply and demand for a broad range of industrial products, economic growth rates of various international economies, expectations with respect to the rate of inflation, the relative strength of various currencies, interest rates, speculative activities, global or regional political or economic circumstances and sales or purchases of gold and silver or other metals by holders in response to such factors.

History of Losses

The Company is an exploration and development stage company and has not generated cash flow from operations. The Company is devoting significant resources to the development of the Los Reyes Project and to actively pursue exploration and development opportunities, however, there can be no assurance that it will generate positive cash flow from operations in the future. The Company expects to continue to incur negative consolidated operating cash flow and losses until such time as it achieves commercial production at a particular project. Historically, the Company's primary source of funding has been the issuance of equity securities for cash. While the Company has successfully raised equity financing in the past, its access to exploration and construction financing is always uncertain, and there can be no assurance of access to significant equity or debt funding. The Company currently has negative cash flow from operating activities.

Limited Operating History

The Company has no history of generating operating revenues or profits. The Company expects to continue to incur losses unless and until such time as it develops its properties and commences operations on its properties. The development of the properties will require the commitment of substantial financial resources. The amount and timing of expenditures will depend on a number of factors, some of which are beyond the Company's control, including the progress of ongoing exploration, studies and development, the results of consultant analysis and recommendations, and the execution of any joint venture agreements with strategic parties, if any. There can be no assurance that the Company will generate operating revenues or profits in the future.

Mining Law Reform

On May 8, 2023, the Mexican Congress introduced a number of changes to the Mexican mining law and mining regulations, including the process by which mining concessions are granted, the term and scope of mining concessions, the legal nature of mining concessions and the ability to transfer title to mining concessions. Proceedings challenging the constitutionality of the reforms have been initiated, although the potential outcome of these proceedings cannot be determined at this time. In the interim, the Company has obtained a ruling from a federal judge in Mexico providing that the previously enacted mining-related laws will continue to govern its activities at the Los Reyes Project. This ruling is currently being appealed by the Mexican government. In the event the reforms remain in place, as enacted, and the Mexican government is successful in overturning the existing ruling on appeal, they could impact the timeline and the process by which development is advanced at the Los Reyes Project.

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.

Risks Related to the Cyclical Nature of the Mining Business

The mining business and the marketability of the products that are produced are affected by worldwide economic cycles. Fluctuations in supply and demand in various regions throughout the world are common.

As the Company's mining and exploration business is in the exploration stage and as the Company does not carry on production activities, its ability to fund ongoing exploration is affected by the availability of financing which is, in turn, affected by the strength of the economy and other general economic factors.

Share Price Fluctuations

The Common Shares are listed and posted for trading on the TSX. An investment in the Company's securities is highly speculative. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration, or development-stage companies such as the Company, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur.

Natural Disasters, Terrorist Acts, Health Crises and Other Disruptions and Dislocations, Including Pandemics

Upon the occurrence of a natural disaster, pandemic or upon an incident of war, riot or civil unrest, the impacted country, and the overall global economy, may not efficiently and quickly recover from such an event, which could have a material adverse effect on the Company. Terrorist attacks, public health crises including epidemics, pandemics or outbreaks of new infectious diseases or viruses, extreme weather and related events can result in volatility and disruption to global supply chains, operations, mobility of people, patterns of consumption and service and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to the Company.

Global markets have been adversely impacted by emerging infectious diseases and/or the threat of outbreaks of viruses, other contagions or epidemic diseases, and many industries, including the mining industry have been impacted. There may not be an adequate response to emerging infectious diseases, or significant restrictions may be imposed by a government, either of which may impact mining operations. There are potentially significant economic and social impacts, including labour shortages and shutdowns, delays and disruption in supply chains social unrest, government or regulatory actions or inactions, including quarantines, travel restrictions, declaration of national emergencies, permanent changes in taxation or policies, decreased demand or the inability to sell and deliver commodities, declines in the price of commodities, delays in permitting or approvals, suspensions or mandated shut downs of operations, governmental disruptions or other unknown events with potentially significant impacts. At this time, management cannot accurately predict what impacts there will be or what effects these conditions will have on the business, including those uncertainties relating to the ultimate geographic spread, the duration of the outbreak, and the length of restrictions or responses that have been or may be imposed by the governments. Given the international nature of the Company's operations, the Company may not be able to accurately predict which operations will be impacted. Any outbreak or threat of an outbreak of a contagious or epidemic disease could have a material adverse effect on the Company, its business and operational results and the market price of its securities.

Current Global Financial Condition

Market events and conditions, including the disruptions in the international credit markets and other financial systems, along with political instability, falling currency prices expressed in United States dollars, the uncertainty surrounding global supply chains and the critical measures implemented by governments globally related to the recent spread of diseases have resulted in commodity prices remaining volatile. These conditions have also caused fear and a loss of confidence in global credit markets, resulting in a climate of greater volatility, tighter regulations, less liquidity, widening credit spreads, 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 and silver; availability of credit; investor confidence; and general financial market liquidity, all of which may adversely affect the Company's business.

These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company.

Increased levels of volatility and market turmoil can adversely impact the Company's operations and the value, and the price of the Common Shares could be adversely affected.

Currency Fluctuations

The Company's operations in Mexico make it subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company reports its financial results in Canadian dollars with the majority of transactions denominated in Canadian dollars. As the exchange rates of the U.S. dollar and Mexican peso fluctuate against the Canadian dollar, the Company will experience foreign exchange gains or losses. The Company does not use an active hedging strategy to reduce the risk associated with currency fluctuations but may decide to do so in the future.

Title Risks
The acquisition of title to mineral tenures in Mexico is a detailed and time-consuming process. Although the Company has diligently investigated title to all mineral tenures and, to the best of its knowledge, title to all of its properties is in good standing, this should not be construed as a guarantee of title. The Company can provide no assurances that there are no title defects affecting its properties. Other parties may dispute title to any of the Company's mineral properties and any of the Company's properties may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected encumbrances or defects or governmental actions. Title to the Company's properties may also be affected by undisclosed and undetected defects. If any claim or challenge is made regarding title, the Company may be subject to monetary claims or be unable to develop properties as permitted or to enforce its rights with respect to its properties.

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.

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
Exploration, development, and production operations on mineral properties involve numerous risks, including but not limited to unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, landslides, earthquakes and other environmental occurrences, risks relating to the storage and shipment of precious metal concentrates and political and social instability. Such occurrences could result in damage to mineral properties, damage to underground development, damage to production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in the ability to undertake exploration, monetary losses, and possible legal liability. Should such liabilities arise, they could reduce or eliminate future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Although the Company maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance policies do not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not always available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards which it may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. The Company does not currently maintain insurance against political risks, underground development risks, production facilities risks, business interruption or loss of profits, theft, the economic value to re-create core samples, environmental risks, and other risks. Furthermore, insurance limits currently in place may not be sufficient to cover losses arising from insured events. Losses from any of the above events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Reliance on Management and Experts
Engineering studies and 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 Regulatory and Hazards
The activities of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving to stricter standards, and enforcement, fines and penalties for noncompliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers, and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the 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.

The Company's current or future activities, including exploration and development activities and operations of the Company require licenses, permits or other approvals from various governmental authorities and activities are and will be governed by laws and regulations governing exploration, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety, mine permitting and other matters. Companies engaged in exploration and development activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits that the Company may require for exploration and development will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake. The Company believes it is in substantial compliance with all material laws and regulations that currently apply to its activities and that it does not currently have any material environmental obligations. However, there may be unforeseen environmental liabilities resulting from exploration, development and/or mining activities and these may be costly to remedy.

The Company does not maintain insurance against all environmental regulatory risks. As a result, any claims against the Company may result in liabilities that could have a significant adverse effect on the operations and financial condition of the Company.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenditures and costs or require abandonment or delays in developing new mining properties.

The Company cannot give any assurances that breaches of environmental laws (whether inadvertent or not) or environmental pollution will not materially or adversely affect its financial condition. There is no assurance that future changes to environmental regulation, if any, will not adversely affect the Company.

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 Change Risk

Climate change is a global challenge that may affect the business of the Company in a range of possible ways. Mining and processing operations can be water and 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 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. Inaccurate disclosure, 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 its 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.

Accounting Policies and Internal Controls

The Company prepares its financial reports in accordance with international financial reporting standards applicable to publicly accountable enterprises. In preparing financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in the Company's annual consolidated financial statements. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported, the Company has implemented and continues to analyze its internal control systems for financial reporting. Although the Company believes its financial reporting and annual consolidated financial statements are prepared with reasonable safeguards to ensure reliability, the Company cannot provide absolute assurance.

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. Despite 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 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 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.

Acquisitions and Integration
From time to time, the Company may examine opportunities to acquire additional mining assets and businesses. Any acquisition that the Company may choose to complete may be of a significant size, may change the scale of the Company's business and operations, and may expose the Company to new geographic, political, operating, financial and geological risks. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate the acquired operations successfully with those of the Company. Any acquisitions would be accompanied by risks. For example, there may be a significant change in commodity prices after the Company has committed to complete the transaction and established the purchase price or exchange ratio; a material property may prove to be below expectations; the Company may have difficulty integrating and assimilating the operations and personnel of any acquired companies, realizing anticipated synergies and maximizing the financial and strategic position of the combined enterprise, and maintaining uniform standards, policies and controls across the organization; the integration of the acquired business or assets may disrupt the Company's ongoing business and its relationships with employees, customers, suppliers and contractors; and the acquired business or assets may have unknown liabilities which may be significant. In the event that the Company chooses to raise debt capital to finance any such acquisition, the Company's leverage will be increased. If the Company chooses to use equity as consideration for such acquisition, existing shareholders may experience dilution. Alternatively, the Company may choose to finance any such acquisition with its existing resources. There can be no assurance that the Company would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

No Dividends
No dividends on the Common Shares have been paid by the Company to date and the Company may not declare or pay any cash dividends in the foreseeable future. Any payments of dividends will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the Company's Board may consider appropriate in the circumstances.

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 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, 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.

ADDITIONAL TECHNICAL NOTES

Metres is represented by "m"; "etw" is Estimated True Width and is based on drill hole geometry or comparisons with other on- section drill holes; "Au" refers to gold, and "Ag" refers to silver; "gpt" is grams per metric tonne; some figures may not sum due to rounding; Composite assay grades presented in summary tables are calculated using a Au grade minimum average of 0.20 gpt or 1.0 gpt as indicated in "Au Cut-off" column of Summary Tables. Maximum internal waste included in any reported composite interval is 3.00 m. The 1.00 gpt Au cut-off is used to define higher-grade "cores" within the lower-grade halo.

Gold equivalent grades are calculated based on an assumed gold price of US$1,700 per ounce and silver price of $22 per ounce, based on the formula AuEq grade (gpt) = Au grade + (Ag grade x $22 / $1,700). Metallurgical recoveries are not considered in the in-situ grade estimate but are estimated to be 93% and 83% for gold and silver, respectively, when processed in a mill, and 72% and 25% respectively when heap-leached.

NEWS RELEASES WITH SUPPORTING TECHNICAL DATA

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

- *"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.
- *"Prime Mining Doubles High-Grade Los Reyes Gold-Silver Resource"* dated May 2, 2023.
- *"PRIME DRILLS NEW MULTIPLE WIDE, HIGH-GRADE INTERCEPTS IN Z-T AREA INCLUDING BONANZA-GRADE INTERVALS"* dated May 24, 2023.
- *"PRIME DISCOVERS NEW WIDE ZONES OF HIGH-GRADE MINERALIZATION IN Z-T AREA SIGNIFICANTLY BELOW RESOURCE PITS"* dated June 20, 2023.
- *"PRIME EXTENDS MINERALIZATION BEYOND LOS REYES RESOURCE PIT AT CENTRAL AREA"* dated July 11, 2023.
- *"PRIME RELEASES HIGH-GRADE DRILL RESULTS FROM TWO NEW GENERATIVE TARGETS AT LOS REYES"* dated September 6, 2023.
- *"PRIME ANNOUNCES EXPANSION DRILLING RESULTS FROM THE Z-T, GUADALUPE AND CENTRAL ZONES AT LOS REYES"* dated September 12, 2023.
- *"PRIME ANNOUNCES FURTHER EXPANSION DRILLING RESULTS FROM THE Z-T AREA AT LOS REYES* dated November 8, 2023.
- *PRIME INTERCEPTS HIGH GRADES AT LAS PRIMAS AND RECORD HIGH GRADES AT GUADALUPE EAST* dated January 10, 2024.
- *PRIME ANNOUNCES 2024 OUTLOOK FOR ITS HIGH-GRADE LOS REYES GOLD-SILVER PROJECT* dated January 24, 2024.
- *PRIME INTERSECTS 3.74 GPT AUEQ OVER 5.7M AT Z-T IN NEW HIGH-GRADE MINERALIZED ZONE 350M BEYOND CURRENT RESOURCE PIT WHILE EXTENDING HIGH-GRADE SHOOTS AT DEPTH* dated February 6, 2024.

- *PRIME RELEASES FINAL 2023 DRILLING RESULTS AND RECAP FROM LOS REYES* dated February 21, 2024.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

These forward-looking statements may include but are not limited to statements concerning:
- The Company's success at completing future financings;
- The Company's strategies and objectives;
- The completion of further exploration and development activity at the Los Reyes Project;
- General business and economic conditions;
- General political climate; and
- The Company's ability to meet its financial obligations as they become due.

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

QUALIFIED PERSON

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