

PALAMINA CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2022

General

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Palamina Corp. ("Palamina", or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the years ended December 31, 2022 and 2021. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the years ended December 31, 2022 and 2021, together with the notes thereto ("the financial statements"). Results are reported in Canadian dollars, unless otherwise noted.

The financial statements and the financial information contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Please refer to Note 4 of the annual audited consolidated financial statements as at and for the years ended December 31, 2022 and 2021 for disclosure of the Company's significant accounting policies.

The audit committee of the Company has reviewed this MD&A and the audited consolidated financial statements for the years ended December 31, 2022 and 2021 and the Company's Board of Directors approved these documents prior to their release.

This MD&A is dated May 1, 2023 and is current to that date.

Additional information relating to the Company is available free of charge on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and on Palamina's website at www.palamina.com.

Caution Regarding Forward Looking Information

This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical fact, that address future exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements.

Qualified Person

Technical information contained in this MD&A has been prepared by or under the supervision of Mr. William McGuinty, P. Geo., consulting geologist and technical advisor to Palamina, who acted as a Qualified Person ("QP") as defined by National Instrument 43-101 – "Standards of Disclosure for Mineral Projects ("NI 43-101"). Mr. McGuinty has reviewed work practices and verified the data comprising such technical information, including sampling, analytical and test data underlying the information or opinions contained in this MD&A.

In addition, Mr. Yury Valdivieso, Palamina's lead geologist and project manager in Peru, is responsible for the execution of all exploration programs. Mr. Valdivieso has a MSc. in economic geology and is a member of the Society of Economic Geologists ("SEG"), the Geological Society of Peru ("SGP") and the College of Engineers of Peru ("CIP").

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Overview

Palamina is an exploration stage company focused on the exploration for economic mineral deposits in Peru through its wholly owned subsidiary, Palamina SAC ("**Palamina Peru**"), and to a lesser extent in Mexico through its wholly owned subsidiary, Palamina S.A. de C.V. ("**Palamina Mexico**"). Palamina was incorporated on April 23, 2015 under the *Business Corporations Act* (Ontario). The Company's head office is located at 145 King Street West, Suite 2870 Toronto, Ontario M5H 1J8. Palamina is a reporting issuer pursuant to the securities laws of Ontario, British Columbia, Alberta, and Saskatchewan and is listed in Canada on the TSX Venture Exchange ("**TSX-V**") under the symbol **PA** and in the United States on the OTCQB under the symbol **PLMNF**.

Management's strategy for building Palamina into a profitable resource company and maximizing shareholder value is to acquire and explore properties with the potential to host significant economic deposits within prolific mining districts in Peru. The Company explores primarily for gold and silver, with the objective of enhancing the value of its properties either by direct exploration or through option or joint venture agreements with third parties. This strategy diversifies the business risks inherent in developing a single property. Palamina owns 13,422,000 common shares and holds 1,321,000 warrants of Winshear Gold Corp. ("**Winshear**") representing an approximate 19.9% interest on a partially diluted basis. Winshear is listed on the TSX-V under the symbol WINS.

Corporate Highlights – January 1, 2022 to May 1, 2023

- **On April 4, 2023** a complete video recording of the evidentiary hearing of Winshear's arbitration against the United Republic of Tanzania ("Tanzania") was posted online at:

<https://www.youtube.com/@internationalcentreforsett919/videos?app=desktop>
- **On February 21, 2023** Palamina's equity partner Winshear, concluded arbitration proceedings against the Government of Tanzania for the expropriation of its SMP Gold Project.
- **On November 30, 2022** Palamina appointed Peter Bojtos P. Eng. as a new director and Michael Farrant as Chief Financial Officer ("CFO") replacing departing director Hugh Agro and departing CFO Brian Jennings.
- **On September 12, 2022** Palamina received a US\$50,000 (CDN\$64,685) Advance Royalty payment from Winshear, pursuant to a property purchase agreement dated September 19, 2019.
- **On August 19, 2022**, Winshear closed an oversubscribed private placement of units at \$0.06 per unit for gross proceeds of \$651,300. Palamina subscribed for 1,550,000 units, to hold of 13,422,000 shares and 1,321,000 warrants to maintain its approximate 19.9% interest on a partially diluted basis.
- **In February 2022**, Palamina added Jerry Blackwell, P. Geo. as a geological consultant and Renzo Ceccarelli Lombardi, M.Sc.F. as an environmental and social management consultant.

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Operational Highlights – January 1, 2022 to May 1, 2023

- **On April 5, 2023** Palamina received approval of the modification of its Declaracion de Impacto Ambiental (“DIA”) at the Usicayos Gold Project which will allow for drilling of the Sol de Oro and Cayos gold zones.
- **On January 23, 2023**, Palamina announced channel sampling assays of 5.1 grams per tonne gold (“g/t Au”) over 4 metres at surface and 15.4 g/t Au over 2.7 metres underground at the Usicayos Gold Project.
- **In November 2022**, a drone-supported orthophoto and topographic survey over the main mineralized trend at the Usicayos Gold Project was completed to follow up mapping and sampling in the Sol de Oro Zone.
- **In October 2022**, a preliminary site visit of the Yin gold claim south west of Winshear’s Yang gold claim was completed in order to investigate an Artificial Intelligence (“AI”) target area identified by GoldSpot Discoveries Corp. (“Goldspot”).
- **On October 7, 2022**, Winshear, received its environmental permit or DIA, on the Gaban Gold Project from the Peruvian Ministry of Mines.
- **In September 2022**, field work completed in the newly acquired Sol de Oro Zone at the Usicayos Gold Project returned values up to 0.9 metres of 200 g/t Au. Multiple other occurrences with visible gold were noted during prospecting.
- **In September 2022**, results from mapping and sampling were reported in addition to the land position increasing to 12,830 hectares at Palamina’s Galena Silver-Copper Project.
- **In September 2022** the Peruvian Ministry of Mines accepted the Company’s modification to its environmental permit or DIA, on Palamina’s Usicayos Gold Project to include the Cayos and Sol de Oro zones.
- **In August 2022**, drone surveying and reconnaissance sampling and mapping programs were carried out at the Inca Gold, Cristel Gold and Panorama Gold projects.
- **In July and August of 2022**, mapping / sampling programs were carried out on the Usicayos Gold and Galena Silver Copper Projects.
- **On July 26, 2022**, Palamina announced drill results from 2 diamond drillholes completed in the Veta Zone in May 2022.
- **On July 4 and 5, 2022**, Palamina Peru acquired two internal titled mineral concessions from two separate owners totaling 130 hectares within the Galena Silver Copper Project securing two historical mine areas.
- **On June 10, 2022**, Palamina Peru acquired an internal claim covering 200 hectares within the Usicayos Gold Project, securing 100% of the main mineralized gold trend.
- **On May 16, 2022**, Palamina resumed diamond drilling in the Veta Zone at the Usicayos Gold Project.
- **On May 3, 2022**, Palamina staked the Yin and Cristel Gold Projects in the Puno Orogenic Gold Belt.

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- **In March 2022**, Palamina staked an additional 2,400 hectares at its Galena Silver-Copper Project (formerly known as the Lagos Project) based on recommendations from Goldspot. Palamina also initiated a mapping and sampling program in the Gris and Santa Rosa Zones at Galena.
- **In February 2022**, Palamina contracted Geades Consulting SAC to complete an FTA (Ficha Tecnica Ambiental or "Environmental Permit") at the Galena Silver-Copper Project to allow up to 40 drillholes from 20 drill platforms.

Peru Properties

Focus on Puno Orogenic Gold Belt

The Puno Orogenic Gold Belt ("**POGB**") is an auriferous, southeasterly trending metasedimentary-hosted belt located in southern Peru which follows the Andean trend and covers an area of approximately 175 km NW-SE by up to 75 km NE-SW in the Puno region of Peru. The POGB is a section of a larger 3,400 km long belt of orogenic gold deposits extending from Argentina in the south, through Bolivia and the Puno region, to the Pataz region in northern Peru. The POGB is flanked on the northeast by the gold producing Madre de Dios region in Peru. The belt contains numerous orogenic gold occurrences. Palamina's exploration targets in this region are 'pizarra' or slate-hosted gold systems.

Orogenic gold mineralization in the Puno region occurs in association with regional-scale structures, generally hosted by deformed and folded slates and related metasediments. Palamina is targeting continuous, tabular zones of orogenic gold mineralization within fine-grained, sheared, locally metamorphosed sedimentary rocks. Mineralization may occur in discrete, stacked horizons as bedding- or shear-parallel horizons within the host rock. Gold mineralization typically consists of native gold in distinctive "packages" of fine-grained quartz veins, veinlets and micro-veinlets. Globally, orogenic-type gold deposits are known to extend to vertical depths greater than 1,000 m. Important examples of slate hosted deposits in the POGB in Peru include Ollachea & La Rinconada.

The orogenic gold belt in Puno hosts more than 100 known hard-rock gold-mineralized occurrences and over 50 mining operations are being operated by small and medium-scale artisanal miners. Palamina believes the POGB has considerable potential to contain a compelling number of additional yet undiscovered orogenic gold deposits. Erosion of these gold-bearing structures (by both fluvial and glacial processes) are widely considered to be the source for the extensive alluvial gold deposits located in the low-lying Madre de Dios region of Peru's Amazon basin.

There has been a significant up-grading of road access in the Puno region (example: Pacific-Atlantic interoceanic highway) and power infrastructure (example: 206 MW San Gaban hydro-electric facility). It is Palamina's belief that these infrastructure developments greatly assist exploration of the POGB and will well support future mine developments in the region.

Airborne Geophysical Survey

Orogenic gold mineralization in the POGB frequently has an association with pyrrhotite (an iron sulphide mineral that is magnetic), associated with swarms of quartz veins and veinlets generally restricted to discrete, continuous packages in regional shear zone structures hosted by fine-grained sedimentary units. In August 2018, New-Sense Geophysics Limited completed an approximate 3,000-line km helicopter-borne magnetic/radiometric geophysical survey over Palamina's Usicayos and Cori gold projects and Winshear's Gaban gold project in the POGB. This geophysical study is being used to assist in identifying drill targets at Usicayos and in locating further shear zones under cover on the Gaban and Cori Projects.

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Comparison with other Gold Projects in the POGB:

The Ollachea orogenic gold deposit, located 60 km northwest of Usicayos, reportedly occurs along a structurally deformed east-west trending regional shear structure on the edge of the SE trending POGB. Similarly, 75 km southeast of Usicayos, the large orogenic gold occurrence at La Rinconada also features a significant east-west inflection zone. Midway between Ollachea and La Rinconada, the Usicayos Gold Project also lies along a comparably deformed east-west trending structural jog.

GoldSpot Discoveries Corp. Study of the POGB and Santa Lucia Districts

GoldSpot along with Eric Sprott, participated for 15% of Palamina's June 30, 2021 financing. GoldSpot has since been contracted to complete an Artificial Intelligence study of the POGB and Santa Lucia districts to generate AI target areas with the potential to host significant mineralization based on known data processed through their machine learning technologies. In the first quarter of 2022, GoldSpot presented Palamina with its interim results. The most significant of the AI target areas was subsequently covered by the Company's YIN claim in May 2022.

Usicayos Gold Project

At the Usicayos Gold Project, Palamina has applied for the mineral rights and has title to 14,012 hectares of mineral concessions. The Usicayos Gold Project is located near the town of Usicayos (centrally located along the western periphery of the POGB). The Usicayos concessions extend east and west of the town of Usicayos at elevations ranging from 3,200 to 4,700 m. Rock exposure in the area is generally excellent as the properties sit predominantly above the tree line.

At Usicayos, Palamina has prioritized a 2.4 km section of a 4.5 km mineralized gold trend for drilling consisting of 3 separate gold zones trending southwest to northeast for drilling; Sol de Oro, Cayos and Veta. Veta was the initial discovery zone followed by the Cayos zone and more recently the Sol de Oro zone. In September of 2021 Palamina started its inaugural diamond drill program in the Veta Zone and completed 4 diamond drill holes over a 600-metre strike length before commencement of the rainy season in mid-December 2021. Drilling in the Veta Zone was designed to test multiple mineralized gold structures defined at surface over an 800-metre strike length. In May of 2022 Palamina resumed drilling with two additional drill holes scheduled to test the remaining 200 metres of mineralized strike length to the northeast; Drill holes VE-05-22 and hole VE-06-22 were both completed from a fifth drill pad.

The geological make-up of the 4.5 km SW-NE mineralized trend is dominated by low grade metamorphosed sequences of fine-grained sedimentary rocks including siltstone and shale with lesser mudstone and fine-grained sandstone units. SW-NE trending domains of intense shearing, folding and faulting of the sedimentary sequences is variably evident throughout area. Individual quartz veins range between millimetric and 40 cm wide. Quartz veins can occur in isolation, sheeted/sub-parallel or as localised stockwork and carry a variable sulphide content of pyrite and minor pyrrhotite. Minor amounts of arsenopyrite are also associated with gold. Gold generally occurs as coarse, visible grains, wires and plates.

In December of 2019, Palamina received approval of its DIA which allows for up to 40 drill pads to be constructed in the Veta Zone at Usicayos. Palamina is modifying its DIA in order to allocate a portion of the drill pads to the nearby Cayos and Veta NE zones. On May 4, 2021 Palamina received its Authorization to Initiate Exploration Activities ("AIEA") permit to commence drilling in the Veta Zone on its Usicayos Gold Project in Peru.

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On June 1, 2021, a new regional office was opened in Juliaca to cut and store core in anticipation of the upcoming drill program at Usicayos. The office includes significant storage space and living facilities and is located in proximity to Certimin's preparation lab in Juliaca. Certimin is Palamina's selected certified assay laboratory in Peru.

On July 9, 2021, in response to the Usicayos community's interest, the Company changed the name of its flagship project to reflect its location in the community. On August 2, 2021, MINEM (Ministry of Energy and Mines in Peru) issued Palamina a resolution approving the name change from the Coasa Project to the Usicayos Project.

On July 12, 2021 the Company contracted Energold Drilling Peru SAC to conduct a 6-hole, 2,600 m diamond drilling program to drill test the Veta Zone within the Usicayos Gold Project. On August 19, 2021 Palamina suspended its drill program until such time an agreement to support the Usicayos community could be reached. On September 17, 2021 Palamina signed an agreement with the Usicayos community to support a local artisanal woman's group and assist with improvements to local roads.

On September 14, 2021 Palamina went to auction and secured the rights to certain claims within Palamina's Coasa 21 application southwest of the Cayos one. In October Palamina carried out a sampling program in this newly acquired area and the Veta NE zone. Palamina received title to the Coasa 21 mining concession on March 17, 2021. On March 21, 2022 Palamina contracted CTDS S.A.C. to complete modification of Palamina's existing DIA to include areas for drilling within the Coasa 21 mining concession. In the first quarter of 2022, the Company signed several agreements to secure surface rights south west in the Sol de Oro zone and CTDS initiated studies in the field required to modify its DIA in order to carry out drilling in those areas to include the newly titled Coasa 21 area. On April 5, 2023 Palamina received approval of the modification of its Declaración de Impacto Ambiental ("DIA") at the Usicayos Gold Project which will allow for drilling of the Sol de Oro and Cayos gold zones.

On September 30, 2021 Palamina started its inaugural diamond drill campaign in the Veta zone. A total of 4 drill holes covering 1,704.50 metres were completed over a 600-metre strike length before the onset of the rainy season. On January 13, 2022 Palamina announced results from the first 4 diamond drill holes with select results reporting; VE-01-2021 returned 1m @ 1.26 g/t Au, VE-02-2021 1m @ 3.09 g/t Au (visible gold in intercept), VE-03-2021 24m @ 0.5 g/t Au, VE-04-2021 11m @ 0.8 g/t Au.

In May of 2022 drilling resumed to test the remaining 200 metre strike length to the northeast. Drill holes VE-05-22 and VE-06-22 were drilled more shallow and closer to the mineralized trend than the four initial drill holes completed in 2021.

On June 9, 2022 Palamina paid US\$44,000 to acquire 100% of a 200-hectare titled internal concession at the Usicayos Gold Project. On August 4, 2022 an additional US\$11,000 was paid on receipt of notification from the Registro Publicos that the titled claims have been transferred and fully registered to Palamina S.A.C. (Palamina's Peruvian subsidiary). Palamina now holds 100% title interest to 14,012 hectares at Usicayos with no underlying payments or royalties.

Over the last 3 years concessions within the principal NE mineralized gold trend totalling another 1,600 hectares were secured through staking or won at subsequent auctions. These interior claims are located southwest of the Veta Zone that has been tested by drilling in 2022, are in the same structural corridor and increases the strike length of the known cluster of surface gold mineralization held by Palamina from 2.4 to 4.5 km's. Surface rights are privately held over the entire 1.5 km wide by 4.5 km long trend.

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On July 6, 2022 Palamina announced the two most recent drillholes completed returned the following results:

Drill Hole	From (m)	To (m)	Interval (m)	Au (g/t)
VE-05-2022	20	21	1	0.42
VE-05-2022	65	67	2	0.50
VE-05-2022	75	76	1	0.55
VE-05-2022	104	105	1	0.55
VE-05-2022	123	127	4	0.67
VE-05-2022	140	142	2	0.43
VE-05-2022	156	158	2	0.40
VE-05-2022	163	164	1	1.51
VE-06-2022	9	11	2	0.41
VE-06-2022	51	55	4	0.46
VE-06-2022	59	61	2	0.41
VE-06-2022	79	80	1	0.43
VE-06-2022	86	93	7	0.37
VE-06-2022	102	104	2	0.40
VE-06-2022	126	130	4	0.40
VE-06-2022	135	139	4	0.47
VE-06-2022	146	157	11	0.68
Including	149	151	2	2.09
VE-06-2022	162	168	6	0.40

In August of 2022 Palamina completed a mapping / sampling campaign in the newly acquired Sol de Oro Zone.

In September of 2022 the Ministry of Mines in Peru accepted Palamina's modification of its DIA environmental permit to include the Cayos and Sol de Oro zones. When approved, Palamina will have 35 more drill pads it can complete in all approved zones.

On September 18, 2022 Palamina announced results from mapping and rock sampling (247 new chip-channel samples) focused on the Sol de Oro ("**SDO**") area, approximately 1.7 to 3 km's southwest of the zone of earlier drilling in the Veta Zone.

Select results from the sampling campaign were reported as follows:

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ZONE	SAMPLE LOCATION	SAMPLE TYPE	LENGTH Metres	Au g/t
Sol de Oro North	Prospecting Adit	Select Rock	0.3	46.2
Sol de Oro North	Outcrop	Chip-Channel	0.8	29.5
Sol de Oro North	Prospecting Adit	Chip-Channel	1.0	28.4
Sol de Oro North	Prospecting Adit	Chip-Channel VG	1.0	23.7
Sol de Oro North	Prospecting Adit	Chip-Channel	0.8	16.2
Sol de Oro North	Outcrop	Chip-Channel	1.0	16.1
Sol de Oro North	Prospecting Adit	Chip-Channel	0.5	14.3
Sol de Oro North	Prospecting Adit	Chip-Channel	0.4	11.3
Sol de Oro North	Prospecting Adit	Chip-Channel	0.4	10.5
Sol de Oro North	Outcrop	Chip-Channel	2.0	9.8
Sol de Oro North	Prospecting Adit	Chip-Channel	1.8	9.2
Sol de Oro North	Prospecting Adit	Chip-Channel	3.0	7.8
Sol de Oro North	Outcrop	Chip-Channel	1.2	5.8
Sol de Oro North	Outcrop	Chip-Channel	1.5	5.3
Sol de Oro SW	Outcrop	Chip-Channel	1.8	37.5
Sol de Oro SW	Outcrop	Select Rock VG	0.1	35.5
Sol de Oro SW	Outcrop	Chip-Channel	0.5	21.5
Sol de Oro SW	Outcrop	Chip-Channel VG	0.3	18.5
Sol de Oro SW	Outcrop	Chip-Channel	0.3	14.1
Sol de Oro SW	Outcrop	Chip-Channel	0.2	12.2
Sol de Oro SW	Outcrop	Select Rock	0.1	10.4
Sol de Oro SW	Outcrop	Chip-Channel	0.3	8.9
Sol de Oro SW	Outcrop	Chip-Channel	1.0	5.6
Sol de Oro SW	Outcrop	Chip-Channel	1.0	5.3
Sol de Oro SW	Outcrop	Chip-Channel	1.0	5.0
Sol de Oro E	Outcrop	Chip-Channel	2.0	18.9
Sol de Oro E	Outcrop	Chip-Channel	0.5	14.9
Sol de Oro E	Prospecting Adit	Chip-Channel	1.6	13.0
Sol de Oro South	Outcrop	Chip-Channel	0.9	200.0
Sol de Oro South	Outcrop	Chip-Channel	2.0	29.0
Sol de Oro South	Prospecting Adit	Chip-Channel	1.0	26.1
Sol de Oro South	Outcrop	Chip-Channel	1.0	17.3
Sol de Oro South	Outcrop	Chip-Channel	0.9	16.2
Sol de Oro South	Outcrop	Select Rock	0.3	13.7
Sol de Oro South	Outcrop	Chip-Channel	1.0	12.6
Sol de Oro South	Outcrop	Select Rock	0.1	10.8
Sol de Oro South	Outcrop	Chip-Channel	1.0	9.7
Sol de Oro South	Prospecting Adit	Chip-Channel	1.0	7.9
Sol de Oro South	Outcrop	Chip-Channel	1.0	7.8
Sol de Oro South	Prospecting Adit	Chip-Channel	1.0	7.5
Sol de Oro South	Prospecting Adit	Chip-Channel	1.0	5.6
Sol de Oro South	Outcrop	Chip-Channel	1.0	5.3
Sol de Oro South	Outcrop	Chip-Channel	1.0	5.1

Table includes assays that were previously released, VG = Visible Gold observed in sample.

In November 2022, Palamina carried out a drone-supported topographic survey over the 4.5 km long mineralized gold trend to provide better geological controls.

On January 23, 2023 Palamina announced results from its second mapping and sampling campaign in the Sol De Oro zone completed in Q4 2022. A total of 342 samples were taken of which 17 were underground samples. This program was primarily made up of channel samples designed to test the continuity of gold mineralization at surface across the SDO North and SDO South zones.

SDO NORTH ZONE: At the SDO North zone, surface mapping and sampling has identified two significant structures. Surveying and underground channel sampling were carried out within a number of accessible historic adits driven at various elevations into the hillside, following or crosscutting gold structures. Select results from surface and underground channel samples were returned as follows:

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ZONE	SAMPLE	TYPE	LENGTH (m.)	Au (g/t)
SDO N	Surface	Channel	6.20	5.1
SDO N	Surface	Channel	2.00	3.0
SDO N	Surface	Channel	13.00	1.5
		Including	6.00	2.1
SDO N	Surface	Channel	7.00	1.2
		Including	1.00	4.4
SDO N	Underground	Channel	2.70	15.4
SDO N	Underground	Channel	1.20	14.5
SDO N	Underground	Channel	1.00	10.9
SDO N	Underground	Channel	1.50	6.6
SDO N	Underground	Channel	1.00	6.4
SDO N	Underground	Channel	1.40	5.6
SDO N	Underground	Channel	2.20	4.8
SDO N	Underground	Channel	1.60	4.1
SDO N	Underground	Channel	1.00	3.3
SDO N	Underground	Channel	1.20	1.3
SDO N	Underground	Channel	1.00	1.1
SDO N	Underground	Channel	2.30	1.0

SDO SOUTH ZONES: Gold mineralization at the SDO South zone is made up of three separate NE trending structures: SDO S, SDO SW and SDO SE. Surface channel sampling in the 3 zones returned the following select results:

ZONE	SAMPLE	TYPE	LENGTH (m.)	Au (g/t)
SDO S	Surface	Channel	1.0	9.7
SDO S	Surface	Channel	1.0	5.3
SDO S	Surface	Channel	1.0	4.1
SDO S	Surface	Channel	4.4	4.2
		Including	1.0	17.3
SDO S	Surface	Channel	4.6	3.8
SDO S	Surface	Channel	1.3	3.6
SDO S	Surface	Channel	14.0	3.4
SDO S	Surface	Channel	4.0	3.1
SDO S	Surface	Channel	2.0	2.6
SDO S	Surface	Channel	2.5	2.1
SDO S	Surface	Channel	4.4	2.2
SDO S	Surface	Channel	10.0	2.1
		Including	3.0	5.5
SDO S	Surface	Channel	12.5	1.6
		Including	4.4	4.2
SDO S	Surface	Channel	3.3	1.5
SDO S	Surface	Channel	3.0	1.3
SDO S	Surface	Channel	1.4	1.3
SDO S	Surface	Channel	1.0	1.1
SDO S	Surface	Channel	2.5	0.9
SDO S	Surface	Channel	2.5	0.9
SDO S	Underground	Channel	0.7	23.0
SDO S	Underground	Channel	0.7	5.5
SDO S	Underground	Channel	2.5	4.9
SDO S	Underground	Channel	0.9	2.7
SDO S	Underground	Channel	1.5	1.5

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ZONE	SAMPLE	TYPE	LENGTH (m.)	Au (g/t)
SDO SW	SDO-SW	Channel	1.0	5.3
SDO SW	SDO-SW	Channel	2.0	4.2
SDO SW	SDO-SW	Channel	10.3	1.6
		Including	1.2	12.7
SDO SW	SDO-SW	Channel	18.8	1.4
		Including	4.0	2.4
		Including	3.0	3.8

ZONE	SAMPLE	TYPE	LENGTH (m.)	Au (g/t)
SDO SE	Surface	Channel	16.0	2.0
		Including	2.0	13.1
SDO SE	Surface	Channel	21.1	1.1
		Including	4.0	2.1
SDO SE	Surface	Channel	1.0	1.3
SDO SE	Surface	Channel	2.0	1.0

Palamina has applied for its Authorization to Initiate Exploration Activities ("AIEA") permit to commence drilling in the SDO and Cayos zones at Usicayos. While awaiting the AIEA, road construction to provide access from the west to the SDO and Cayos zones and building drill pads is planned. Palamina will recommence exploration once the rainy season concludes.

Panorama Gold Project

On January 4, 2022, Palamina applied for the mineral rights to 2,400 hectares southeast of Gold Mining Inc.'s Crucero Gold deposit after the area was dropped by another Company. The Panorama application area sits within the Ananea formation and same regional structural corridor as Palamina's Usicayos Gold Project and Gold Mining Inc.'s Crucero Gold deposit. In August 2022, Palamina completed a drone survey over Panorama and a brief mapping / sampling program with a view to confirming that Panorama is possibly a SE extension to the Crucero Gold Deposit.

Cristel Gold Project

On January 4, 2022, Palamina applied for the mineral rights to the Cristel Uno 300 hectare concession to cover a portion of a known gold mining camp. On May 3, 2022 Palamina made application for a further 2,700 hectares when it came open for acquisition to cover the historic Resplandor gold mining area southwest of Cristel Uno and an AI target area generated from the POGB study completed by GoldSpot. Palamina was the only company to apply for the 3,000 hectare Cristel claims area. Cristel sits southeast of Minera IRL's Ollachea gold deposit and northwest of Palamina's Usicayos Gold Project. In August 2022, Palamina completed drone reconnaissance over Cristel and a brief mapping / sampling program.

Yin Gold Project

On May 3, 2022 Palamina applied for the mineral rights to 4,000 hectares that make up the Yin claims area to cover an AI target area generated from GoldSpot's study of the POGB. Winshear's Yang claim to the northeast covers the balance of the AI target area. It was staked by Palamina prior to its sale to Winshear to cover historic mine areas seen from satellite images west of the Mucumayo mines area. Palamina holds a 19.9 % partially diluted equity interest in Winshear and a 2% NSR royalty on Yang. In February 2022, Palamina signed a letter agreement with Winshear to waive the 2 km area of influence surrounding the Yang claim in order that Palamina may stake the Yin application area.

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In August 2022, an agreement was signed with the Icaico community to carry out an initial exploration program of the Yin & Yang claims. In October 2022, Palamina and Winshear completed an initial visit of the Yin & Yang claims to investigate an AI target area of similar size and shape as the Mucumayo mines area to the southeast. The AI target was generated as part of GoldSpot's study of the POGB. The site visit failed to locate any meaningful gold values on Palamina's Yin claim.

Bendi Gold Project

Palamina has applied for the mineral rights and holds title to 13,400 hectares. In October of 2020, Palamina reduced the land position by 3,000 hectares. The Bendi Gold Project is located northeast of the Usicayos Gold Project where staking has been based on Palamina's understanding of prospective district-scale geological features in the Benditani Mine district and proximity to historical and current operating small-scale orogenic gold mines in the area. Mining in the Benditani district reportedly dates back to Pre-Inca times.

Palamina's exploration efforts at Bendi to date have focused on 2 highly prospective sub-parallel district-scale structures identified by Palamina's field teams; 1) The Carol structure is an approximately 15 km long NW-SE trending shear zone interpreted to have developed in close association with the core of an anticlinal feature. This structure transects the southwestern sector of the Bendi concessions. The auriferous Carol anomaly is located south-west of the Huacolcota mine. At Carol, Palamina has reported rock chip samples returning up to 47.8 g/t Au and channel samples returning high values of 1.8 m of 13.4 g/t Au and 234 g/t Ag (Palamina news release October 29, 2018); 2) The Mantos structure is a 7 km long thrust-related shear-zone trending sub-parallel to the host shear structure of the Benditani gold mine. Palamina has reported rock chip samples returning 25.4 g/t Au and 9.9 g/t Au from the Mantos Gold Anomaly (Palamina news release October 29, 2018). No work programs have been undertaken in 2022.

Cori Gold Project

At the Cori Gold Project, Palamina holds title to 21,200 hectares. Palamina geologists report that over 1,200 informal miners are mining native gold from orogenic quartz veins in at least 7 separate mining camps within a NW-SE geological trend in this sector. Palamina has staked the available strike extensions of this structure in both directions as well as the possible northerly down-dip extensions on the north side of the Corimayo mountains. Palamina completed an airborne geophysical study over the Cori project in 2018. Limited geological reconnaissance has been carried out to-date. A minimum expenditure strategy is being implemented at Cori while the Company awaits results from a drilling program to be carried out on the contiguous Gaban Gold Project held by equity partner Winshear. No work programs have been completed in 2022.

Inca Gold Project

At the Inca Gold project, Palamina has secured the mineral rights to 2,600 hectares in the POGB northeast of the Ollachea Gold Deposit near the town of Ayapata. In 2020, Palamina staked 1,000 hectares to cover a known gold zone with similar geology to that of the Ollachea gold deposit. In July 2021, an additional 1,600 hectares were staked to cover possible extensions to known gold zones. In August 2022, Palamina completed a drone survey over Inca and a brief mapping / sampling program.

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Projects Outside of the POGB:

Galena Silver-Copper Polymetallic Project (formerly the Lagos Project)

In April 2022, Palamina staked an additional 4,800 hectares based on recommendations from a desktop study of the Santa Lucia district produced by GoldSpot. In July 2022, the Company concluded the acquisition of 100% of two internal titled claims, Gaspar and Chaparro, covering known mineralization that was historically explored by limited tunneling. Post consolidation, Palamina's application for mineral rights and titled ground sits at 12,830 hectares. The Galena Project is located at the southwest end of the Santa Lucia mining district, west of the town of Puno. The property was acquired to investigate the Ag-Cu (Pb-Zn) potential of the area. Nearby polymetallic mines include the Santa Bárbara, Santa Lucía and Tacaza mines. Mineralization identified to date is interpreted to be related to fault structures and fractures with a NE-SW orientation.

In 2019, Palamina carried out 4 mapping and sampling programs. During the first two campaigns a total of 102 samples from 4 separate zones were acquired and analyzed. Palamina conducted follow-up staking to cover the Azul Zone and extensions to the Gris and Verde Zones.

In November of 2021 Palamina contracted Valdor Geofisica SAC to carry out magnetometer and induced polarization ("IP") surveys over Palamina's claim area south of lake Lagunillas.

The test program included 21 line-km of magnetic surveys, 14.1 line-km of pole-dipole IP surveys and 8.8 km of gradient IP surveys. Results of the studies identified potential anomalies at depth in the Gris and Verde zones and to a lesser extent in the Rosa zone. Further sampling and mapping will also be completed with a view to selecting drill target areas.

On February 29, 2022, Palamina announced results from a channel sampling program carried out in 2022 in the Verde and Gris zones where outcrop is variable. Select results from mineralized intervals returned results as follows:

Zone	Composite Channel Sample	Length* (metres)	Ag (g/t)	Cu (%)	Pb (%)
Gris	2327 - 2329	4.0	4.0	0.07	3.62
Gris	2333 - 2334	1.7	39.2	1.44	0.55
Gris	2335 - 2336	1.7	14.9	1.68	0.58
Verde	2290 - 2293	3.5	10.8	2.75	0.03
Verde	2294 - 2298	6.5	14.5	1.35	0.02
Verde	2309 - 2313	5.0	0.3	0.85	0.01
Verde	2318 - 2325	9.3	21.3	2.10	0.27
Verde	2337 - 2338	1.9	0.3	1.08	0.01

**True widths are not known. Assay values range from not detected up to those reported herein.*

In February 2022, two geologists from Goldspot, along with J. Blackwell visited the Galena Project after which a presentation from Goldspot recommended additional staking around the existing claims in order to secure new areas of geological interest. In March 2022, Palamina applied for the mining rights to cover an additional 2,400 hectares.

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Beginning in March of 2022 mapping and sampling was resumed to include extensive soil sampling, trenching and sampling of outcrop in order to further define drill targets. Subsequent sampling programs were completed in the second and third quarters of 2022. A total of 361 samples were collected in the Rosa and Gris Zones to better define and understand a possible northeast structural trend through mapping and geochemical sampling.

In September 2022, the Company reported results from the historic Santa Rosa mine area in the Rosa Zone and the Gris Zone which have the potential to host a Ag-Cu Carbonate Replacement Deposit (“CRD”) similar to others within the Santa Lucia mining district. Five select samples for each zone from the summer sampling campaigns follow:

ZONE	SAMPLE	SAMPLE TYPE	LENGTH metres	Ag* g/t	Cu %	Pb %
ROSA	Outcrop	Chip-Channel	2	707	4.5	0.2
ROSA	Outcrop	Chip-Channel	2	284	1	0.8
ROSA	Outcrop	Chip-Channel	2	158	0.7	0.4
ROSA	Outcrop	Chip-Channel	2	101	0.5	0.6
ROSA	Outcrop	Chip-Channel	2	83	1.2	0.4
GRIS	Outcrop	Chip-Channel	2	90	0	24
GRIS	Outcrop	Chip-Channel	2	49	0	11.4
GRIS	Outcrop	Chip-Channel	2	44	0.2	3.6
GRIS	Outcrop	Chip-Channel	2	37	0.3	3.3
GRIS	Outcrop	Chip-Channel	2	36	0.1	4.4

* Select samples from most recent exploration programs in 2022 with highest silver values for each zone

Mexican Property

Palamina Corp. maintains a presence in Mexico but is focused on exploration in Peru. Palamina has one property in Mexico (“El Santuario”) with title rights to 1,372 hectares in the Cardonal district in Hidalgo State in central Mexico. Due to the focus on exploration in Peru, Palamina has not maintained the tax payments or annual minimum exploration expenditures from 2018 to current that are required to keep El Santuario in good standing. In the event the Mexican mines department cancels the El Santuario claim, Palamina’s Mexican subsidiary will remain liable for any taxes owing.

WINSHEAR GOLD CORP. (TSX-V: WINS) – EQUITY & ROYALTY PARTNER

On September 19, 2019, the Company entered into an agreement with Winshear, whereby Palamina sold 100% of the application and mining rights to the Gaban Gold, Yang Gold and Tinka Iron Oxide Copper-Gold (“IOCG”) projects in Peru to Winshear (the “Winshear Sale”). As at December 31, 2022, Palamina held 13,422,000 common shares and 1,321,000 warrants of Winshear representing an approximate 19.9% equity interest on a partially diluted basis. Palamina also holds a 2% NSR royalty on all of Winshear’s projects in addition to the obligation of Winshear to pay escalating annual advance royalty payments to Palamina. For further details on the investment see Note 19 to the audited consolidated financial statements for the years ended December 31, 2022 and 2021.

Gaban Gold Project

Winshear holds the rights to 15,625 hectares that form the Gaban Gold Project. To date, five outcropping shear zones hosting quartz veins and veinlets have been located in the mountain ridges surrounding the Yanamayo river. Winshear is targeting the shear zones in the P.O.G.B as the hard rock potential source of alluvial gold mineralization found in the streams. In August 2019, Winshear filed an NI 43-101 Technical Report on the Gaban Gold Project authored by Mining Plus Pty. Ltd. On October 7, 2022, Winshear received its DIA from the Ministry of Mines in Peru, the suite of environmental and

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social studies required ahead of any drilling at the Gaban property. The DIA allows for the construction of up to 40 drill pads and covers the 900m by 2,200m Coritiri target. The Cortiri target has never been drill tested.

Yang Gold Project

Winshear holds the rights to 4,000 hectares that make up the Yang Gold Project. The Yang concessions are located roughly 5 kilometres ("km") south of the main Gaban block adjacent to Palamina's Yin concession. The Yang and Yin concessions completely cover an Artificial Intelligence ("AI") target generated by Goldspot Discoveries for Palamina. The AI target covered by the Yang and Yin claims hosts the same structural and geological features and settings as a similar sized AI target covering the Mucumayo mine area to the southeast. Winshear agreed to waive its 2 km area of influence surrounding the Yang concessions to allow Palamina to stake the Yin claims.

In August 2022, an agreement was signed with the Iaco community to carry out an initial exploration program of the Yin and Yang claims. During October 2022, Palamina and the Company completed an initial visit to the Yin and Yang claims to investigate the AI target. The visit failed to generate any meaningful gold values on Winshear's Yang concessions.

Tinka Iron Oxide Copper-Gold Project

Winshear holds rights covering 2,933 hectares at the Tinka IOCG Project. Tinka is located within the coastal IOCG belt of southern Peru.

Further information on the Gaban and Tinka properties, including the NI 43-101 Technical Report on the Gaban Gold Project, can be found on Winshear's website at www.winshear.com.

Overview of Financial Results

Three Months and Year Ended December 31, 2022 vs. December 31, 2021

(Expressed in Canadian Dollars)	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2022	2021	2022	2021
Expenses				
Exploration and evaluation	\$ 245,960	\$ 1,009,882	\$ 1,529,059	\$ 1,801,513
Administrative expenses	158,107	165,486	617,896	594,165
Share-based compensation	95,875	4,000	121,575	500,000
Depreciation	2,198	1,573	8,168	4,620
Interest income	(533)	(2,692)	(6,417)	(6,300)
Share of loss of associate	36,506	27,085	186,951	201,240
Advance royalty income	-	-	(64,685)	(31,137)
Net loss for the period	\$ (538,113)	\$ (1,205,334)	\$ (2,392,547)	\$ (3,064,101)
Net loss per share				
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)	\$ (0.04)	\$ (0.05)

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Three months ended December 31, 2022 vs. three months ended December 31, 2021

Net loss for the three months ended December 31, 2022 was \$538,113 compared to a net loss of \$1,205,334 for the three months ended December 31, 2021. The \$667,221 decrease in net loss is primarily attributable to the following:

- Decrease of \$763,922 in exploration and evaluation expenditures for the three months ending December 31, 2022 compared to the same period in 2021. The quarterly fluctuation in exploration expenditures between quarters is the result of the timing of exploration activities conducted in Peru and the lack of financial resources. Palamina will have to raise additional funds to fund its 2023 exploration programs.
- Decrease of \$7,379 in administrative expenses for the three months ending December 31, 2022 compared to the same period in 2021. The amounts were consistent between the two periods.
- Increase of \$91,875 in share-based compensation for the three months ended December 31, 2022 compared to the same period in 2021 relating to 1,150,000 options issued during the three months ended December 31, 2022 compared to 50,000 options issued during the three months ended December 31, 2021.
- Increase of \$9,421 in share of loss of associate for the three months ending December 31, 2022 compared to the same period in 2021 as a result of lower losses in Winshear.

Year ended December 31, 2022 vs. year ended December 31, 2021

Net loss for the year ended December 31, 2022 was \$2,392,547 as compared to a net loss of \$3,064,101 for the year ended December 31, 2021. The \$671,554 decrease in net loss is primarily attributable to the following:

- Decrease of \$272,454 in exploration and evaluation expenditures for the year ended December 31, 2022 compared to the same period in 2021. The difference relates to the amount and timing of exploration activities conducted in Peru.
- Increase of \$23,731 in administrative expenses for the year ended December 31, 2022 compared to the same period in 2021. The amounts were consistent between the two periods.
- Decrease of \$378,425 in share-based payments for the year ended December 31, 2022 compared to the same period in 2021 relating to 1,400,000 options issued during the year ended December 31, 2022 compared to 1,990,000 options issued during the year ended December 31, 2021.
- Decrease of \$14,289 in share of loss of associate for the year ended December 31, 2022 compared to the same period in 2021 as a result of lower losses in Winshear.
- Advance royalty income was higher in 2022 vs. 2021 as the advance royalty increased from US\$25,000 in 2021 to US\$50,000 in 2022.

Selected Quarterly Financial Information

The following table is a summary of selected financial information for the Company for the eight most recently completed financial quarters. It has been derived from the unaudited condensed consolidated interim financial statements of the Company. The information has been prepared by management in accordance with IFRS and is expressed in Canadian dollars.

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	Annual	Q4 2022	Q3 2022	Q2 2022	Q1 2022
	Dec. 31, 2022	Dec. 31	Sept. 30	June 30,	March 31,
Statement of Loss	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Exploration and evaluation expenditures	\$ 1,529,059	\$ 245,960	\$ 311,929	\$ 637,178	\$ 333,992
Administrative expenses	617,896	158,107	146,378	174,141	139,270
Share-based compensation	121,575	95,875	1,000	22,000	2,700
Depreciation	8,168	2,198	2,195	1,959	1,816
Interest income	(6,417)	(533)	(1,594)	(2,425)	(1,865)
Share of loss of associate	186,951	36,506	45,380	57,065	48,000
Advance royalty income	(64,685)	-	(64,685)	-	-
Net loss	\$ 2,392,547	\$ 538,113	\$ 440,603	\$ 889,918	\$ 523,913
Loss per common share –					
- basic and diluted	\$0.04	\$0.01	\$0.01	\$0.01	\$0.02

	Annual	Q4 2021	Q3 2021	Q2 2021	Q1 2021
	Dec. 31, 2021	Dec. 31,	Sept. 30,	June 30,	March 31,
Statement of Loss	(audited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Exploration and evaluation expenditures	\$ 1,801,513	\$ 1,009,882	\$ 451,090	\$ 261,899	\$ 78,642
Administrative expenses	594,165	165,486	245,537	110,324	72,818
Share-based payments	500,000	4,000	470,000	26,000	-
Depreciation	4,620	1,573	1,246	855	946
Interest income	(6,300)	(2,692)	(3,608)	-	-
Share of loss of associate	201,240	27,085	74,155	80,000	20,000
Advance royalty income	(31,137)	-	(31,137)	-	-
Net loss	\$ 3,064,101	\$ 1,205,334	\$ 1,207,283	\$ 479,078	\$ 172,406
Loss per common share –					
- basic and diluted	\$0.05	\$0.02	\$0.02	\$0.01	\$0.00

- Over the past eight quarters exploration and evaluation expenditures ranged from a high of \$1,009,882 in the fourth quarter of 2021 to a low of \$78,642 in the first quarter of 2021. The increase during the third and fourth quarters of 2021 and the second quarter of 2022 is primarily the result of the costs associated with a drilling program in Peru.
- Administrative expenses ranged from a low of \$72,818 in the first quarter of 2021 to a high of \$245,537 in the third quarter of 2021. The increase during the recent quarters was primarily the result of increases in investor relations activities and legal costs. Professional fees and listing fees increased during the third quarter of 2021 as a result of the OTCQB listing.
- Share-based payment expense, which is a non-cash item, has ranged between a low of \$nil in the first quarter of 2021 to a high of \$470,000 in the third quarter of 2021. The fluctuations result from the timing associated with the granting and vesting of stock options and the recording of the associated grant date fair value as share-based compensation expense.
- Share of loss of associate (Winshear), has ranged from a low of \$20,000 in Q1 2021 to a high of \$80,000 in Q2 2021. The amount will fluctuate based on the quarterly loss incurred by Winshear.

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- The advance royalty due from Winshear is payable annually in September. In September 2021 (Q3 2021), the royalty was US\$25,000 (CDN\$31,137) and escalated in September 2022 (Q3 2022) to US\$50,000 (CDN\$64,685).

Liquidity and Capital Resources

The Company's cash decreased by \$2,152,007 during the year ended December 31, 2022, compared to an increase of \$2,171,596 during the year ended December 31, 2021. As at December 31, 2022, the ending cash balance was \$81,302 compared to \$2,233,309 as at December 31, 2021.

Working Capital and Financial Position

As at December 31, 2022, the Company had a working capital deficiency of \$185,895 compared to a surplus of \$2,480,331 as at December 31, 2021. As at December 31, 2022 the Company had assets of \$306,092 (December 31, 2021 - \$2,664,058). Total assets as at December 31, 2022 consisted cash and cash equivalents of \$81,302 (December 31, 2021 - \$2,233,309), receivables of \$9,562 (December 31, 2021 - \$60,800) prepaid expenses of \$165,810 (December 31, 2021 - \$238,427), equipment of \$38,304 (December 31, 2021 - \$26,457) and investment in associate of \$11,114 (December 31, 2021 - \$105,065).

A summary of the Company's cash position and changes in cash for the years ended December 31, 2022 and 2021 are provided below:

	Years Ended December 31,	
	2022	2021
Cash used in operating activities – gross	\$ (2,085,300)	\$ (2,404,845)
Changes in non-cash operating working capital	44,374	(192,732)
Cash used in operating activities – net	(2,040,926)	(2,597,577)
Cash used in investing activities	(111,081)	(155,020)
Cash provided by financing activities	-	4,924,193
(Decrease) increase in cash	(2,152,007)	2,171,596
Cash and cash equivalents, beginning of year	2,233,309	61,713
Cash and cash equivalents, end of year	\$ 81,302	\$ 2,233,309

Year ended December 31, 2022 vs. year ended December 31, 2021

Operating Activities

Cash used in operating activities before changes in non-cash working capital during the year ended December 31, 2022 was \$2,085,300 compared to \$2,404,845 for the year ended December 31, 2021. 2021 is higher by \$319,545, primarily due to higher 2021 exploration and evaluation expenditures by \$272,434 the fact that the 2021 advance royalty from Winshear of \$31,137 (US\$25,000) was paid in shares of Winshear in 2021 versus paid in cash in 2022.

Investing Activities

Cash used in investing activities during the year ended December 31, 2022 was \$111,081 compared to \$155,020 for the year ended December 31, 2021. The 2022 amount relates to the purchase of 1,550,000 units of Winshear at \$0.06 per unit for \$93,000 as part of their non-brokered private placement financing that closed August 19, 2022 and the purchase of \$18,081 of equipment in Peru. The 2021 outlay relates to the purchase of 1,347,000 units of Winshear as part of their non-brokered private placements in October 2021 and December 2021, as well as the purchase of \$22,870 of equipment in Peru.

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Financing Activities

Cash provided by financing activities during the year ended December 31, 2022 was \$nil compared to \$4,924,193 for the year ended December 31, 2021. The 2021 amount relates to the non-brokered private placement closed June 18, 2021 for gross proceeds of \$5,000,000 less \$75,807 in share issuance costs.

Liquidity Outlook

The Company had a cash balance of \$81,302 at December 31, 2022 and a working capital deficiency of \$185,895. Palamina does not have adequate cash resources to fund its operations over the next twelve months and will require additional financing in order to conduct its planned work programs on its mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. As at May 1, 2023, the Company's President and CEO has lent Palamina \$71,500 to cover immediate expenditure requirements. The loan is interest free and has no set terms of repayment. It is expected that this amount will be converted into equity in the Company's next financing. The Company also holds 13,422,000 common shares of Winshear, which have a value of \$1,476,420, or \$0.11 per share, as at May 1, 2023.

There can be no certainty as to the ability of the Company to raise sufficient additional financing in order to continue to operate, and accordingly, there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company does not have any long-term debt or credit facilities with financial institutions. At this time the Company is not anticipating an operating profit from operations and will rely on the proceeds of the recent financing to fund its short-term growth. There is no assurance that future financings will be available when required. In general, completion of all of the Company's ongoing and future exploration and development initiatives and its ability to continue as a going concern are subject to successfully raising additional funding.

RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

Key Management Compensation

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any directors (executive and non-executive) of the Company. Current key management of Palamina includes the Company's directors and officers.

	Year Ended	
	December 31,	
	2022	2021
Management fees – President and CEO	\$ 175,000	\$ 138,542
Management fees – former CFO	54,167	65,000
Management fees – current CFO	16,000	-
Directors' fees	55,500	55,500
Total fees paid to management and directors	300,667	259,042
Share-based payments	56,840	281,000
	\$ 357,507	\$ 540,042

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Related Party Transactions

On June 18, 2021, directors, officers and other related parties subscribed for 9,919,000 units at a price of \$0.25 per unit, as part of the 20,000,000 unit non-brokered private placement (see Note 13).

On January 18, 2022, the Company received a payment of US\$20,438 (CDN\$25,910) from its associate Winshear, in respect of the reimbursement of amounts owing to the Company as at December 31, 2021.

On August 19, 2022, Palamina purchased 1,550,000 units of Winshear's private placement for \$93,000 to hold 13,422,000 shares, or 18.53% of Winshear (see Note 19).

On August 25, 2022, the Company received a payment of US\$79,667 (CDN\$102,965) from its associate Winshear. US\$50,000 (CDN\$64,685) was in respect of the 2022 advance royalty payment due September 19, 2022 and US\$29,667 (CDN\$38,280) in respect of the reimbursement of amounts owing to the Company for the period January 1 to June 30, 2022.

On December 9, 2022, the Company received a payment of US\$20,761 (CDN\$28,298) from its associate Winshear, in respect of the reimbursement of amounts owing to the Company for the period July 1 to December 31, 2022.

At December 31, 2022, \$90,835 (December 31, 2021 - \$15,280) included in accounts payable and accrued liabilities was owing to related parties. These amounts are unsecured, non-interest bearing, with no fixed terms of repayment.

As at December 31, 2022, \$nil (December 31, 2021 - \$25,910 (US\$20,438)) included in receivables is due from the Company's associate Winshear. The balance is unsecured, non-interest bearing and due on demand.

SUBSEQUENT EVENTS

Stock Option Expiry

On April 6, 2023, stock options to purchase up to 400,000 common shares of the Company at an exercise price of \$0.39 per share, granted on April 6, 2018, expired unexercised.

OUTSTANDING CAPITAL AND SHARE DATA

Palamina's authorized capital stock consists of an unlimited number of common shares without par value. As at May 1, 2023, there were 65,284,836 common shares issued and outstanding.

As at May 1, 2023, the Company also had the following items issued and outstanding:

- 20,048,000 common share purchase warrants at a weighted average exercise price of \$0.40.
- 5,215,000 stock options at a weighted average exercise price of \$0.25.

DIVIDENDS

The Company has neither declared nor paid any dividends on its Common Shares. The Company intends to retain its earnings, if any, to finance growth and expand its operation and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

OFF-BALANCE SHEET ARRANGEMENTS

As at December 31, 2022, the Company has not entered into any off-balance sheet arrangements.

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PROPOSED TRANSACTIONS

In the normal course of business, the Company evaluates property acquisition and sale transactions and, in some cases, makes proposals to acquire or sell such properties. These proposals, which are usually subject to Board and sometimes regulatory and shareholder approvals, may involve future payments, share issuances and property work commitments. These future obligations are usually contingent in nature and generally the Company is only required to incur the obligation if it wishes to continue with the transaction.

As of May 1, 2023, there are no material property acquisitions or possible transactions that the Company is examining.

FINANCIAL INSTRUMENTS

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risks (commodity prices, foreign currency exchange rate and interest rate), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. The Company does not use derivative financial instruments for purposes other than risk management. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up to date market information. A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and the prices of commodities and equities.

Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, particularly as they relate to gold and silver to determine the appropriate course of action to be taken by the Company.

Interest rate risk

The Company has cash and cash equivalent balances and no interest-bearing debt. The Company's current policy is to invest excess cash in short-term guaranteed investment certificates issued by banks. The Company periodically monitors its investments to ensure that it is satisfied with the credit ratings of the investments. As at December 31, 2022, the Company had cash and cash equivalents of \$81,302 (December 31, 2021 - \$2,233,309).

Foreign currency risk

The Company's exploration activities are conducted primarily in Peru. Major purchases and exploration expenditures are transacted in Peruvian nuevo soles and US dollars. Administrative expenditures and cash and cash equivalents balances are primarily transacted in Canadian dollars. The Company has exposure to foreign currency risk. The Company mitigates the risk of foreign currency fluctuations by converting Canadian currency to Peruvian nuevo soles and US dollars when required to fund expenditures in those currencies.

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Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents. Cash and cash equivalents consist of cash on hand and on deposit with reputable financial institutions. Management believes the risk of loss is minimal. The Company's maximum exposure to credit risk as at December 31, 2022 is the carrying value of cash and cash equivalents and receivables.

Liquidity risk

The Company's approach to managing liquidity risk is to endeavor to it have sufficient liquidity to meet liabilities when due. As at December 31, 2022, the Company had current assets of \$256,674 (December 31, 2021 - \$2,532,536) including cash and cash equivalents of \$81,302 (December 31, 2021 - \$2,233,309) to settle current liabilities of \$442,569 (December 31, 2021 - \$522,050) resulting in a working capital deficiency at December 31, 2022 of \$185,895 (December 31, 2021 - \$2,010,486).

The Company's financial assets and liabilities as at December 31, 2022 and 2021 were as follows:

	Amortized Cost	FVPL	Total
December 31, 2021			
Financial assets			
Cash and cash equivalents	\$ 2,233,309	\$ -	\$ 2,233,309
Receivables	\$ 60,800	\$ -	\$ 60,800
Financial liabilities			
Accounts payable and accrued liabilities	\$ 522,050	\$ -	\$ 522,050
December 31, 2022			
Financial assets			
Cash and cash equivalents	\$ 81,302	\$ -	\$ 81,302
Receivables	\$ 9,562	\$ -	\$ 9,562
Financial liabilities			
Accounts payable and accrued liabilities	\$ 442,569	\$ -	\$ 442,569

The fair values of these financial instruments approximate their carrying values because of their short-term nature.

Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over the next 12-month period:

- (i) Interest rate risk is limited to cash and cash equivalents balances, primarily held in Canadian and US dollars in Canada.
- (ii) The Company's subsidiaries hold financial assets and liabilities in US dollars and Peruvian soles that give rise to foreign exchange risk. If the US dollar rose or fell in relation to the Canadian dollar by 5% with all other variables held constant, net comprehensive loss for the year ended December 31, 2022 would have been approximately \$1,000 higher/lower. If the Peruvian nuevo sole rose or fell in relation to the Canadian dollar by 5% with all other variables held constant, accumulated other comprehensive loss for the year ended December 31, 2022 would have been approximately \$100 higher/lower.
- (iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability from mineral exploration depends upon the world market price of valuable minerals. Commodity prices have fluctuated significantly in recent years. There is no assurance that, even if commercial quantities of valuable minerals may be produced in the future, a profitable market will exist for them. As of December 31, 2022, the Company is not a producer of minerals. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

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GOING CONCERN

The audited consolidated financial statements of the Company have been prepared on the basis that the Company will continue as a going concern, which presumes that it will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has no history of operations and is in the early stage of development. Due to continuing operating losses, the application of the going concern basis is dependent upon the Company achieving profitable operations to generate sufficient cash flows to fund continuing operations or in the absence of adequate cash flows from operations, obtaining additional financing to support operations for the foreseeable future. It is not possible to predict whether such financing will be available, or if available, will be on reasonable terms, or if the Company will attain profitable levels of operations. These factors may cast significant doubt on the entity's ability to continue as a going concern. The audited consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern. If management is unsuccessful in securing capital, the Company's assets may not be realized or its liabilities discharged at their carrying amounts and these differences could be material. Changes in future conditions could require material write-downs of the carrying amounts of mineral properties.

COMMITMENTS AND CONTINGENCIES

Under the terms of the Company's mining concessions, the Company must make periodic tax payments and perform minimum levels of exploration to maintain these concessions in good standing. Failure to meet these requirements would lead to the forfeiture of the Company's rights to these properties.

The Company's exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

OTHER RISK FACTORS

There are a number of risks and uncertainties that may have a material and adverse impact on the future operating and financial performance of Palamina and could cause Palamina's proposed plans, prospects, strategies, events, operating and financial performance and results to differ materially from the estimates described in forward-looking statements and forward-looking information in this MD&A related to Palamina. These include widespread risks associated with any form of business and specific risks associated with Palamina's business and its involvement in the early-stage exploration and development industry. An investment in Palamina Shares, as well as Palamina's prospects, is highly speculative due to the high-risk nature of its business and the early stage of its exploration and development activities, as well as due to the limited assets and cash resources of Palamina. Shareholders of Palamina may lose their entire investment. The risks described below are not the only ones facing Palamina. Additional risks not currently known to Palamina, or that Palamina currently deems immaterial, may also impair Palamina's proposed plans, prospects, strategies, events, business, operations, financial performance and results. If any of the following risks actually occur, Palamina's plans, strategies, events, business, financial performance and condition, results and prospects could be adversely affected.

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COVID-19

The Company and its operations have been largely unaffected by the impact of the COVID-19 global pandemic. The Company continues to believe that it will remain largely unaffected. As such, the financial statements do not reflect any potential impact associated with the COVID-19 pandemic.

Exploration, Development and Operating Risks

Mining operations generally involve a high degree of risk. Palamina's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, 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. The financing, exploration, development and mining of any of Palamina's exploration properties is furthermore subject to a number of macroeconomic, legal and social factors, including the price of gold, silver and copper, laws and regulations, political conditions, currency fluctuations, the ability to hire and retain qualified people, the inability to obtain suitable adequate machinery, equipment or labour and obtaining necessary services in jurisdictions in which Palamina operates. Unfavourable changes to these and other factors have the potential to negatively affect Palamina's business, plans, prospects, strategies, financial performance and condition and results.

The exploration for and development of mineral deposits is a speculative venture involving significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate or even mitigate. While the discovery of a commercially viable ore body may result in an increase in value for shareholders, few mineral properties which are explored are ultimately developed into producing mines. At present, none of the Company's properties have a known body of bankable commercial ore and the proposed exploration programs are exploratory. There is no certainty that the expenditures made by Palamina towards the exploration and evaluation of mineral deposits on its properties will result in discoveries or production of commercial quantities of gold or other minerals.

Substantial expenditures may be required to locate, evaluate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site, and substantial additional financing will be required. It is impossible to ensure that Palamina will be able to secure the necessary financing needed to pursue the exploration or development activities planned by Palamina or that its activities will result in an economically viable or profitable commercial mining operation. The decision as to whether a particular property contains a commercial mineral deposit and should or could be brought into production will depend on the results of exploration programs and/or geological and other studies, and the recommendations of duly qualified engineers and geologists. Several significant factors will be considered, including, but not limited to: (i) the particular attributes of the deposit, such as size, grade, metallurgical characteristics, and proximity to infrastructure; (ii) mineral prices, which are highly cyclical; (iii) government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, permitting, importing and exporting of minerals and environmental protection; (iv) available working capital and ongoing costs of exploration and development; (v) availability, terms and cost of additional funding; and (vi) local community and landowner opposition to access mineral rights. The exact effect of these factors cannot be accurately predicted, but one or any combination of these factors may result in Palamina not being able to pursue its business plans or strategy or its shareholders not receiving an adequate return on invested capital.

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Early Stage Status and Nature of Exploration

The terms "Resource(s)" or "Reserve(s)" cannot be used to describe any of the Palamina's exploration properties due to the early stage of exploration at this time. Any reference to potential quantities and/or grade is conceptual in nature, as there has been insufficient exploration to define any mineral resource and it is uncertain if further exploration will result in the determination of any mineral resource. Any information, including quantities and/or grade, described in this MD&A should not be interpreted as assurances of a potential resource or reserve, or of potential future mine life or of the viability or profitability of future operations.

Few properties that are explored are ultimately developed into producing mines. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining.

The economics of exploring and developing mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, costs of mining and processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current planned exploration and development programs of Palamina will result in economically viable or profitable commercial mining operations. The profitability of Palamina's operations will be, in part, directly related to the costs and success of its exploration and development programs, which may be affected by a number of factors. Substantial expenditures are required to establish mineral reserves that are sufficient to support commercial mining operations and to construct, complete and install mining and processing facilities on those properties that are actually developed.

No 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 mineral resource will ever qualify as a commercially viable (or mineable) deposit which can be legally and economically exploited. Where expenditures on a property have not led to the discovery of mineral reserves, incurred expenditures will generally not be recoverable.

Additional Capital

Palamina plans to focus on evaluating its properties and exploring for minerals and will use its working capital to carry out such activities. However, the exploration and development of Palamina's exploration properties is expected to require substantial additional financing. The ability of Palamina to arrange such additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business and performance of Palamina. Failure to obtain additional financing could result in delaying or indefinite postponement of exploration, development or production on any or all of Palamina's exploration properties or a loss of a property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to Palamina. If additional financing is raised by Palamina through the issuance of securities from treasury, control of Palamina may change and security holders may suffer potentially significant dilution.

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Joint Ventures and Subsidiaries

Palamina may, in the future, operate some of its activities and properties through joint ventures, subsidiaries, options, earn-ins or similar arrangements in order to fully exploit the exploration and production potential of its exploration assets. There can be no assurance that Palamina will be able to identify and successfully negotiate joint venture or similar arrangements with third parties on terms that are favourable to Palamina, or at all. Palamina may, in the future, be unable to meet its share of costs incurred under such arrangements and may have its property interests subject to such arrangements reduced as a result or even face termination of such arrangements.

Palamina is also subject to the typical risks associated with joint ventures and similar arrangements, including disagreement on how to develop, operate or finance the properties and activities and contractual and legal remedies of Palamina's partners in the event of such disagreements. In addition, any limitation on the transfer of cash or other assets between Palamina and such entities, or among such entities, could restrict Palamina's ability to fund its activities efficiently. Any such limitations or the perception that such limitations may exist now or in the future, could have an adverse impact on Palamina's business, plans, prospects, value and stock price.

No History of Operations

Palamina is an early-stage exploration and development company and has no history of mining or refining mineral products. As such, Palamina is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. There is no assurance that Palamina will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

No History of Earnings

Palamina has not yet commenced operations and therefore has no history of earnings or of a return on investment, and there is no assurance that certain of its property interests or other assets will be economically viable or will be advanced to generate earnings, operate profitably or provide a return on investment in the future. No operating revenues are anticipated until one of Palamina's projects comes into production, which may or may not occur. Palamina will continue to experience losses unless and until it can successfully develop and begin profitable commercial production at one of its mining properties. There can be no assurance that Palamina will be able to do so.

No History of Profitability

Palamina is an early exploration and development stage company with no history of revenues or profitability. There can be no assurance that the activities of Palamina will be economically viable or profitable in the future. Palamina will require additional financing to further explore, develop, acquire, and achieve commercial production on its property interests and, if financing is unavailable for any reason, Palamina may become unable to acquire and retain its property interests and carry out its business plan.

Market Price and Trading of Palamina's Shares

Securities of micro-cap and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. The price of the Palamina Shares is also likely to be significantly affected by its financial condition and results.

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As a result of any of these factors, the market price of the Palamina Shares at any given point in time may not accurately reflect Palamina's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. Palamina may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Industry and Economic Factors Affecting Palamina

Palamina is a junior resource company focused primarily on the evaluation, exploration and development of mineral properties and potential acquisition of mineral properties in the future. Palamina's future performance is largely tied to the financial markets related to junior resource companies, which is often cyclical. Palamina will continuously monitor several economic factors including the uncertainty regarding the price of gold, silver and copper and the availability of equity financing for the purposes of mineral exploration and development. Palamina's future performance is largely tied to its ability to raise additional financing needed to fund its ongoing exploration and operating activities and to pursue the exploration and the development of its mineral property interests and the overall financial markets. Financial markets in the mining sector are likely to continue to be volatile reflecting ongoing concerns about the global economy, and the general pessimistic outlook in the mining sector. Companies worldwide have been affected negatively by these trends. As a result, Palamina may have difficulties raising equity financing needed for the purposes of mineral exploration and development, particularly without excessively diluting the interests of its current shareholders. With continued market volatility expected, Palamina's current strategy is to continue a modest exploration program on its properties using existing cash and funds generated through equity financings if and when available and to seek out other prospective business opportunities, including entering into option arrangements and/or joint ventures. Palamina believes that this focused strategy will enable it to pursue its business strategy and plans in the near term. These trends may limit Palamina's ability to develop and/or further explore its properties, and/or acquire other property interests that could be acquired in the future. Management will monitor economic conditions and estimate their impact on Palamina's plans, strategies and activities and incorporate these estimates in short-term operating and longer-term strategic decisions.

Reliance on a Limited Number of Properties

The only material property interests of Palamina are its interests in Peru where the Coasa property is a material property for purposes of NI 43-101. While Palamina may seek to acquire additional mineral properties that are consistent with its business objectives, there can be no assurance that Palamina will be able to identify suitable additional mineral properties or, if it does identify suitable properties, that it will have sufficient financial resources to acquire such properties or that such properties will be available on terms acceptable to Palamina or at all.

Commodity Prices

The price of Palamina's securities, its financial condition and results, and its access to the capital required to finance its exploration activities may in the future be adversely affected by declines in the price of precious and base metals and, in particular, the price of gold and silver. Base and precious metal prices fluctuate widely and are affected by numerous factors beyond Palamina's control such as the sale or purchase of base and precious metals by various dealers, central banks and financial institutions, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand, production and consumption patterns, speculative activities, increased production

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due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection, and international political and economic trends, conditions and events. If these or other factors continue to adversely affect the price of base and precious metals, the market price of Palamina's securities may decline. A severe decline in the price of a mineral being explored or produced or expected to be explored or produced by Palamina would have a material adverse effect on Palamina, and could result in the suspension of exploration or development of properties by Palamina.

Insurance and Uninsured Risks

Palamina's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment, natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties, personal injury or death, environmental damage to Palamina's exploration properties or the properties of others, delays in the ability to undertake exploration, monetary losses and possible legal liability.

Palamina does not currently maintain insurance in respect of such risks. Although Palamina may in the future maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, such insurance even if obtained will not cover all the potential risks associated with a mining company's operations. Palamina may also be unable to obtain and 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, development and production is not generally available to Palamina or to other companies in the resource industry on acceptable terms. Palamina might also become subject to liability for pollution or other hazards which it may not be insured against or which Palamina may elect not to insure against because of premium costs or other reasons. Losses from these events may cause Palamina to incur significant costs that could have a material adverse effect upon its business, plans, prospects, financial performance and condition and results. The payment of such liabilities could reduce or eliminate Palamina's available funds or could exceed the funds available to Palamina to pay such liabilities and result in bankruptcy.

Environmental Risks and Hazards

The mining and mineral processing industries are subject to extensive environmental regulation for the protection of the environment. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. These regulations may adversely affect Palamina or require it to expend significant funds. There is also a risk that environmental and other laws and regulations may become more onerous, making it more costly for Palamina to remain in compliance with such laws and regulations.

There is no assurance that future changes in environmental regulation, if any, will not adversely affect Palamina's operations. Environmental hazards may exist on the properties on which Palamina holds interests which are unknown to Palamina at present and which have been caused by previous or existing owners or operators of the properties or by current or previous surface rights owners.

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

Permitting

Palamina's current and anticipated future activities will require approvals and permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, exploration, development, mining, production, taxes, labour standards, health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There is no assurance that delays will not occur in connection with obtaining all such necessary approvals and permits for the existing activities or additional approvals or permits for any possible future changes to operations. Prior to any development on any of its properties, Palamina must receive permits from appropriate governmental authorities. There can be no assurance that Palamina will obtain or continue to hold all permits necessary to develop or continue its activities at any particular property. Delays in obtaining or a failure to obtain any licenses or permits or extensions thereto, challenges to the issuance of such licenses or permits, whether successful or unsuccessful, changes to the terms of such licenses or permits or a failure to comply with the terms of any such licenses or permits that Palamina has obtained, could have a material adverse effect on Palamina by delaying or preventing or making more expensive exploration and/or development.

Title to Mining Concessions

The acquisition of the right to explore and/or exploit mineral properties is a detailed and time-consuming process. Although Palamina has either obtained title opinions or reviewed title for its properties, there is no guarantee that title to such property interests will not be challenged or impugned. Palamina's mineral properties may be subject to prior registered or unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects and land claims. A successful challenge to the validity of, or the precise area and location of, these claims could result in Palamina being unable to operate on its properties as permitted or being unable to enforce its rights with respect to its properties.

Further, in order to maintain the mining concessions, Palamina must incur certain minimum exploration expenditures annually or risk forfeiture of the mining concessions and any such expenditure made to such time. In light of Palamina's cash resources anticipated following the completion of the Arrangement, and in the absence of Palamina obtaining additional sources of funding, it is possible that Palamina may not be able to continue to commit the required minimum exploration expenditures required for its properties beyond the near-term.

Infrastructure

Development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, and government or other interference in the maintenance or provision of such infrastructure could adversely affect Palamina's business, plans, prospects, financial condition and results.

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Competition

The resource and mining exploration industry is intensely competitive in all of its phases. As a result of this competition, some of which is with significantly larger, established mining companies with substantial capabilities and greater financial and technical resources than Palamina, Palamina may be unable to continue to explore and develop its existing properties, or to acquire additional mineral properties in the future. Palamina may also encounter increasing competition from other resource and mining companies, many of which are significantly larger with significantly greater resources, in its efforts to hire experienced mining professionals.

Government Regulation

The mineral exploration activities (as well as the potential for eventual mining, processing and development activities) of Palamina will be subject to extensive laws and regulations governing prospecting, exploration, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, waste disposal, water use, land claims of local people, protection of historic and archaeological sites, mine development, protection of endangered and protected species and other matters.

Government approvals, approval of the local population and permits are currently, and may in the future be required in connection with Palamina's proposed activities. To the extent such approvals are required and not obtained, Palamina may be curtailed or prohibited from continuing its exploration or development activities or from proceeding with planned exploration or development of mineral properties. 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 activities to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of mineral properties or mining operations may be required to compensate those suffering loss or damage by reason of their activities and may have civil or criminal fines or penalties imposed for violations of applicable laws. Regulators in Peru have broad authority to shut down and/or levy fines against facilities that do not comply with regulations or standards.

Palamina's mineral exploration and development activities may be adversely affected in varying degrees by changing government regulations relating to the mining industry or shifts in political conditions that increase royalties payable or the costs related to Palamina's activities or maintaining its properties. Operations may also be affected in varying degrees by government regulations with respect to restrictions on exploration, development, production, price controls, government-imposed royalties, claim fees, export controls, income taxes, and expropriation of property, environmental legislation and mine safety. The effect of these factors cannot be accurately predicted. Although Palamina's exploration and development activities are expected to be carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration or development.

Furthermore, any shift in political attitudes, or amendments to current laws and regulations governing activities of exploration, development, mining or milling or more stringent implementation thereof are beyond the control of Palamina and could have a substantial adverse impact on Palamina.

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Foreign Operations

Palamina's material exploration property is located in Peru and are subject to those jurisdiction's laws. As such, Palamina's activities will be and may increasingly be exposed to various levels of political, economic and other risks and uncertainties. Palamina believes the present attitude of Peru to foreign investment and resource exploration to be favourable, but investors should assess the political risks of investing in a foreign country. These risks and uncertainties vary from country to country and include, but are not limited to: terrorism; hostage taking; military repression; fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; and changing political conditions and governmental regulations, including changing environmental legislation.

Peru is working to develop greater political and economic stability. However, Peru continues to experience heightened levels of political and economic instability due to regional geopolitical instability. These conditions may be exacerbated by current global economic conditions. This instability may cause changes to existing governmental regulations affecting mineral exploration and mining activities, and exposes Palamina to various risks associated with emerging markets, and/or may have a material adverse effect on Palamina's plans, properties, business, financial condition and results. While Palamina intends to implement various controls relative to its operations, including controls ensuring compliance with the *Corruption of Foreign Public Officials Act*, there is no assurance that such controls will eliminate such risks. These controls in conjunction with future periodic site visits are anticipated to provide management with the necessary internal controls relative to the operations in Peru. Palamina will also monitor the business and regulatory environment of Peru in order to minimize the potential impact on costs and operations.

Variations from the current regulatory, economic and political climate could have an adverse effect on the affairs of Palamina. Changes, if any, in resource exploration or investment policies or shifts in political attitudes in Peru may adversely affect its activities or viability. Activities may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on operations, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the plans, properties, business, financial condition or results of Palamina.

In addition, in the event of a dispute arising from foreign operations, Palamina may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. It is not possible for Palamina to accurately predict such developments or changes in laws or the extent to which any such developments or changes may have a material adverse effect on Palamina's business.

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Influence of Third-Party Stakeholders

Some of the lands in which Palamina holds an interest, or the exploration equipment and roads or other means of access which Palamina intends to utilize in carrying out its work programs or general business activities, may be subject to interests or claims by third party individuals, groups or companies. In the event that such third parties assert any claims or do not consent to Palamina carrying on activities on lands subject to their interests or claims, Palamina's work programs may be delayed or prevented, even if such claims are not meritorious. Such claims or delays may result in significant financial loss and loss of opportunity for Palamina.

Palamina may need to enter into negotiations with landowners and other groups in local communities in Peru in order to conduct further exploration and development work on its properties. There is no assurance that future discussions and negotiations will result in agreements with landowners and other local community groups in Peru or if such agreements will be on terms acceptable to Palamina so that Palamina may continue to conduct exploration and development activities on these properties.

Share Price Fluctuations

In recent years, securities markets have experienced a high level of price and volume volatility. The securities of many companies, particularly those considered exploration-stage companies such as Palamina, have experienced wide fluctuations in market prices which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that the price of the Palamina Shares will be unaffected by any such volatility. The market price of the shares of mineral resource companies is also significantly affected by short-term changes in commodity prices, precious and base metal prices or other mineral prices.

Acquisitions and Integration

From time to time, Palamina may examine opportunities to acquire additional exploration and/or mining assets and businesses. Any acquisition that Palamina may choose to complete may be of a significant size relative to the size of Palamina, may change the nature or scale of Palamina's business and activities, and may expose Palamina to new geographic, political, operating, financial and geological risks. Palamina's success in its acquisition activities, if any, depends upon its ability to obtain additional sources of financing, identify suitable acquisition candidates, negotiate acceptable terms for any such acquisition, and integrate any acquired operations successfully with those of Palamina. Any acquisitions would be accompanied by risks. In the event that Palamina chooses to raise debt capital to finance any such acquisitions, Palamina's leverage will be increased. If Palamina chooses to use equity as consideration for such acquisitions, existing shareholders may suffer significant dilution. There can be no assurance that Palamina would be successful in obtaining additional sources of financing or in overcoming these risks or any other problems encountered in connection with such acquisitions.

Management of Growth

Palamina may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Palamina to manage growth effectively will require it to continue to implement and improve its operations and financial systems and to expand, train and manage its employee base. The inability of Palamina to deal with this growth could have a material adverse impact on its business, plans, operations and prospects.

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Dilution

Financing the development of a mineral property through to production, should feasibility studies show it is recommended, would be expensive and Palamina would require additional monies to fund development and exploration programs and potential acquisitions. Palamina cannot predict the size of future issuances of Palamina Common Shares or the issuance of debt instruments or other securities convertible into Palamina Common Shares. Likewise, Palamina cannot predict the effect, if any, that future issuances and sales of Palamina's securities will have on the market and market price of the Palamina Shares. If Palamina raises additional funds by issuing additional equity securities, such financing may substantially dilute the interests of existing shareholders. Sales of substantial numbers of Palamina securities, or the availability of such Palamina securities for sale, could adversely affect the market, liquidity and any prevailing market prices for Palamina's securities.

Dividend Policy

No dividends on the Palamina Common Shares have been paid by Palamina to date. Payment of any future dividends will be at the discretion of Palamina's board of directors after taking into account many factors, including Palamina's operating results, financial condition and current and anticipated cash needs. At this time, Palamina has no source of cash flow and anticipates using all available cash resources towards its stated business objectives and retaining all earnings, if any, to finance its business activities.

Key Personnel

Palamina's development will be dependent on the efforts of key management and potentially other key personnel. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. The loss of any of these people, particularly to competitors, could have a material adverse effect on Palamina's business. Further, with respect to the future development of Palamina's exploration properties, it may become necessary to attract both international and local personnel for such development. The marketplace for key skilled personnel is highly competitive, which means the cost of hiring, training and retaining such personnel may increase. Factors outside Palamina's control, including competition for human capital and the high level of technical expertise and experience required to executive this development, will affect Palamina's ability to identify and retain the specific personnel required.

Due to the relatively small size of Palamina, the loss of key personnel or Palamina's inability to attract and retain additional highly skilled employees or consultants may adversely affect its business, activities and future plans. Palamina does anticipate carrying any "key person" life insurance in respect of any of its directors, officers or other employees.

Risk of Litigation

Palamina may become involved in disputes with other parties in the future which may result in litigation or other legal proceedings. The results of legal proceedings cannot be predicted with certainty. If Palamina is unable to resolve these disputes favourably, it may have a material adverse impact on the ability of Palamina to carry out its business plan.

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Internal Controls

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

Conflicts of Interest

Certain of the directors and officers of Palamina also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving Palamina will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of Palamina and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the OBCA and other applicable laws.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates and judgements relate to the calculation of share-based payments and warrants, determination of functional currency, and the recoverability of value-added taxes receivable. Significant estimates and judgments made by management in the preparation of these financial statements are outlined below:

Share-based Payment Transactions

The Company measures the cost of equity-settled transactions 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. This estimate also requires determining the most appropriate inputs to the Black-Scholes valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Functional Currency

The determination of the Company's functional currency requires analyzing facts that are considered primary factors, and if the result is not conclusive, the secondary factors. The analysis requires the Company to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency the Company analyzed both the primary and secondary factors, including the currency of the Company's operating costs in Canada, Peru, and Mexico, and sources of equity financing.

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Tax Provisions

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made. Value-added taxes receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. The determination of the appropriate allowance for doubtful accounts requires the application of significant judgment with respect to the collectability of the amounts outstanding and is based on historical experience.

Determination of Significant Influence and Impairment of Investment in Associate

Effective September 19, 2019, which is the date of acquisition, the Company has classified Winshear as an associate based on management's judgment that the Company has significant influence through board representation and voting rights.

Impairment exists when the carrying value of the investment in associate exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The determination of impairment requires significant judgement and can be triggered by significant adverse changes in the market, economic or legal environment in which the associate operates.

Cautionary Note Regarding Forward-Looking Information

Except for statements of historical fact relating to Palamina, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future price of precious and/or base metals; success of exploration activities; cost and timing of future exploration and development; requirements for additional capital and other statements relating to the financial and business prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent

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with the Company's expectations; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; the uncertainty of conducting activities within a joint venture structure; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as anticipated; risks inherent in mineral exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. Although management of Palamina has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Caution Regarding Adjacent or Similar Mineral Properties

This MD&A contains information with respect to adjacent or similar mineral properties in respect of which the Company has no interest or rights to explore or mine. The Company advises US investors that the mining guidelines of the US Securities and Exchange Commission (the "SEC") set forth in the SEC's Industry Guide 7 ("SEC Industry Guide 7") strictly prohibit information of this type in documents filed with the SEC. Readers are cautioned that the Company has no interest in or right to acquire any interest in any such properties, and that mineral deposits on adjacent or similar properties, and any production therefore or economics with respect thereto, are not indicative of mineral deposits on the Company's properties or the potential production from, or cost or economics of, any future mining of any of the Company's mineral properties.

Disclosure and Internal Controls

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (Form 52-109FV2), the Company utilizes the Venture Issuer Basic Certificate which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in National Instrument 52-109 ("NI 52-109"). In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS.

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The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a Venture Issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

The Corporation's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") are responsible for the design and effectiveness of disclosure controls and procedures ("DC&P") and the design of international control over financial reporting ("ICFR") to provide reasonable assurance that material information related to the Corporation is made known to the Corporation's certifying officers. The Corporation's CEO and the CFO have evaluated the design and effectiveness of the Corporation's DC&P as of December 31, 2022 and have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Corporation is made known to them by others within the Corporation. The CEO and CFO have also evaluated the design and effectiveness of the Corporation's ICFR as of December 31, 2022 and concluded that these controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

During the current period there have been no changes in the Corporation's DC&P or ICFR that materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

Other MD&A Requirements

Additional Disclosure for Companies Without Significant Revenue

Additional disclosure concerning Palamina's exploration and evaluation expenditures, mineral property costs and general and administrative expenses is provided in the Company's audited consolidated financial statements and in Note 16 of the audited consolidated financial statements for the years ended December 31, 2022 and 2021 that are available on the Company's website at www.palamina.com and on SEDAR at www.sedar.com.

Approval

The Board of Directors of New Break approved the disclosure contained in this MD&A on May 1, 2023. A copy of this MD&A will be provided to anyone who requests it from the Company.

Additional Information

Officers:

Andrew Thomson, President, Chief Executive Officer and Director
Michael Farrant, Chief Financial Officer and Corporate Secretary

Directors:

Peter Bojtos, Director ⁽¹⁾ ⁽²⁾ (Corporate Governance and Compensation Committee Chair)
Alistair Waddell, Director ⁽¹⁾ ⁽²⁾
Christina McCarthy, Director ⁽¹⁾ (Audit Committee Chair)
Sean Spraggett, Director ⁽²⁾
Andrew Thomson, President, Chief Executive Officer and Director

(1) Member of the Audit Committee

(2) Member of the Corporate Governance and Compensation Committee

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Legal Counsel, Auditors and Transfer Agent

WeirFoulds LLP, Legal Counsel

McGovern Hurley LLP, Auditors

Computershare Investor Services Inc., Transfer Agent

Comparative Figures

Certain comparative figures have been reclassified to conform to the current period's presentation. These reclassifications did not affect the results of prior periods.