

PALAMINA CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2023

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 three months ended March 31, 2023 ("**first quarter of 2023**" or "**Q1 2023**"). The comparative period is for the three months ended March 31, 2022 ("**first quarter of 2022**" or "**Q1 2022**"). 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, and the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2023 and 2022, 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 Notes 3 and 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 unaudited condensed consolidated interim financial statements for the three months ended March 31, 2023 and 2022 and the Company's Board of Directors approved these documents prior to their release.

This MD&A is dated May 30, 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, 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.

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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").

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 Windshear Gold Corp. ("**Windshear**") representing a 18.5% interest on a partially diluted basis. Windshear is listed on the TSX-V under the symbol WINS. As at May 30, 2023, Windshear has 78,540,318 shares outstanding at a price of \$0.11 per share.

Corporate Highlights – January 1, 2023 to May 30, 2023

- On May 16, 2023, Windshear received approval of its Authorization to Initiate Exploration Activities ("AIEA") from the Ministry of Energy and Mines of Peru and is fully permitted to carry out a drilling program at its Gaban gold project.
- On May 15, 2023, Palamina announced its intention to raise gross proceeds of up to \$750,000 through the issuance of up to 6,000,000 units at \$0.125 per unit, with each unit comprised of a common share and a common share purchase warrant entitling the holder thereof to purchase an additional common share at a price of \$0.25 for a period of 24 months from closing.
- On May 10, 2023, Windshear closed and oversubscribed \$585,000 private placement.
- On April 4, 2023, a complete video recording of the evidentiary hearing of Windshear'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 Windshear, concluded arbitration proceedings against the Government of Tanzania for the expropriation of its SMP Gold Project.

Operational Highlights – January 1, 2023 to May 30, 2023

- 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.

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- 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.

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.

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.

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.

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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.

On September 30, 2021, Palamina started its inaugural diamond drilling 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 1 m @ 1.26 g/t Au, VE-02-2021 1 m @ 3.09 g/t Au (visible gold in intercept), VE-03-2021 24 m @ 0.5 g/t Au, VE-04-2021 11 m @ 0.8 g/t Au.

In May of 2022 drilling resumed in the Veta Zone 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 drillholes completed in 2021. On July 6, 2022 reported 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

On June 4, 2022, Palamina completed a total of US\$ 55,000 in payments to acquire 100% of a 200-hectare titled internal concession hosting the Sol de Oro Zone southwest of the Cayos and Veta Zones. As a results, Palamina now holds 100% interest to 14,012 hectares at Usicayos with no underlying payments or royalties. In September the Ministry of Mines in Peru accepted Palamina's application to modify its Declaración de Impacto Ambiental ("DIA") to include the Cayos and Sol de Oro zones.

On September 18, 2022, Palamina announced results from a fall 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.

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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:

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 SE, SDO S and SDO SW. Surface channel sampling in the 3 zones returned the following select results:

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

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

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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

On April 5, 2023, Palamina received approval of the modification of its DIA at the Usicayos Gold Project which will allow for the construction a further 35 drill pads in the Sol de Oro and Cayos gold zones. 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 also plans to recommence exploration in June of 2023.

Panorama Gold Project

On January 4, 2022, Palamina applied for the mineral rights to 2,400 hectares. 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 Resplendor gold mining area southwest of Cristel Uno and an AI target area generated from the POGB study completed by GoldSpot Discoveries Inc. ("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.

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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. Yang 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 18.5 % partially diluted equity interest in Winshear and a 2% NSR royalty on Yang. In February 2022, Palamina signed a letter agreement with Winshear to wave the 2 km area of influence surrounding the Yang claim in order that Palamina may stake the Yin application area.

In August 2022, an agreement was signed with the Icaico community to carry out an initial exploration program of the Yin and Yang claims. In October 2022, Palamina and Winshear completed an initial visit of the Yin and 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. 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; 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 southwest 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 2023.

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. 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. 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 2023.

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 Geofísica 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.

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.

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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 March 31, 2023, 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 16 to the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2023 and 2022.

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 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 900 m by 2,200 m Coritiri target. The Coritiri target has never been drill tested. On May 16, 2023, Winshear received approval of its Authorization to Initiate Exploration Activities (“AIEA”) from the Ministry of Energy and Mines of Peru and is fully permitted to carry out a drilling program at its Gaban gold project.

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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 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 Icano 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 Ended March 31, 2023 vs. March 31, 2022

(Expressed in Canadian Dollars)	Three Months Ended March 31,	
	2023	2022
Expenses		
Exploration and evaluation	\$ 112,539	\$ 333,992
Salaries, director and management fees	73,603	77,287
Investor relations	26,800	30,085
Shareholder costs and filing fees	14,678	12,902
Professional fees	12,030	6,630
Office and general	17,106	12,144
Depreciation	2,131	1,816
Share-based compensation	300	2,700
Total expenses	259,187	477,556
Other (income) expense		
Bank charges	503	738
Loss (gain) on foreign exchange	1,748	(516)
Interest income	(77)	(1,865)
Share of loss of associate	11,114	48,000
Net loss for the period	\$ (272,475)	\$ (523,913)
Net loss per share		
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)

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Three months ended March 31, 2023 vs. three months ended March 31, 2022

Net loss for the three months ended March 31, 2023 was \$272,475 compared to a net loss of \$523,913 for the three months ended March 31, 2022. The decrease of \$251,438 in net loss is primarily attributable to the following:

- Decrease of \$221,453 in exploration and evaluation expenditures for the three months ending March 31, 2023 compared to the same period in 2022. 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 in the first quarter of 2023. Palamina will need to raise additional funds to fund its 2023 exploration programs.
- Expenditures in relation to management and director remuneration, investor relations, shareholder costs and filing fees, professional fees and office and general, were relatively consistent in the three months ending March 31, 2023 compared to the three months ended March 31, 2022.
- Decrease of \$36,886 in share of loss of associate for the three months ending March 31, 2023 compared to the same period in 2022 was the result of the balance of investment in associate being \$11,114 as at December 31, 2022. While Palamina's proportionate share of the quarterly loss in Winshear would have been higher than this amount, the value of the investment cannot be written down to less than \$nil.

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.

	Q1 2023	Q4 2022	Q3 2022	Q2 2022
	Mar. 31, 2023	Dec. 31, 2022	Sept. 30, 2022	June 30, 2022
Statement of Loss	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Exploration and evaluation expenditures	\$ 112,539	\$ 245,960	\$ 311,929	\$ 637,178
Administrative expenses	146,468	158,107	146,378	174,141
Depreciation	2,131	2,198	2,195	1,959
Share-based compensation	300	95,875	1,000	22,000
Interest income	(77)	(533)	(1,594)	(2,425)
Share of loss of associate	11,114	36,506	45,380	57,065
Advance royalty income	-	-	(64,685)	-
Net loss	\$ 272,475	\$ 538,113	\$ 440,603	\$ 889,918
Loss per common share –				
- basic and diluted	\$0.00	\$0.01	\$0.01	\$0.01

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	Q1 2022	Q4 2021	Q3 2021	Q2 2021
	Mar. 31, 2022	Dec. 31, 2021	Sept. 30, 2021	June 30, 2021
Statement of Loss	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Exploration and evaluation				
Expenditures	\$ 333,992	\$ 1,009,882	\$ 451,090	\$ 261,899
Administrative expenses	139,270	165,486	245,537	110,324
Depreciation	1,816	1,573	1,246	855
Share-based compensation	2,700	4,000	470,000	26,000
Interest income	(1,865)	(2,692)	(3,608)	-
Share of loss of associate	48,000	27,085	74,155	80,000
Advance royalty income	-	-	(31,137)	-
Net loss	\$ 523,913	\$ 1,205,334	\$ 1,207,283	\$ 479,078
Loss per common share –				
- basic and diluted	\$0.01	\$0.02	\$0.02	\$0.01

- 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 \$112,539 in the first quarter of 2023. 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 \$110,324 in the second 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 \$300 in the first quarter of 2023 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 \$11,114 in Q1 2023 to a high of \$80,000 in Q2 2021. The amount will fluctuate based on the quarterly loss incurred by Winshear.
- 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 \$43,995 during the three months ending March 31, 2023, compared to a decrease of \$611,229 during the three months ending March 31, 2022. As at March 31, 2023, the ending cash balance was \$37,307 compared to \$81,302 as at December 31, 2022.

Working Capital and Financial Position

As at March 31, 2023, the Company had a working capital deficiency of \$463,956 compared to a deficiency of \$185,895 as at December 31, 2022. As at March 31, 2023 the Company had assets of \$237,735 (December 31, 2022 - \$306,092). Total assets as at March 31, 2023 consisted cash of \$37,307 (December 31, 2022 - \$81,302), HST receivable of \$19,730 (December 31, 2022 - \$9,562) prepaid expenses of \$144,551 (December 31, 2022 - \$165,810), equipment of \$36,147 (December 31, 2022 - \$38,304) and investment in associate of \$nil (December 31, 2022 - \$11,114).

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A summary of the Company's cash position and changes in cash for the three months ended March 31, 2023 and 2022 are provided below:

	Three Months Ended March 31,	
	2023	2022
Cash used in operating activities – gross	\$ (278,061)	\$ (470,325)
Changes in non-cash operating working capital	183,066	(134,825)
Cash used in operating activities – net	(94,995)	(605,150)
Cash used in investing activities	-	(6,079)
Cash provided by financing activities	51,000	-
Decrease increase in cash and cash equivalents	(43,995)	(611,229)
Cash and cash equivalents, beginning of period	81,302	2,233,309
Cash and cash equivalents, end of period	\$ 37,307	\$ 1,622,080

Three months ended March 31, 2023 vs. three months ended March 31, 2022

Operating Activities

Cash used in operating activities before changes in non-cash working capital during the three months ended March 31, 2023 was \$278,061 compared to \$470,325 for the three months ended March 31, 2022. 2022 is higher by \$192,264, primarily due to higher 2022 exploration and evaluation expenditures by \$239,826.

Investing Activities

Cash used in investing activities during the three months ended March 31, 2023 was \$nil compared to \$6,079 for the three months ended March 31, 2022. The 2022 amount relates to the purchase of \$6,079 of equipment in Peru.

Financing Activities

Cash provided by financing activities during the three months ended March 31, 2023 was \$51,000 compared to \$nil for the three months ended March 31, 2022. The Q1 2023 amount relates to advances from the Company's President and CEO to provide short term funding.

Liquidity Outlook

The Company had a cash balance of \$37,307 at March 31, 2023 and a working capital deficiency of \$463,956. 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 30, 2023, the Company's President and CEO has advanced Palamina \$113,000 to cover immediate expenditure requirements. The advance is non-interest bearing and has no set terms of repayment. It is expected that a majority of this amount will be converted into equity in the Company's planned financing that was announced on May 15, 2023.

On May 15, 2023, the Company announced it will conduct a non-brokered private placement offering (the "Offering") of up to 6,000,000 units ("Units") at a purchase price of \$0.125 per Unit, for aggregate gross proceeds of up to \$750,000. Each Unit consists of one common share ("Common Share") and one warrant (a "Warrant"). Each whole Warrant is exercisable to acquire one Common Share at a price of \$0.25 for a period of 24 months from the closing date.

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The Company also holds 13,422,000 common shares of Winshear, which have a value of approximately \$1,342,200, or \$0.10 per share at its current market price.

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.

	Three Months Ended March 31,	
	2023	2022
Management fees – President and CEO	\$ 43,750	\$ 43,750
Management fees – CFO services	15,000	16,250
Directors' fees	6,938	13,875
Total fees paid to management and directors	65,688	73,875
Share-based payments	-	-
	\$ 65,688	\$ 73,875

Related Party Transactions

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.

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.

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At March 31, 2023, \$170,129 (December 31, 2022 - \$90,835) 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.

During the three months ended March 31, 2023, the Company's President and CEO advanced the Company \$51,000. The amount is unsecured, non-interest bearing and has no fixed terms for repayment. As at March 31, 2023, due to related party was \$51,000 (December 31, 2022 - \$nil).

SUBSEQUENT EVENTS

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 30, 2023, there were 65,284,836 common shares issued and outstanding.

As at May 30, 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.
- 5,115,000 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 March 31, 2023, the Company has not entered into any off-balance sheet arrangements.

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 30, 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.

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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

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash bears interest at market rates. In the event that the Company held interest bearing debt, the Company could be exposed to interest rate risk. The Company does not have any interest-bearing debt. Other current financial assets and liabilities are not exposed to interest rate risk because of their short-term nature.

Foreign currency risk

The Company's exploration activities are conducted primarily in Peru. Major purchases and exploration expenditures are transacted in Peruvian 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 soles and US dollars when required to fund expenditures in those currencies.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash. The Company has reduced its credit risk by investing its cash with a Canadian chartered bank.

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 March 31, 2023, the Company had current assets of \$201,588 (December 31, 2022 - \$256,674) including cash and cash equivalents of \$37,307 (December 31, 2022 - \$81,302) to settle current liabilities of \$665,544 (December 31, 2022 - \$442,569) resulting in a working capital deficiency at March 31, 2023 of \$463,956 (December 31, 2022 - \$185,895).

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The Company's financial assets and liabilities as at March 31, 2023 and December 31, 2022 were as follows:

	Amortized Cost	FVPL	Total
December 31, 2022			
Financial assets			
Cash	\$ 81,302	\$ -	\$ 81,302
HST receivable	\$ 9,562	\$ -	\$ 9,562
Financial liabilities			
Accounts payable and accrued liabilities	\$ 442,569	\$ -	\$ 442,569
March 31, 2023			
Financial assets			
Cash	\$ 37,307	\$ -	\$ 37,307
HST receivable	\$ 19,730	\$ -	\$ 19,730
Financial liabilities			
Accounts payable and accrued liabilities	\$ 614,544	\$ -	\$ 614,544
Due to related party	\$ 51,000	\$ -	\$ 51,000

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 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 three month period ended March 31, 2023 would have been approximately \$1,000 higher/lower. If the Peruvian sol rose or fell in relation to the Canadian dollar by 5% with all other variables held constant, accumulated other comprehensive loss for the three month period ended March 31, 2023 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 March 31, 2023, 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.

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

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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.

Critical Accounting Policies and the Use of Estimates and Judgment

The preparation of the condensed consolidated interim financial statements in conformity with IFRS requires that management make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses and income during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates. A detailed summary of the Company's significant accounting policies and use of estimates is included in Notes 3 and 4 of the Company's audited consolidated financial statements for the year ended December 31, 2022. The accounting policies and management estimates applied in the condensed consolidated interim financial statements for the three months ended March 31, 2023, are consistent with those used in the Company's audited consolidated financial statements for the year ended December 31, 2022.

Risks and Uncertainties

Readers of the MD&A should give careful consideration to the information included or incorporated by reference in this document and the Company's unaudited condensed consolidated interim financial statements and related notes. Palamina's business of exploring and developing mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry, including the limited extent of the Company's assets, the Company's state of development and the degree of reliance upon the expertise of management. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and the Company's common shares should be considered speculative. Only those persons who can bear the risk of the entire loss of their investment should participate.

An investor should carefully consider the risks described in the Company's audited financial statements for the year ended December 31, 2022 and the "Risks and Uncertainties" discussion in the Company's MD&A for the year ended December 31, 2022, dated May 1, 2023, before investing in the Company's common shares. Readers are also encouraged to read and consider the risk factors more particularly described in Note 4 to the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2023, which have been posted on the Company's website at

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www.palamina.com and are available on SEDAR at www.sedar.com. The risks described in these documents is not an exhaustive list. Additional risks that the Company currently believes are immaterial may become important factors that affect the Company's business in the future. If any of the risks noted in the Company's financial disclosure occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. In this event, investors may lose part or all of their investment.

Regulatory standards continue to change, making the review process longer, more complex and more costly. Even if an apparently mineable mineral deposit is developed, there is no assurance that it will ever reach production or be profitable, as its potential economics are influenced by many key factors such as commodity prices, foreign exchange rates, equity markets and political interference, which cannot be controlled by management. As a result, the Company's future business, operations and financial condition could differ materially from the forward-looking information contained in this MD&A and described in the "Forward-Looking Statements" section below.

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 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.

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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.

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 internal 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 March 31, 2023 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

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others within the Corporation. The CEO and CFO have also evaluated the design and effectiveness of the Corporation's ICFR as of March 31, 2023 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 unaudited condensed consolidated interim financial statements and in Note 13 of the unaudited condensed consolidated interim financial statements for the three months ended March 31, 2023 and 2022 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 30, 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

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.