



**PRISMO METALS INC.**

**(An Exploration Stage Company)**

**Management's Discussion and Analysis (MD&A)**

**(Form 51-102F1)**

**Nine months ended September 30, 2020**

# PRISMO METALS INC.

## Management's Discussion and Analysis

### Nine months ended September 30, 2020

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This Management's Discussion and Analysis ("MD&A" – Form 51-102F1) of Prismo Metals Inc. ("Prismo" or the "Company"), dated **November 24, 2020**, is the Company's initial MD&A, and provides information on the Company's business activities, financial condition, financial performance, cash flows and outlook for the nine months ended September 30, 2020, and to the date of this MD&A. The Company reports its financial position, financial performance and cash flows in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") in Canadian dollars, unless otherwise indicated. The first, second, third and fourth quarters of the Company's fiscal years are referred to as "Q1", "Q2", "Q3", and "Q4" respectively.

The following information should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2019 and the period from incorporation on October 17, 2018 to December 31, 2018, with the condensed interim financial statements for the nine months ended September, 2020 and 2019 (jointly the "Financial Statements") and with the annual MD&A for the year ended December 31, 2019.

Prismo Metals Inc. (the "Company") was incorporated under the provisions of the Canada Business Corporations Act ("CBCA") on October 17, 2018, as 11047612 Canada Inc., renamed as Prismo Metals Inc. on November 1, 2018, and registered as an extra-provincial corporation under the laws of the Province of British Columbia on November 6, 2018.

On September 30, 2020, the Company closed its initial public offering (the "IPO") by way of a long-form prospectus through an engagement with Haywood Securities Inc. ("Haywood") and filed on SEDAR on September 8, 2020 (the "Prospectus").

The closing of the IPO provided the Company gross proceeds of \$575,000. Please refer *Financing Activities*, below, for a more detailed disclosure of the IPO.

The proceeds of the IPO, as well as the remaining working capital from prior financing activities, will be used to fund exploration and development of the Company's mineral projects, and for working capital and general corporate purposes

On October 1, 2020, the Company's shares started trading on the Canadian Securities Exchange (the "CSE") under the trading symbol PRIZ.

The Company is in the business of acquisition, exploration and development of mineral properties, and is in one operating segment, namely mineral exploration in Mexico.

### Forward-looking statements and risk factors

This MD&A contains forward-looking statements that are related to the Company's activities and future financial results. The results for the current periods are not necessarily indicative of the results for any future period. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance as the mineral exploration business is not without risk and most exploration projects will not become mines. The Company is subject to a number of risks and uncertainties due to the nature of its business and the early stage of its exploration projects. A detailed discussion of risks is presented under *Risk Factors*.

Prismo's disclosure of a technical or scientific nature has been reviewed and approved by Dr. Peter Craig Gibson, Ph.D., Director, President and Chief Executive Officer of the Company and a Qualified Person ("QP") under the definition of National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*.

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**Financing activities**

Please refer to the MD&A for the year ended December 31, 2019, for details related to financing activities from incorporation on October 17, 2018 to December 31, 2019.

On September 30, 2020, the Company closed an IPO through Haywood, after having filed a long-form Prospectus on September 8, 2020 (available on the SEDAR website [www.sedar.com](http://www.sedar.com) under the Company's profile). The Company raised gross proceeds of \$575,000 through the issuance of 4,600,000 common shares at a price per share of \$0.125. Pursuant to the engagement with Haywood, the Company paid Haywood an agent's commission of 7.5% in cash (\$43,125) and 7.5% through an agent's option consisting of 345,000 options with an exercise price of \$0.125 for a period of two years. The fair value of the agent's options were calculated at \$22,498 using the Black-Scholes option pricing model with the following parameters: expected volatility of 100%, risk-free interest rate of 0.25%, dividend rate of 0% and expected life of 2 years, and was charged to share issuance costs. 50% of those agent's options were exercised subsequent to September 30, 2020, providing the Company with an additional \$21,562.

In addition to the agent's commission, the Company paid Haywood a corporate finance fee of \$25,000 of which \$20,000 was paid in cash and the remaining \$5,000 through the issuance of 40,000 common shares at the IPO price. The Company also reimbursed Haywood's expenses for \$30,978.

Other share issuance cost included Prospectus-printing cash payments of \$1,481, and \$77,500 in legal and consulting fees related to the offering, a portion paid in cash and a portion incurred through accounts payable and accrued liabilities as provision.

The following table details the share capital of the Company from incorporation on October 17, 2019 and up to September 20, 2020.

The following table summarizes de Company's financing activities since its incorporation on October 17, 2020, and September 30, 2020:

Issuance	Date of issuance	Number of shares #	Price per share \$	Cash proceeds \$	Non-cash value \$
Share issued on incorporation	Oct 17, 2018	1	0.005	-	-
Non-brokered private placement (founders of Company)	Feb 15, 2019	3,600,000	0.005	18,000	-
Non brokered private placement	Aug 12, 2019	2,985,866	0.05	149,293	-
Shares issued for property acquisition	Aug 12, 2019	2,000,000	0.05	-	100,000
Shares issued as payment for work done on mineral property	Aug 12, 2019	500,000	0.05	-	25,000
Shares issued for property acquisition	Oct 11, 2019	2,000,000	0.05	-	100,000
Non brokered private placement	Nov 07, 2019	1,525,000	0.10	152,500	-
Initial public offering (IPO)	Sep 30, 2020	4,600,000	0.125	575,000	-
Agent's corporate finance fee	Sep 30, 2020	40,000	0.125	-	5,000
Shares issued in settlement of debt	Sep 30, 2020	300,000	0.125	-	37,500
Share issuance costs	to date	-	-	(106,429)	(104,999)
		17,550,867	0.07	788,364	162,501

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Subsequent to September 30, 2020, the Company received cash proceeds of \$21,562 on exercise of 172,500 of the Haywood's agent's option at price of \$0.125 per share.

#### Mineral properties and business update

The Company has option agreements with respect to two mineral exploration projects in Mexico, Palos Verdes and Los Pavitos, as follows:

a) Palos Verdes project and ProDeMin Option

Palos Verdes is an intermediate stage exploration project located about 65km northeast of Mazatlán in Sinaloa State, Mexico and is accessed via the interstate highway from Mazatlán to Durango near the village of Santa Lucía. The property consists of one concession, Palos Verdes, comprising 22.7707 hectares (the "Property"). The Property is within the Pánuco-Copala mining district, a historically important mining area in the region. Numerous small mines and prospects are located in the region with several intermittently active mines and mills. The district is known for precious- and base-metal bearing epithermal veins.

On May 7, 2019, the Company entered into an Option Agreement with ProDeMin, a company incorporated under the laws of Mexico and carrying mineral exploration contracting activities and controlled by a director of the Company) (the "ProDeMin Option"). Pursuant to the terms of the ProDeMin Option, ProDeMin granted the Company an option to earn up to 75% interest in the Palos Verdes property, located in the state of Sinaloa, Mexico, over a period of five years, as follows:

- on May 10, 2019, the Company paid ProDeMin US \$25,000 in cash;
- on August 12, 2019, the Company issued ProDeMin 2,000,000 units with a fair value of \$0.05 per unit; each unit consisted of one common share and one share purchase warrant of the Company; each warrant being exercisable at a price of \$0.10 per share, expiring of the fifth anniversary of the date of issuance of these units;
- on August 12, 2019, the Company reimbursed ProDeMin for expenditures already incurred in the amount of \$25,000 by the issuance of 500,000 common shares with a fair value of \$0.05 per share (issued) these units and shares will be held in escrow pursuant to the terms outlined in the Prospectus; and
- the Company is required to incur US \$1,500,000 in exploration expenses over the five-year period of the ProDeMin Option, pay an additional US \$46,823 and issue ProDeMin an additional 2,000,000 common shares, as follows:
  - pay ProDeMin an amount of US \$21,823 on the date of the Company's closing of its first financing following the listing of its common shares;
  - incur a minimum of \$100,000 in exploration expenditures within the first two years of the date of the ProDeMin Option, and by paying all fees and duties required to maintain the mineral concessions in good standing;
  - pay US \$25,000 to ProDeMin and incurring a minimum of US \$100,000 in exploration expenditures on the property for each of the third and fourth year following the date of the ProDeMin Option, and also paying during such period all fees and duties required to maintain the mineral concession in good standing;

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- Issue to ProDeMin, or as directed by ProDeMin, 2,000,000 common shares and incurring a minimum of US \$500,000 in expenditures on the Property in the fifth year following the date of the ProDeMin Option, and also paying during such period all fees and duties required to maintain the mineral concession in good standing; and
- the following payments have been made or are to be made:

	USD
	\$
On or before May 20, 2019 (paid)	15,000
6 months from the above date (paid)	25,000
12 months from the above date (paid)	25,000
18 months from the above date	25,000
24 months from the above date	25,000
30 months from the above date	25,000
36 months from the above date	50,000
42 months from the above date	50,000
Total payments	240,000

A full technical report for Palos Verdes prepared under the standards of National Instrument NI 43-101 is presented with the Prospectus, filed on SEDAR on September 8, 2020. Readers are encouraged to review this technical information.

The Company does not currently have a subsidiary in Mexico and is in the process of establishing one, as Mexican mineral concessions can only be held by Mexican entities.

On November 18, 2020, the Company announced that it had secured surface access to Palos Verdes through a 10-year agreement with the local community. This will allow Prismo to commence a drilling program of a minimum of 500 metres in early December 2020 through a drilling contract awarded to HR Drilling of Hermosillo, Sonora. Results should be available in during the first quarter of 2021.

The drilling program will consist of four to five holes, with the longest planned at 150-175m. Targets are to test the vein lateral to, and below, high-grade intercepts drilled by ProDeMin in May 2018. The best intercept from that program was 8.4 g/t Au and 2,336 g/t Ag, over 0.8m true width (See Prismo press release of September 30, 2020). The mineralized intervals reported are similar to many of those reported by Vizsla Resources Corp. from veins further west in the same district.

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b) Los Pavitos project and the Cascabel Option

Los Pavitos is an early stage exploration project located in the Álamos area of Sonora State, Mexico. The project consists of one concession, Los Pavitos Reducción, that covers 5,289 hectares. The concessions is located on the paved highway between Navajoa and Álamos at about the 17 km marker, and the main mineralized area is about 6 km North of the highway and are reached by unmaintained dirt roads that access local ranches. Several interior concessions owned by third parties cover mineralized occurrences within the boundaries of the Los Pavitos concession.

Mineralization at Los Pavitos consists of quartz veins and stockworks hosted in metasediments, in shear zones and parallel to foliation and crossing foliation. Three mineralized trends have been recognized through limited exploration that has been carried out. Two trends, the NE Santa Cruz trend and the NW Las Auras trend intersect in an area of small mines and prospects on the internal concessions mentioned previously and extend onto the Los Pavitos concession. The NE Omuri trend is parallel to the Santa Cruz trend about two kilometers to the northwest of the intersection of the other trends, and also intersect the La Auras trend.

Limited exploration work has been carried out on the project. One hundred rock chip samples and 55 soil samples have been taken. Rock samples of as much as 40.9 g/t Au and 99 g/t Ag over 0.3m have been taken. Numerous samples have returned 1 to 6 g/t Au and 3 to 60 g/t Ag. Soil sample lines that cross the Santa Cruz trend where projected along strike from outcrops and small prospects show Au, As and Ag anomalies

On October 11, 2019, the Company entered into an Option Agreement with Cascabel (the "Cascabel Option"). Pursuant to the terms of the Cascabel Option, Cascabel grants the Company an option to earn up to 100% in the Los Pavitos concession, located in the state of Sonora, Mexico, over a period of five years, as follows:

- on October 11, 2019, the Company issued Cascabel 2,000,000 units with a fair value of \$0.05 per unit; each unit consisting of one common share and one share purchase warrant of the Company; each warrant being exercisable at a price of \$0.10 per share, expiring of the fifth anniversary of the date of issuance of these units (issued); these units will be held in escrow pursuant to the terms outlined in the Prospectus;
- the Company has reimbursed Cascabel for its payments to the Mexican Mining Authorities related to mining concession fees up to the most current period (2<sup>nd</sup> semester of 2020). The Company is required to keep the concessions in good standing for the duration of the Cascabel Option;
- for the exercise of the option, the Company will be required to incur US \$1,500,000 in exploration expenses over the five-year period of the Cascabel Option, pay an additional US \$500,000 and issue Cascabel an additional 2,000,000 common shares. The yearly minimum expenditures, payments and issuance of shares to Cascabel are as follows:

Period	Work Commitment	Cash Payment	Shares issued	Other requirements
First two years, cumulative	\$75,000	Nil	Nil	Deliver technical report to NI 43-101 standards
Each of third and fourth years	\$100,000	US \$100,000	Nil	Nil
Fifth year	\$500,000	US \$300,000	2,000,000 shares	Drilling program of at least 2,500 metres

- Prismo will perform sufficient assessment work to satisfy the applicable government work commitment costs on the Property through the end of each tax period.

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As at September 30, 2020, the following amounts have been invested in exploration and evaluation assets:

	CAD \$	(USD) \$
Balance, December 31, 2018	-	
ProDeMin option - cash	33,545	25,000
ProDeMin option - shares	125,000	
ProDeMin option - warrants	61,249	
Concession payments under the ProDeMin Option	20,069	15,000
Work towards preparation of NI 43-101 report	16,206	
Assays and laboratory	310	
Other	494	
Balance, September 30, 2019	256,873	
Concession payments under the ProDeMin Option	31,605	25,000
Cascabel option - shares	100,000	
Cascabel option - warrants	61,483	
Other	3,080.00	
Balance, December 31, 2019	453,041	
Concession payments under the ProDeMin Option	34,872	25,000
Technical reports	3,441	
Other	5,473	
Balance, September 30, 2020	496,827	

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**Results of Operations**

*Year-to-date:*

During the nine months ended September 30, 2020, the Company's expenses were as follows:

	Nine months ended September 30				
	2020	% of	2019	% of	% change
	\$	expenses	\$	expenses	
<b><u>Cash expenses</u></b>					
Filing and transfer agent fees	29,876	36.84%	-	0.00%	n/a
Audit and legal	27,377	33.76%	21,015	69.62%	30.27%
Administration and accounting	18,713	23.08%	3,917	12.97%	377.74%
Travelling	3,855	4.75%	-	0.00%	n/a
Office and sundry	1,273	1.57%	1,031	3.41%	23.47%
Investor relations	-	0.00%	4,228	14.00%	-100.00%
	<u>81,094</u>	<u>100.00%</u>	<u>30,191</u>	<u>100.00%</u>	<u>168.60%</u>
<b><u>Non-cash (income) expenses</u></b>					
Foreign exchange (income) loss	(497)		1,485		
Share-based payments	<u>133,910</u>		<u>-</u>		
Total non-cash expenses	<u>133,413</u>		<u>1,485</u>		
<b>Loss for the period</b>	<u>(214,507)</u>		<u>(31,676)</u>		

The highest expenses incurred were related to application for listing fees to the Canadian Securities Exchange as well as SEDAR filing fees for the preliminary prospectus and closing of the IPO.

Audit and legal costs related to the preparation of several iterations of amended and restated preliminary prospectuses and the preparation of the Prospectus in connection with the IPO. The audit costs were incurred for auditing of the financial statements for the year ended December 31, 2019, and the auditor's reviews of the March and June 2019 interim financial statements. No such costs were incurred during the comparative period in 2019. The legal fees include a provision for unbilled items by the legal entity assisting the Company.

Administration and accounting fees were paid to a company controlled by the Chief Financial Officer of the Company for the day-to-day accounting, administration, and the preparation of financial statements and related reports, as well as certain corporate secretarial activities.

Travelling relates to the costs incur to visit and access the Palos Verdes property.

Office and sundry includes bank service charges, postage, office supplies, etc.



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*Most recent quarter:*

	Three months ended September 30				
	2020	% of	2019	% of	% change
	\$	expenses	\$	expenses	
<b><u>Cash expenses</u></b>					
Audit and legal	20,716	45.63%	12,822	67.96%	61.57%
Administration and accounting	10,313	22.72%	1,350	7.16%	663.93%
Filing and transfer agent fees	10,078	22.20%	-	0.00%	n/a
Travelling	3,855	8.49%	-	0.00%	n/a
Office and sundry	438	0.96%	466	2.47%	-6.01%
Investor relations	-	0.00%	4,228	22.41%	-100.00%
Total cash expenses	<u>45,400</u>	<u>100.00%</u>	<u>18,866</u>	<u>100.00%</u>	<u>140.64%</u>
<b><u>Non-cash expenses</u></b>					
Foreign exchange (income) loss	262		(328)		
Share-based payments	<u>133,910</u>		<u>-</u>		
Total non-cash expenses	<u>134,172</u>		<u>(328)</u>		
<b>Loss for the period</b>	<u>(179,572)</u>		<u>(18,538)</u>		

The filing of the final Prospectus, the closing of the IPO and the listing of the Company's shares on the CSE all took place during the quarter ended September 30, 2020 resulting in this quarter having a very high proportion of the expenses incurred during the current year.

### Quarterly information

The following table provides a summary of the financial indicators of the last eight quarters:

	Quarter ended (three-month figures) (\$)							
	30-Sep 2020 Q3	30-Jun 2020 Q2	31-Mar 2020 Q1	31-Dec 2019 Q4	30-Sep 2019 Q3	30-Jun 2019 Q2	31-Mar 2019 Q1	31-Dec 2018 * Q4
	Loss and comprehensive loss Per share, basic and diluted	(179,572) (0.01)	(23,130) (0.00)	(11,805) (0.00)	(53,418) (0.00)	(18,538) (0.00)	(11,477) (0.01)	(1,661) -
Total assets	1,007,350	544,436	582,813	630,519	479,894	272,074	13,548	-
Total liabilities	81,312	12,150	27,397	63,298	17,702	8,030	1,575	4,366
Shareholders' equity	926,038	532,286	555,416	567,221	462,192	264,044	11,973	(4,366)
Cash dividends declared	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

\* Q4 2018 comprises the period from incorporation on October 17, 2018 to December 31, 2018

As discussed in the sections above, with the filing of the Prospectus, the closing of the IPO and the listing on the CSE having taken place during Q3 2020, the expenses, and therefore the loss during the quarter, are significantly higher than during the prior periods. The total assets on Q3 2020 also reflects the proceeds received from the closing of the IPO.

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**Liquidity Working Capital and Capital Resources**

The Company's liquidity and working capital figures are as follows:

	<b>September 30, 2020</b>	December 31, 2019
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	<b>501,142</b>	175,581
Accounts receivable (Canadian GST)	<b>7,272</b>	1,897
<b>Total liquidity</b>	<b>508,414</b>	177,478
Prepaid expenses and deposits	<b>2,109</b>	-
Accounts payable and accrued liabilities	<b>(73,148)</b>	(56,037)
Amounts due to related parties	<b>(8,164)</b>	(7,261)
<b>Working capital:</b>	<b>429,211</b>	114,180

The increase in working capital is a result of the funds provided by the IPO.

The Company believes it has sufficient cash to sustain its operations for the next year. The longer-term ability of the Company to continue its business is dependent on the continuing success of its exploration programs coupled with available funding through sale of its share capital.

**Transactions with related parties**

The following transactions with related parties took place:

Nine months ended September 30:	<b>2020</b>	2019
	<b>\$</b>	<b>\$</b>
Management fees paid to InterAmerica Consulting & Development Inc. ("InterAmerica"), a company controlled by Mr. Salvador Miranda, Chief Financial Officer of the Company:	<b>12,712</b>	2,567
Share-based compensation paid to directors and officers of the Company:	<b>55,411</b>	-
Share-based compensation paid to a companies controlled or related to directors of the Company:	<b>46,176</b>	-

As at September 30, 2020, the Company owed \$8,164 (December 31, 2019 - \$7,261) to InterAmerica for administration and accounting fees, which were paid subsequently to the end of the period.

The ProDeMin Option for the acquisition of the Palos Verdes project, including related share and unit issuances, is a related party transaction, as ProDeMin is controlled by Dr. Peter Craig Gibson, a director, president and CEO of the Company.

The Cascabel Option, including the issuance of units, is a related party transaction, as Mr. Jorge Rafael Gallardo Romero and Ms. Guadalupe Yeomans Otero, both directors of the Company, have an interest in the Los Pavitos project related to the Cascabel Option.

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**Outstanding Share Data**

As at the date of this MD&A Company has:

- a) 17,723,367 common shares issued and outstanding, of which 9,000,001 are held by insiders and certain advisors and the rest is public float;
- b) 7,600,000 share purchase warrants outstanding with an exercise price of \$0.10 and a weighted average life of approximately 3.5 years;
- c) 172,500 Agent's options with an exercise price of \$0.125 and an average life of 2 years; and
- d) 1,450,000 stock options with an exercise price of \$0.125 and an average life of 5 years.

The fully diluted number of shares is 26,945.867.

**Off-Balance Sheet Arrangements**

None

**Proposed Transactions**

None

**Accounting Policies**

Please refer to notes 2 and 3 to the Financial Statements for a complete description of the basis of presentation and the accounting policies followed, respectively.

**Financial Instruments**

The Company classifies cash, accounts receivables, accounts payable and accrued liabilities, and due to related parties at amortized cost. At present, the Company does not have any FVTPL or FVTOCI financial assets.

The Company provides disclosures that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the date of the statement of financial position, and how the entity manages these risks.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

*Currency Risk*

As at September 30, 2020, all of the Company's cash and cash equivalents were held either in Canadian dollars or US dollars. The Company incurs expenditures in Canada and Mexico, and as such is exposed to currency risk associated with these costs. However, at this stage, the Company believes that the currency risks are immaterial.

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*Interest rate and credit risk*

The Company has no loans and is therefore not subject to interest rate or credit risk

*Liquidity risk*

The Company will depend on the advances provided by public and/or private investors. The liquidity risk relates to the low cash position and the dependence on these investments. See Note 1 to the Financial Statements for further discussion regarding liquidity risks.

**Critical Accounting Estimates**

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses, and the valuation of stock options and share purchase warrants. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual results may differ from these estimates.

Resource properties: The carrying value of the Company's mineral properties are reviewed by management quarterly, or whenever events or circumstances indicate that their carrying amounts may not be recovered. Management considers potential impairment indicators including, but not limited to, changes in commodity prices, plans for the properties and the results of exploration to date.

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**Risk Factors**

**AN INVESTMENT IN THE COMMON SHARES IS SPECULATIVE IN NATURE AND INVOLVES A HIGH DEGREE OF RISK. IN ADDITION TO THE OTHER INFORMATION PRESENTED IN THIS MD&A, READERS AND PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS.**

The risks discussed below also include forward-looking statements and actual results may differ substantially from those discussed in these forward-looking statements.

*Size of Palos Verde Property*

The Company's only material property is the Palos Verdes Property which comprises the Palos Verdes concession that covers an area of only 22.7707 hectares, which is significantly smaller than a typical exploration stage project. Given the relatively small size of this property, it has limited possibility of containing the required infrastructure for a standalone mining operation, including required mine installations, a mineral processing plant and a modern tailings management facility, which may affect the ability of the Company to economically develop this property.

Should the construction of a stand-alone mining operation be determined to be warranted, it may be necessary for the Company to negotiate surface rights access from one of its neighbours to construct such operations on an adjacent property. Such operation could be located on the surface rights controlled by the surrounding Ejido, the same community with which there is an existing agreement for surface access for exploration on the Palos Verdes Property. There can be no assurance that the Company will be able to negotiate such access or that such access will be granted on commercially viable terms.

*Toll Milling Arrangements with Third Parties*

In the event of the discovery of a commercially viable deposit, the Company may be required to enter into toll milling agreements with one or more of the operating toll mills situated within the region of the Palos Verdes Property. There can be no assurance that the Company will be successful in establishing such toll milling arrangements with third-party operators and, consequently, the Company may determine that it is not viable to commence any commercial production activities on the Palos Verdes Property.

Should the Company be able to establish such arrangements with offsite toll milling operators, there is no assurance that agreements with such operators can be made on commercially viable terms. Furthermore, even if the Company is able to enter into such agreements on commercially viable terms, there is no assurance that such facilities will continue operations or will not become saturated with ore from other operating mines situated in the area when and if the Company succeeds in establishing commercial production activities on the Palos Verdes Property. The Company may also face the possibility of incompatibility with the process flowsheet of the local mills. The inability of the Company to successfully conclude toll milling arrangements with offsite third-party operators or to have access to such local mills may affect the ability of the Company to economically develop this property

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#### *Limited Operating History*

The Company is an early stage company, and the Palos Verde Property is an exploration stage property. As such, in addition to the risks disclosed above which are specific to the Company's material property, the Company will be subject to all of the business risks and uncertainties associated with any new business enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. The current state of the Palos Verde Property requires significant additional expenditures before any cash flow may be generated. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success of the Company must be considered in light of the problems, expenses, difficulties, complications and delays frequently encountered in connection with the establishment of any business. Most exploration projects do not result in the discovery of commercially mineralized deposits. An investment in the Common Shares therefore carries a high degree of risk and should be considered speculative by investors.

#### *Trends*

The Company's financial success is dependent upon the discovery of mineral resources which could be economically viable to develop. Such development could take years to complete and the resulting income, if any, is difficult to determine. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control, such as market value of the products produced and availability of capital from the public marketplace. Other than as disclosed herein, the company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Company's results or financial position.

#### *Negative Cash-Flow*

Since its incorporation on October 17, 2018, the Company has not generated cash flow from its operations and has incurred certain operating losses. Such losses and negative operating cash flow are expected to continue since funds will be expended to pay its administrative expenses and to conduct the Recommended Exploration Program on the Palos Verdes Property. Although the Company has allocated \$480,048, to fund its ongoing operations for a period of 12 to 18 months, thereafter, the Company will be reliant on future equity financings for its funding requirements.

#### *COVID-19 Outbreak*

As of the date of this MD&A, markets, governments and health organizations around the world are working to contain the outbreak of the coronavirus ("**COVID-19**"). COVID-19 presents a wide range of potential issues and complications for the Company, most of which the Company is not able to know the full extent of. The following is a summary of what the Company believes may impact its business as a result of COVID-19:

- disruptions to business operations resulting from quarantines of employees, consultants and third-party service providers in areas affected by COVID-19;
- disruptions to business operations resulting from travel restrictions and access to properties; and
- uncertainty around the duration of the COVID-19' pandemic.

#### *Operating Hazards and Risks*

Mineral exploration involves many risks. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damages. Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the operation of mines and the conduct

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of exploration programs. Although the Company will, when appropriate, secure liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liability and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in any of which events the Company could incur significant costs that could have a material adverse effect upon its financial condition.

#### *Economics of Developing Mineral Properties*

Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract metal from ore and to develop the mining and processing facilities and infrastructure at any site chosen for mining. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets 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. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

#### *Ownership of Property Interests and Assets*

Although the Company has exercised the usual due diligence with respect to title to properties in which it has a material interest, there is no guarantee that title to the properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers or land claims and title may be affected by undetected defects. In addition, certain of the mining claims in which the Company has an interest are not recorded in the name of the Company and cannot be recorded until certain steps are taken by other parties. Before a number of claims under option can be recorded in the Company's name, the underlying title holder has to assign title to the Company once the Company satisfies its option agreement obligations. There are no assurances that the underlying title holder will assign title. Land may be transferred by the State to businesses and citizens for possession and use based on leases.

Moreover, the Company entered into the ProDeMin Option Agreement, pursuant to which it was granted the option to acquire a 75% interest in the Palos Verdes Property. At this time, the Company has not entered into any agreements to acquire the remaining 25% interest in the Palos Verdes Property and there is no guarantee that it will acquire said remaining interest.

In order to satisfy itself of its ownership of its property interests in Mexico, the Company has, among other things: (i) obtained and reviewed title opinions from certain local law firms in Mexico; (ii) obtained and reviewed certificates of compliance issued by the appropriate governmental officials in Mexico; (iii) conducted searches in Mexico; and (iv) reviewed, negotiated and executed various agreements with the Government of Mexico relating to the acquisition and/or transfer of certain mining titles and concessions.

#### *Environmental Factors*

The Company conducts exploration activities in various parts of Mexico. Such activities are subject to various laws, rules and regulations governing the protection of the environment, including, in some cases, posting of reclamation bonds. Extensive environmental legislation has been enacted in Mexico by federal, state and municipal governments. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed properties and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

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The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Environmental hazards may exist on the Company's properties, which hazards are unknown to the Company at present, which have been caused by previous or existing owners or operators of the properties. The Company is not aware of any environmental hazards on any of the properties held or formerly worked by the Company. The approval of new mines in Mexico is subject to detailed review by Mexican mining authorities and there is no assurance that such approval can be obtained. Further, under such review process, there is no assurance that regulatory and environmental approvals will be obtained on a timely basis or at all. Failure to comply with the legislation may have serious consequences. Orders may be issued requiring operations to cease or be curtailed or requiring installation of additional facilities or equipment. Violators may be required to compensate those suffering loss or damage by reason of its mining activities and may be fined if convicted of an offense under such legislation.

Mexican mining law establishes requirements for the decommissioning, reclamation and rehabilitation of mining properties in a state of temporary or permanent closure. Such closure requirements relate to the protection and restoration of the environment and the protection of the public safety. Some former mining properties must be managed for long periods of time following closure in order to fulfill closure requirements. The costs of closure of mining properties, and, in particular, the cost of long-term management of mining properties can be substantial. The Company intends to progressively rehabilitate its mining properties during their period of operation, should any properties become operational, so as to reduce the cost of fulfilling closure requirements after the termination or suspension of production.

The Company has adopted environmental practices designed to ensure that it continues to comply with or exceeds all environmental regulations currently applicable to it. All of the Company's activities are in compliance in all material respects with applicable environmental legislation. The Company is currently engaged in exploration with minimal environmental impact.

#### *Community Relations*

Community relations may affect the Company's business, including its interest in the Palos Verdes Property. Maintaining a positive relationship with the communities in which the Company operates, including with respect to the Palos Verdes Project, is critical to continuing successful exploration and development. Community support for operations is a key component of a successful exploration or development project. As a business in the mining industry, the Company may come under pressure in the jurisdictions in which the Company explores or develops, to demonstrate that other stakeholders benefit and will continue to benefit from our commercial activities. The Company may face opposition with respect to our current and future development and exploration projects which could materially adversely affect our business, results of operations, financial condition and share price.

#### *Environmental Permits*

The ability of the Company to explore its properties is dependent on environmental regulations and the permitting process. A permit for drilling from existing roads and disturbed areas is in place for the Palos Verdes Property. Future work to allow road construction and additional surface disturbance at the Company's projects will require filing for necessary environmental permits. The Company's interest in a property or project could be adversely affected by an inability to obtain environmental permits.

#### *Competition and Agreements With Other Parties*

The Company competes with other mining companies for the acquisition of mineral claims and other mining interests as well as for the recruitment and retention of qualified employees and contractors. There is significant and increasing competition for a limited number of resource acquisition opportunities and as a result, the Company may be unable to acquire attractive mining properties on terms it considers acceptable. The Company competes with other companies that may have substantially greater financial resources than the Company. The Company may, in the future, be unable to meet its obligations under agreements to



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which it is a party and the Company may have its interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

#### *Metals Prices*

The Company's revenues, if any, and ability to attract equity financing is expected to be in large part derived from the discovery of mineral properties and the sale of minerals contained or interests related thereto. The price of those commodities has fluctuated widely, particularly in the last three years, and is affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of metal substitutes, metal stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the price of base and precious metals, and therefore the economic viability of the Company's operations, cannot accurately be predicted.

#### *Management and Directors*

The Company is dependent on its key management personnel. Loss of the key person could have an adverse effect on the Company. The Company does not maintain "key-man" insurance in respect of any of its management.

#### *Conflicts of Interest*

Certain of the Directors and Officers of the Company are also in their personal capacities, or as Directors or Officers of other companies, engaged in mineral exploration and development. Accordingly, exploration opportunities or prospects of which they become aware may not necessarily be made available to the Company. The Directors and Officers intend to allocate opportunities or prospects from time to time on the basis of prudent business judgment. The Directors are required by law to act honestly and in good faith with a view to the best interest of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a Director for the approval of such transaction.

#### *Price Fluctuations: Share Price Volatility*

In recent years, the international securities markets have experienced high levels of price and volume volatility, and the market prices of securities of many mineral exploration companies have experienced wide fluctuations 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 continual fluctuations in market price will not occur which may impact the Company's market capitalization as well as its ability to facilitate equity financing.

#### *Foreign Operations*

The Company's operations are currently conducted principally in Mexico. As such, its operations are exposed to various levels of political, economic and other risks and uncertainties which could result in work stoppages, blockades of the Company's mining operations and appropriation of assets. Some of the Company's operations are located in areas where Mexican drug cartels operate. These risks and uncertainties vary from region to region and include, but are not limited to, terrorism; hostage taking; extortion; local drug gang activities; military repression; expropriation; fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of civil unrest; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental

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regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Although the Company strives to maintain good relations with the local community in Mexico by providing employment opportunities and social services, local opposition to mine development projects could arise in Mexico, and such opposition could be violent. There can be no assurance that such local opposition will not arise with respect to the Company's foreign operations. If the Company were to experience resistance or unrest in connection with its operations, it could have a material adverse effect on its operations.

#### *Government Regulation*

The Company's mineral exploration activities will be subject to various laws governing prospecting, mining, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people and other matters. No assurance can be given that the new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit, suspend, terminate or curtail production or development. Government approvals and permits are currently, and may in the future be, required in connection with the Company's operations. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed on them for violations of applicable laws or regulations. Amendments to current laws and regulations governing operations or more stringent implementation thereof could have a substantial adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties, or require abandonment or delays in the development of new mining properties.

The Company is at the exploration stage on all of its properties. Exploration on the Company's properties requires responsible best exploration practices to comply with Company policy, government regulations, and maintenance of claims and tenure. The Company is required to be registered to do business and have a valid prospecting license in any territory in which it is carrying out work. In Mexico, mineral exploration primarily falls under federal jurisdiction, but there are state, municipal, local and community issues to be addressed.

If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protection, mine safety and other matters. In addition, new laws or regulations governing operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that the Company may possess.

#### *Surface Exploration Rights*

Mining concession licenses in Mexico are separate from surface rights. Permission for surface access must be negotiated with the owners of the surface rights to the areas covered by the mining concessions, and commonly involve leasing of the surface rights. In Mexico surface rights are owned by private persons or ejidos (local communal organizations), and agreements for access must be made with the surface owners to do significant work. The surface rights that cover the Palos Verdes Property are controlled by the San Miguel Carrizal Ejido. ProDeMin has a formal surface rights agreement covering the Palos Verdes Property that allows exploration work to be carried out for a period of three years, terminating on September 30, 2020. There are potential risks with regard to the completion of a successful exploration program in that there is a possibility of not being able to extend the surface access agreement over part of the area of interest, or problems with obtaining an environmental permit for road construction and drilling.

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### Nine months ended September 30, 2020

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#### **Cautionary note for USA readers**

As a Canadian corporation, the Company is subject to certain rules and regulations issued by the Canadian securities regulators such as the British Columbia Securities Commission, Alberta Securities Commission, Ontario Securities Commission and other provincial regulators as may be required. The Company is required to provide detailed information regarding its properties including mineralization, drilling, sampling and analysis, on security of samples and mineral reserve estimates. Further, the Company describes any mineral resources associated with its properties utilizing terminology such as "inferred" or "indicated" which are terms recognized by Canadian securities regulators but not recognized by the United States' Securities and Exchange Commission.

#### **Management's responsibility over financial information**

The Company's management is responsible for presentation and preparation of the quarterly and annual consolidated financial statements and the MD&A. These financial statements have been prepared in accordance with IFRS.

The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators ("CSA").

The quarterly and annual consolidated financial statements and information in the MD&A necessarily include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the consolidated financial information we must interpret the requirements described above, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as expected.

#### **Disclosure Controls and Procedures**

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed interim consolidated financial statements for the nine months ended September 30, 2020, and this accompanying MD&A (together, the "Interim Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Legal Proceedings**

As at the date of this document, there were no legal proceedings against or by the Company.

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