

PRIME MERIDIAN RESOURCES CORP.

Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

(unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by the auditor. The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

PRIME MERIDIAN RESOURCES CORP.

Consolidated Statements of Financial Position
As at September 30, 2019 and December 31, 2018
Expressed in Canadian Dollars

| | Notes | September 30, 2019 | December 31, 2018 |
|---|-------|-----------------------|----------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash | | \$ 929 | \$ 583 |
| Amounts receivable | | 32,757 | |
| Prepaid expenses | | 107,250 | |
| Marketable securities | 6 | 1,500 | 1,500 |
| | | 142,436 | 2,083 |
| Long-term Assets | | | |
| Exploration and evaluation assets | 8 | 182,311 | - |
| Total Assets | | \$ 324,747 | \$ 2,083 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current Liabilities | | | |
| Accounts payable | 9, 10 | \$ 2,588,888 | \$ 2,586,665 |
| Accrued liabilities | | 520,352 | 156,276 |
| Short-term loans | 7 | 1,463,087 | 1,150,854 |
| Share subscription received | | 29,985 | 60,000 |
| | | 4,602,312 | 3,953,795 |
| Shareholders' equity | | | |
| Share capital | 11 | 7,936,068 | 7,198,408 |
| Contributed surplus | 12c | 2,061,425 | 2,061,425 |
| Accumulated other comprehensive loss | | (404,838) | (413,896) |
| Deficit | | (13,870,220) | (12,797,649) |
| | | (4,277,565) | (3,951,712) |
| Total Liabilities and Shareholders' Equity | | \$ 324,747 | \$ 2,083 |

Nature of operations and going concern (Note 1)

Subsequent event (Note 17)

Approved on behalf of the Board of Directors on August 29, 2019.

"Brian Leeners"
Director

"Gregory Pearson"
Director

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

PRIME MERIDIAN RESOURCES CORP.

Consolidated Statements of Comprehensive Loss

For the Three and Nine Months Ended September 30, 2019 and 2018

Expressed in Canadian Dollars

| | Notes | For the Three months ended September 30, | | For the Nine months ended September 30, | |
|--|-------|---|--------------|--|--------------|
| | | 2019 | 2018 | 2019 | 2018 |
| Expenses | | | | | |
| Consulting and management fees | 6 | \$ 121,363 | \$ 76,522 | \$ 314,862 | \$ 217,589 |
| Exchange loss (gain) | | (581) | (12,398) | (29,464) | 15,563 |
| Exploration expenditures | | 74,016 | - | 310,377 | - |
| Interest expense | | 159,575 | 61,752 | 321,843 | 182,524 |
| Marketing and advertising | | 49,930 | - | 60,017 | 15,000 |
| Rent and office | 6 | 35,568 | 30,568 | 95,696 | 96,311 |
| Professional fees | 6 | 10,107 | 4,500 | 19,260 | 13,500 |
| Transfer agent and filing fees | | 10,189 | 7,304 | 24,164 | 19,435 |
| Operating expenses | | 460,167 | 168,248 | 1,116,756 | 559,922 |
| Loss before other items | | (460,167) | (168,248) | (1,116,756) | (559,922) |
| Other income (expense) | | | | | |
| Recovery of amounts previously written-off | | - | - | 44,185 | - |
| Change in value of marketable securities | | - | (500) | - | (5,500) |
| | | - | (500) | 44,185 | (5,500) |
| Loss of the period | | (460,167) | (168,748) | (1,072,571) | (565,422) |
| Translation of subsidiary to presentation currency | | (7,476) | 22,932 | 9,058 | (7,108) |
| Comprehensive loss for the period | | \$ (467,643) | \$ (145,816) | \$ (1,063,513) | \$ (572,530) |
| Basic and diluted comprehensive loss per share | | \$ (0.02) | \$ (0.01) | \$ (0.05) | \$ (0.02) |
| Weighted average number of common shares outstanding | | 25,324,083 | 21,475,422 | 22,772,407 | 21,475,422 |

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

PRIME MERIDIAN RESOURCES CORP.

Consolidated Statements of Cash Flows

For the Nine Months Ended September 30, 2019 and 2018

Expressed in Canadian Dollars

| | For the Nine months ended | |
|--|---------------------------|------------------|
| | September 30 | |
| | 2019 | 2018 |
| Cash provided by (used in): | | |
| Operating activities | | |
| Net loss for the period | \$ (1,072,571) | \$ (565,422) |
| Items not affecting cash: | | |
| Foreign exchange | (71,357) | (86,957) |
| Interest accrual | 321,843 | 182,524 |
| Change in fair value of marketable securities | - | 5,500 |
| Changes in non-cash working capital items: | | |
| Accounts payable and accrued liabilities | 366,299 | 267,462 |
| Prepaid expenses | (107,250) | - |
| Amounts Receivable | (32,757) | (16,911) |
| Net cash used in operating activities | (595,793) | (213,804) |
| Investing activities | | |
| Exploration and evaluation expenditures | (181,311) | (32,864) |
| Advances receivable | - | 65,359 |
| Net cash used in investing activities | (181,311) | 32,495 |
| Financing activities | | |
| Loan proceeds | 70,805 | 120,771 |
| Shares issued for cash | 737,660 | - |
| Share subscriptions received | (30,015) | 60,000 |
| Net cash provided by financing activities | 778,450 | 180,771 |
| Net increase (decrease) in cash and cash equivalents | 346 | (538) |
| Cash and cash equivalents, beginning of the period | 583 | 1,773 |
| Cash and cash equivalents, end of the period | \$ 929 | \$ 1,235 |

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

PRIME MERIDIAN RESOURCES CORP.

Consolidated Statements of Changes in Equity

For the Nine Months Ended September 30, 2019 and 2018

Expressed in Canadian Dollars

| | Number of common shares outstanding | Share capital | Contributed surplus | Accumulated Other Comprehensive Income | Deficit | Total Shareholders' Deficiency |
|---|---|---------------------|------------------------|---|------------------------|--------------------------------------|
| Balance, December 31, 2017 | 21,475,422 | \$ 7,198,408 | \$ 2,061,425 | \$ (404,118) | \$ (11,931,787) | \$ (3,076,072) |
| Share subscriptions received | | | | | | |
| Translation of subsidiary to presentation currency | - | - | - | (7,108) | - | (7,108) |
| Loss for the period | - | - | - | - | (565,422) | (565,422) |
| Balance, September 30, 2018 | 21,475,422 | \$ 7,198,408 | \$ 2,061,425 | \$ (411,226) | \$ (12,497,209) | \$ (3,648,602) |
| Balance, December 31, 2018 | 21,475,422 | \$ 7,198,408 | \$ 2,061,425 | \$ (413,896) | \$ (12,797,649) | \$ (3,951,712) |
| Shares issued for cash | 7,376,600 | 737,660 | - | - | - | 737,660 |
| Translation of subsidiary to presentation currency | - | - | - | 9,058 | - | 9,058 |
| Loss for the period | - | - | - | - | (1,072,571) | (1,072,571) |
| Balance, September 30, 2019 | 28,852,022 | \$ 7,936,068 | \$ 2,061,425 | \$ (404,838) | \$ (13,870,220) | \$ (4,277,565) |

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

Expressed in Canadian Dollars

1. Nature of operations and going concern

Prime Meridian Resources Corp. (“the Company” or “PMR”) was federally incorporated on February 22, 2007 and is a public company listed on the TSX Venture Exchange (“TSX-V”). The corporate head office of the Company is located at 14th Floor, 1040 West Georgia Street, Vancouver, B.C., V6E 4H8. The Company has options to earn a 100% interest in the Tango gold project in Sinaloa state Mexico and to acquire two sets of mineral claims in the Bruce Lake and Camping Lake areas in the Red Lake Mining District.

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) applicable to a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due for the foreseeable future. As at September 30, 2019, the Company had no source of operating cash flows and reported loss for the nine months ended September 30, 2019 of \$1,072,571 (2018 – \$565,422), working capital deficit of \$4,459,876 (December 31, 2018 - \$3,951,712), and has an accumulated deficit of \$13,870,220 (December 31, 2018 - \$12,797,649). These factors indicate a material uncertainty that may cast significant doubt over the Company’s ability to continue as a going concern. Management has determined that the Company will require additional financing to meet its obligations for the next fiscal year. Continued operations are dependent on the Company’s ability to complete equity financings and secure project debt financing. It is not possible to predict whether financing efforts will be successful. These consolidated financial statements do not include adjustments or disclosures that may result should the Company not be able to continue as a going concern.

2. Basis of preparation

a) Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by International Accounting Standards Board (“IASB”), applicable to the preparation of financial statements. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Prime Meridian Resources Inc. The Board of Directors approved these consolidated financial statements on November 28, 2019.

b) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company. The functional currency of Prime Meridian Resources Inc., the Company’s US subsidiary, is the United States dollar (“USD”).

c) Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingency liabilities as at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Key critical judgment in applying accounting policies:

Going concern

These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company’s ability to continue in operation for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast significant doubt upon the soundness of this assumption. Refer to Note 1 for more details.

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

Expressed in Canadian Dollars

2. Basis of preparation (continued)

Key sources of estimation uncertainty:

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

3. Significant accounting policies

The significant accounting policies of the Company are as follows:

a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned and controlled subsidiary. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary is included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

b) Foreign currency translation

The functional currency of the parent company is the Canadian dollar, and the functional currency of the subsidiary is the United States dollar.

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statement of comprehensive loss.

Assets and liabilities of the subsidiary with US dollar functional currency is translated at the year end rates of exchange, and the results of its operations are translated at average rates of exchange for the year. The resulting translation adjustments are included in accumulated other comprehensive income as a separate component shareholders' equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in accumulated other comprehensive income.

c) Cash and cash equivalents

Cash is comprised of cash on hand and deposits in banks. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

d) Impairment of non-financial assets

Non-financial assets are evaluated at the end of each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets, where the recoverable amount of the CGU is the greater of the CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments to the

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

Expressed in Canadian Dollars

3. Significant accounting policies (continued)

d) Impairment of non-financial assets (continued)

time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized in the statement of comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

e) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date using the Black-Scholes Option Pricing Model.

The fair value is estimated at grant date and each tranche is recognized on a graded-vesting basis over the period the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

f) Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing profit or loss attributable to ordinary equity holders (numerator) by the weighted average number of ordinary shares outstanding (denominator) during the period. The denominator is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS.

g) Income taxes

Tax expense comprises current and deferred tax. Tax expense is recognized in profit or loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amount of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit or loss, and

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

Expressed in Canadian Dollars

3. Significant accounting policies (continued)

g) Income taxes (continued)

are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax liabilities are not recognized for taxable temporary differences arising on investments in subsidiaries where the reversal of the temporary difference can be controlled, and it is probable that the difference will not reverse in the foreseeable future, or on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

h) Financial instruments

Newly adopted accounting standards

The Company adopted all of the requirements of IFRS 9 Financial Instruments on January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 utilizes a revised model for recognition and measurement of financial instruments in a single, forward-looking “expected loss” impairment model.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The Company completed a detailed assessment of its financial assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

| Financial assets/liabilities | Original Classification IAS 39 | New Classification IFRS 9 |
|------------------------------|--------------------------------|---------------------------|
| Cash | FVTPL | FVTPL |
| Marketable securities | FVTPL | FVTPL |
| Accounts payable | Amortized cost | Amortized cost |
| Short term loans | Amortized cost | Amortized cost |
| Share subscription received | Amortized cost | Amortized cost |

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements For the Nine Months Ended September 30, 2019 and 2018 Expressed in Canadian Dollars

3) Significant accounting policies (continued)

h) Financial instruments (Continued)

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of comprehensive loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income (OCI). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements For the Nine Months Ended September 30, 2019 and 2018 Expressed in Canadian Dollars

3) Significant accounting policies (continued)

i) New accounting standards, amendments and interpretations issued but not yet effective:

The IASB issued the following standards, which are not yet effective and have not been applied in the preparation of these consolidated financial statements. The Company is in the process of determining the extent of the impact on its financial statements.

IFRS 16 applies to the recognition, classification, measurement and disclosure of leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease is for a term of 12 months or less or the underlying asset has a low value. IFRS 16 supersedes IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives, and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

There will be no financial statement impact on the adoption of IFRS 16.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4. Capital management

The Company's objectives when managing capital are to:

- Ensure there are adequate capital resources to manage the Company's ability to continue as a going concern;
- Maintain adequate levels of funding to sustain the required current investments and any new capital investments;
- Maintain investor, creditor and market confidence to sustain future development of the business; and
- Provide returns to shareholders and benefits for other stakeholders.

The Company classifies its share capital and contributed surplus as capital, which at September 30, 2019 totalled \$9,997,493 (December 31, 2018 - \$9,259,833). The Board of Directors does not establish qualitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company will continue to assess new investments and seek to acquire an interest in investments if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

5. Financial instruments and financial risk management

a) Fair value

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted market prices, as appropriate, in the most advantageous market for that instrument to which the Company has immediate access. Where quoted market prices are not available, the Company uses the closing price of the most recent transaction for that instrument. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics. The fair value of current financial instruments approximates their carrying values as long as they are short term in nature or bear interest at market rates.

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

Expressed in Canadian Dollars

5. Financial instruments and financial risk management (continued)

b) Fair value hierarchy

Financial instruments that are held at fair value are categorized based on a valuation hierarchy which is determined by the valuation methodology utilized:

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

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

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

There were no transfers between levels 1 and 2 during the year.

The Company's financial instruments carried at amortized cost with the exception of cash and marketable securities. These instruments have been assessed on the fair value hierarchy described above and classified as Level 1.

c) Financial risks

(i) Interest rate risk

Interest rate risk consists of the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's cash consists of cash held in bank accounts and loans payable are based on fixed interest rates. Therefore, fluctuation in market rates do not have a significant impact on estimated fair values as at September 30, 2019 and 2018.

(ii) Foreign currency risk

The Company is exposed to foreign currency risk to the extent expenditures incurred or funds received, and balances maintained by the Company are denominated in currencies other than the Canadian dollar including the US. The Company had net monetary liabilities totaling \$1,611,208 in US dollars at September 30, 2019. The Company's sensitivity analysis suggests that a change in the absolute rate of exchange in the US dollar by 2% would increase or decrease net income (loss) by \$42,674 for the nine-month period ended September 30, 2019.

(iii) Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations and arises principally from its receivables. The Company's credit risk is primarily attributable to advances receivables. The carrying amount of advances receivable, net of any allowances, represents the Company's maximum exposure to credit risk. As of September 30, 2019, the Company did not have sufficient credit risk.

(iv) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining sufficient cash. Liquidity requirements are managed based on expected cash flow to ensure there is capital to meet short term and long-term obligations. At September 30, 2019, the Company did not have sufficient cash on hand to pay its short-term creditors and does not generate cash from its operations. Accordingly, liquidity risk is considered high.

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

Expressed in Canadian Dollars

6. Marketable securities

In September 2014, the Company received 500,000 units of Bitterroot Resources Ltd., (“Bitterroot”) with a fair value of \$10,000 as partial proceeds on the sale of certain mineral property interests in Baraga Basin, Michigan. Each unit consists of one Bitterroot common share and one warrant, exercisable for two years at \$0.10 per share. During the year ended December 31, 2015, the shares of Bitterroot were consolidated to 10:1, thus the number of shares the Company owns were adjusted to 50,000. Warrants expired unexercised on September 17, 2016.

The common shares are classified as FVTPL. As at September 30, 2019, the fair value of the shares was \$1,500 (December 31, 2018 – \$1,500).

7. Loans

As at September 30, 2019, the Company received total principal of \$760,285 (US\$574,103) (December 31, 2018 - \$705,180/US\$525,000) in loans from non-related parties. These loans accrue interest at a rate 3% every 30 days, repayable 6 months after receipt or at closing of a financing. Total interest accrued during the nine months ended September 30, 2019 is \$702,802 (US\$154,681) (2018 - \$303,984/US\$237,300).

During the nine months ended September 30, 2019, the Company repaid interest on the loan of \$nil (2018 - \$nil).

The continuity of loans is as follows:

| | CAD | | USD |
|-----------------------|--------------|----|-----------|
| December 31, 2017 | 846,512 | | 667,800 |
| Interest accrued | 253,865 | | 189,000 |
| Foreign exchange | 50,477 | | - |
| December 31, 2018 | \$ 1,150,854 | \$ | 856,800 |
| Additional loan funds | 70,805 | | 49,103 |
| Interest accrued | 264,274 | | 198,897 |
| Foreign exchange | (22,846) | | - |
| September 30, 2019 | \$ 1,463,087 | \$ | 1,104,800 |

8. Exploration and Evaluation Assets (continued)

Bruce and Camping Lake, Ontario

On September 23, 2019, the Company entered into an option agreement with 15444230 Ontario Inc., pursuant to which the Company has an option to acquire two sets of mineral claims covering 4,250 acres in the Bruce Lake area and 6,250 acres in the Camping Lake area, both in the Red Lake mining district in Ontario. In consideration, the Company will issue 400,000 shares and make payments totalling \$25,500 in the first year. Additional payments totalling \$61,000 are due over the following three years. The acquisition is subject to a 1.5% net smelter royalty, of which 0.75% can be purchase by the Company for \$500,000.

Tango, Mexico

During the year ended December 31, 2018, the Company entered into a binding term sheet for an option to purchase a 100% interest in the Tango gold project in Southern Sinaloa State, Mexico. The Tango project consists of 3,954 hectares over four contiguous concessions, which have historical workings, including tunnels and stopes as well as several smaller workings and pits. The Company finalized the purchase option agreement on January 10, 2019.

Under the terms, the Company has an option to purchase 100% of the holding company for the Tango project concessions, subject to a royalty, by making US\$5-million in total purchase payments and holding cost payments within five years of the

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

Expressed in Canadian Dollars

8. Exploration and Evaluation Assets (continued)

execution of the formal agreement between the parties and the requisite regulatory approvals. The total annual purchase and holding cost payments are:

- A) Monthly purchase payments and consulting fee payments, which will be accrued against the Purchase Option Payment:

| Year | Monthly Purchase Payments | Monthly Consulting Fees |
|------|---------------------------|-------------------------|
| 1 | US\$5,000 | US\$5,000 |
| 2 | US\$7,500 | US\$7,500 |
| 3 | US\$10,000 | US\$10,000 |
| 4 | US\$12,500 | US\$12,500 |
| 5 | US\$15,000 | US\$15,000 |

- B) Annual Tango Property holding cost payments, which will be accrued against the Purchase Option Payments:

| Year | Annual Holding Cost Payments |
|------|------------------------------|
| 1 | US\$65,000 |
| 2 | US\$65,000 |
| 3 | US\$65,000 |
| 4 | US\$65,000 |
| 5 | US\$65,000 |

- C) Making minimum annual work expenditures on the Tango Property of US\$250,000;

- D) Making the final purchase option payment in cash and common shares to Camargo on the 1st, 2nd, 3rd, 4th or 5th anniversary of the Purchase Option Agreement, as per the following:

| Anniversary | Final Purchase Option Payment | Cash Portion Of Final Payment | Share Portion Of Final Payment |
|-------------|-------------------------------|-------------------------------|--------------------------------|
| 1 | US\$4,815,000 | US\$2,407,500 | US\$2,407,500 |
| 2 | US\$4,570,000 | US\$2,285,000 | US\$2,285,000 |
| 3 | US\$4,265,000 | US\$2,132,500 | US\$2,132,500 |
| 4 | US\$3,900,000 | US\$1,950,000 | US\$1,950,000 |
| 5 | US\$3,475,000 | US\$1,737,500 | US\$1,737,500 |

The final Purchase Option Payment will be paid in cash (50%) and common shares (50%) of the Company, based on the previous 30 day weighted average share price of the Company on the date the of the payment.

As at September 30, 2019, the Company has incurred \$410,310 in consulting fees, purchase payments and work expenditures.

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

Expressed in Canadian Dollars

9. Payable to Domus Management Ltd.

Included in accounts payable is payable to Domus Management Ltd (“Domus”). During the year ended December 31, 2018, the Company was notified by Domus and Primrose Drilling Ltd. (“Primrose”), that the debt owed to Primrose was assigned to Domus. Domus and the Company agreed to the following terms for repayment of the debt:

- The Company shall pay US\$200,000 on or before September 30, 2018 with the balance (US\$310,880) being paid without interest by way of installments of US\$50,000 on October 31 of each year starting on October 31, 2018 until the full debt is retired. As long as the installments are paid in full and on time, no interest will be charged on the debt.
- In the event that the debt is not brought current by September 30, 2018, the interest will commence September 30, 2018 at a rate of 10% per year compounded annually.
- In the event the debt is not repaid in terms of the above at October 31, 2018, the debt becomes due on demand and bears interest at 10%.

As at September 30, 2019, the Company owed \$676,558/US\$510,288 (December 31, 2018 - \$682,689/US\$510,288) in principal and \$67,656/US\$51,088 (December 31, 2018 - \$17,276/US\$12,862) in interest payable to Domus. The debt repayments were not made and consequently the debt is due on demand and bears interest at 10%.

10. Related party transactions

The Company entered into transactions, including compensation of key management, with the following related parties:

| Name | Relationship | Nature of Transaction | Fees incurred period ended Sep. 30, 2019 | Fees incurred period ended Sep. 30, 2018 | Balance payable at Sep. 30, 2019 | Balance payable at December 31, 2018 |
|--------------------------------------|---|-----------------------------|--|--|----------------------------------|--------------------------------------|
| Nexvu Services Inc. | Owned by Nexvu Capital, of which Brian Leeners is a shareholder | Rent and corporate services | \$ 90,000 | \$ 90,000 | \$ 504,775 | \$ 420,450 |
| Brian Leeners | Chief executive officer and director | Management services | 90,000 | 90,000 | 471,600 | 448,400 |
| Global Link Capital | Greg Pearson, director of the Company, is a shareholder | Management services | 90,000 | 90,000 | 470,725 | 423,725 |
| Tyler Thorburn | Director | Consulting | 98,363 | - | - | - |
| Gordorn J. Fretwell, Law Corporation | Gordon Fretwell is a shareholder of Nexvu Capital Corporation | Legal services | 17,071 | 13,500 | 122,963 | 105,692 |
| AE Financial Management Ltd. | Edward Low, chief financial officer, is a shareholder | Accounting services | 30,500 | 30,500 | 131,710 | 119,525 |
| | | | \$ 415,934 | \$ 314,000 | \$ 1,701,773 | \$ 1,517,792 |

Balances owing are due on demand, unsecured, non-interest bearing and have no specified terms of repayment.

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements For the Nine Months Ended September 30, 2019 and 2018 Expressed in Canadian Dollars

11. Share capital

Authorized: unlimited common voting shares, without par value.

During the nine-month period ended September 30, 2019, the Company issued 7,376,600 units, with each unit consisting of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of \$0.30 per share for a 12 month period from closing, subject to the right of the Company to accelerate the exercise of the warrants if the shares of the Company trade at or above \$0.50 for a period of 10 consecutive trading days.

12. Options and warrants

a) Stock options

No stock options were issued by the Company during the nine-month period ended September 30, 2019 or 2018, and no stock options are outstanding as at September 30, 2019 or 2018.

b) Warrants

During the nine-month period ended September 30, 2019, the Company issued 7,376,600 share purchase warrants. Each warrant entitles the holder to acquire one additional common share at a price of \$0.30 per share for a 12 month period from closing, subject to the right of the Company to accelerate the exercise of the warrants if the shares of the Company trade at or above \$0.50 for a period of 10 consecutive trading days. As at September 30, 2019, the following warrants were outstanding:

| Expiry Date | Exercise Price | Number of Warrants | Remaining Years |
|----------------|----------------|--------------------|-----------------|
| August 5, 2020 | \$0.30 | 7,376,600 | 0.9 |

c) Contributed Surplus

The contributed surplus records items recognized as stock-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital.

13. Segmented information

The Company has one reportable operating segment, the exploration of mineral properties. The information on a segmented basis is as follows:

| | Mineral Properties | | Expenditures | |
|--------|--------------------|-------------------|--------------------|--------------------|
| | September 30, 2019 | December 31, 2018 | September 30, 2019 | September 30, 2018 |
| Mexico | \$ 167,311 | \$ - | \$ 310,377 | \$ - |
| Canada | 15,000 | - | 806,379 | 559,922 |
| | \$ 182,311 | \$ - | \$ 1,116,756 | \$ 59,922 |

14. Subsequent Events

- Issued 200,000 shares under the Bruce Lake and Camping Lake option agreements.

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements

For the Nine Months Ended September 30, 2019 and 2018

Expressed in Canadian Dollars

15. Comparative Figures

Certain prior periods figures have been re-classified to conform with the current period classification.