

PRIME MERIDIAN RESOURCES CORP.

Consolidated Financial Statements

For the Nine Months Ended September 30, 2020

(unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

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, 2020 and December 31, 2019
(Unaudited - Expressed in Canadian Dollars)

	Notes	September 30, 2020 (unaudited)	December 31, 2019 (audited)
ASSETS			
Current Assets			
Cash		\$ 1,115	\$ 279
Prepaid expenses		-	34,000
Marketable securities	6	3,500	1,500
		4,615	35,779
Long-term Assets			
Exploration and evaluation assets	8	72,500	13,500
Total Assets		\$ 77,115	\$ 49,279
LIABILITIES AND SHAREHOLDERS' DEFICIT			
Current Liabilities			
Accounts payable	9, 10	\$ 1,002,797	\$ 2,681,534
Accrued liabilities	10	153,799	713,236
Short-term loans	7	1,036,731	1,583,838
Share subscription received		271,362	39,059
		2,464,689	5,017,667
Shareholders' deficit			
Share capital	11	7,944,041	7,930,041
Obligation to issue shares	7	1,816,674	10,500
Contributed surplus	7, 12	2,137,115	2,096,425
Accumulated other comprehensive loss		(409,362)	(397,362)
Deficit		(13,876,042)	(14,607,992)
		(2,387,574)	(4,968,388)
Total Liabilities and Shareholders' Deficit		\$ 77,115	\$ 49,279

Nature of operations and going concern (Note 1)
Subsequent events (Note 16)

Approved on behalf of the Board of Directors on November 27, 2020

"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, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

	Notes	For the three months ended September 30,		For the nine months ended September 30,	
		2020	2019	2020	2019
Expenses					
Consulting and management fees	10	\$ 85,500	\$ 121,362	\$ 295,500	\$ 314,862
Exchange loss (gain)		(37,286)	(581)	18,891	(29,464)
Exploration expenditures		22,500	74,016	55,000	310,377
Interest expense		50,482	159,575	300,593	321,843
Marketing		-	49,930	34,512	60,017
Rent and office	10	30,043	35,568	91,128	95,696
Professional fees	10	4,201	10,107	33,456	19,260
Transfer agent and filing fees		2,054	10,189	22,216	24,164
Operating expenses		157,494	460,166	851,296	1,116,755
Loss before other items		(157,494)	(460,166)	(851,296)	(1,116,755)
Other income (expense)					
Recovery of amounts previously written-off		-	-	-	44,185
Debt forgiveness		-	-	1,581,246	-
Change in value of marketable securities		1,000	-	2,000	-
		1,000	-	1,583,246	44,185
Income (loss) of the period		(156,494)	(460,166)	739,450	(1,072,570)
Translation of subsidiary to presentation currency		14,795	5,751	(12,000)	9,058
Comprehensive income (loss) for the period		\$ (141,699)	\$ (454,415)	\$ 719,950	\$ (1,063,512)
Basic and diluted comprehensive loss per share		\$ (0.01)	\$ (0.01)	\$ 0.03	\$ (0.03)
Weighted average number of common shares outstanding		28,910,718	21,475,422	28,871,730	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, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

	For the nine months ended September 30,	
	2020	2019
Cash provided by (used in):		
Operating activities		
Net income (loss) for the period	\$ 731,950	\$ (1,072,571)
Items not affecting cash:		
Foreign exchange	38,132	(71,357)
Unrealized loss on marketable securities	(2,000)	-
Gain on debt settlement	(1,581,246)	-
Interest expenses	267,265	321,843
Changes in non-cash working capital items:		
Accounts payable	191,169	2,223
Accrued liabilities	216,500	364,076
GST receivable	(47,237)	(32,757)
Prepaid expenses	34,000	(107,250)
Net cash used in operating activities	(151,467)	(320,285)
Investing activities		
Exploration and evaluation assets	(45,000)	(182,311)
Net cash provided by (used in) investing activities	(45,000)	(182,311)
Financing activities		
Loan proceeds	-	70,805
Loan repayments	(35,000)	-
Share issuance, net of issuance costs	-	737,660
Share subscriptions received	232,303	(30,015)
Net cash provided by financing activities	197,303	70,805
Net decrease in cash	836	346
Cash, beginning	279	583
Cash, ending	\$ 1,115	\$ 929

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

PRIME MERIDIAN RESOURCES CORP.

Consolidated Statements of Changes in Deficit

For the Nine Months Ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

	Number of common shares outstanding	Share capital	Obligation to issue shares	Contributed surplus	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Deficiency
Balance, December 31, 2018	21,475,422	\$ 7,198,408	\$ -	\$ 2,061,425	\$ (413,896)	\$ (12,797,679)	\$ (3,951,712)
Shares issued for cash	7,376,600	737,660	-	-	-	-	737,660
Share issuance costs	-	(6,027)	-	-	-	-	-
Translation of subsidiary to presentation currency	-	-	-	-	9,058	-	9,058
Loss for the period	-	-	-	-	-	(1,072,571)	(1,072,571)
Balance, September, 2019	28,852,022	\$ 7,930,041	\$ -	\$ 2,061,425	\$ (404,838)	\$ (13,870,220)	\$ (4,277,565)
Balance, December 31, 2019	28,852,022	\$ 7,930,041	\$ 10,500	\$ 2,096,425	\$ (397,362)	\$ (14,607,992)	\$ (4,968,388)
Debt settlement – services*	-	-	1,069,288	-	-	-	1,069,288
Debt settlement – interest*	-	-	736,886	-	-	-	736,886
Financing of loan	-	-	-	40,690	-	-	40,690
Property acquisition	200,000	14,000	-	-	-	-	14,000
Translation of subsidiary to presentation currency	-	-	-	-	(12,000)	-	(12,000)
Gain for the period	-	-	-	-	-	731,950	731,950
Balance, September 30, 2020	29,052,022	\$ 7,944,041	\$ 1,816,674	\$ 2,137,115	\$ (409,362)	\$ (13,876,042)	\$ (2,387,574)

*subject to regulatory approvals

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

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements

For the Nine Months Ended September 30, 2020 and 2019

(Unaudited - 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 is in the process of exploring and evaluating resource properties. The recoverability of the amounts shown for resource properties is dependent upon the existence of economically recoverable reserves, successfully permitting, the ability of the Company to obtain necessary financing to complete exploration and development, and upon future profitable production or proceeds from disposition of each resource property.

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, 2020, the Company had no source of revenue and reported net comprehensive income for the nine months of \$719,950 (2019 – \$1,063,512 loss), working capital deficit of \$2,460,074 (December 31, 2019 - \$4,981,888), and has an accumulated deficit of \$13,876,042 (December 31, 2019 - \$14,607,992). 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.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. The impact on the Company is not currently determinable but management continues to monitor the situation.

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 27, 2020.

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

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements

For the Nine Months Ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

2. Basis of preparation (continued)

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.

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.

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) Exploration and Evaluation Assets

Exploration and evaluation expenses are charged to earnings as they are incurred until the mineral property reaches the development stage. Significant costs related to property acquisitions are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be depreciated against production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned. From time to time, the Company may acquire or dispose of

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements For the Nine Months Ended September 30, 2020 and 2019 (Unaudited - Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

d) Exploration and Evaluation Assets (continued)

properties pursuant to the terms of option agreements. Because the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded.

Option payments are recorded as exploration and evaluation assets or recoveries when the payments are made or received.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge titles to all of its properties are in good standing.

e) 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 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.

f) 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.

g) 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

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements For the Nine Months Ended September 30, 2020 and 2019 (Unaudited - Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

g) Earnings (loss) per share (continued)

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.

h) 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 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.

i) Financial instruments

(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.

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements For the Nine Months Ended September 30, 2020 and 2019 (Unaudited - Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

i) Financial instruments (continued)

(i) Classification (continued)

The following table shows the classification of financial assets and liabilities:

Financial assets/liabilities	New Classification
Cash	FVTPL
Marketable securities	FVTPL
Accounts payable	Amortized cost
Short term loans	Amortized cost
Share subscription received	Amortized cost

(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.

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements

For the Nine Months Ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

3. Significant accounting policies (continued)

i) Financial instruments (continued)

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The

(iv) Derecognition (continued)

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.

j) New accounting standards, amendments and interpretations

Issued but not yet effective:

The following new IFRS was adopted effective January 1, 2019, and did not have a material effect on the Company's consolidated financial statements:

IFRS 16 – *Leases*. IFRS 16 *Leases* replaces IAS 17 *Leases*

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company has adopted IFRS 16 *Leases* effective for the fiscal year beginning January 1, 2019. The Company does not have any leases and determined that the new policy did not have an impact on its consolidated financial statements.

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. 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.

PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements

For the Nine Months Ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

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.

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 nine months ended September 30, 2020. 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. As at September 30, 2020, the Company is not exposed to interest rate risk as its loans bear interest at fixed rates.

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. 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 and British Pound. The Company had net monetary liabilities totaling \$1,315,266 in US dollars and 9,806 British pounds at September 30, 2020. The Company's sensitivity analysis indicates that a change in the absolute rate of exchange in the US dollar and British pound by 2% would increase or decrease net income (loss) by \$35,089 for the nine months ended September 30, 2020.

(iii) Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations and arises principally from its receivables. As of September 30, 2020, the Company is not exposed to 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, 2020, 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, 2020 and 2019 (Unaudited - 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, 2020, the fair value of the shares was \$3,500 (December 31, 2019 – \$1,500).

7. Loans

The continuity of loans is as follows:

December 31, 2018	\$	1,150,854
Additional loans		129,512
Interest accrued		364,194
Debt settlement (Note 11)		(39,728)
Foreign exchange		(20,994)
December 31, 2019	\$	1,583,838
Additional loans		95,396
Interest accrued		248,665
Loans repaid		(35,000)
Interest payable settled with shares*		(736,886)
Interest payable added to loan principal		(95,396)
Interest paid by related company		(40,690)
Foreign exchange		16,804
September 30, 2020	\$	1,036,731

*subject to regulatory approval

As at September 30, 2020, the Company received total principal of \$863,866 (US\$647,623) (December 31, 2019 - \$783,994/US\$599,063) in loans from non-related parties. These loans generally accrue interest at a rate of 12% - 36% per annum on a 24-month term. As at September 30, 2020, interest payable is \$172,865 (US\$130,018) (December 31, 2019 - \$799,844/US\$1,138,600).

During the nine-month period ended September 30, 2020, the Company and certain debt holders agreed to settle interest payable for common shares and entered into new loan agreements which accrue interest at a rate of 12% per annum on a 24-month term. The common shares have not been issued and have been recorded as an obligation to issue shares and are subject to regulatory approval.

During the year ended December 31, 2019, the Company received five additional loans which bear interest at 10% over the 90-day term and penalty interest at 20% every 30 days from maturity date until paid. Two of the loans bear no interest as the debt holders were transferred 150,000 shares of the Company by a corporation related to the Company in lieu of interest.

8. Exploration and Evaluation Assets

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 in the Bruce Lake area and the Camping Lake area, both in the

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Notes to the Consolidated Financial Statements

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8. Exploration and Evaluation Assets (continued)

Bruce and Camping Lake, Ontario (continued)

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 purchased by the Company for \$500,000. The option agreement has been approved by TSX-V.

Payment schedule as follows:

	Cash	Shares
Upon signing (paid)	\$ 13,500	-
Upon TSX-V acceptance (paid)	-	200,000
1 st anniversary (paid)	12,000	200,000
2 nd anniversary	16,000	-
3 rd anniversary	20,000	-
4 th anniversary	25,000	-
	<u>\$ 86,500</u>	<u>400,000</u>

Kelly Palladium, Ontario

On February 5, 2020, the Company entered into an agreement to acquire a 100% ownership in the Kelly Palladium Project in Ontario. The Company will make a cash payment of \$30,000 (paid) to the vendor to complete the purchase, which is subject to a 1% net smelter royalty in favour of the vendor. The Company has the exclusive right to buy the royalty from the vendor 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 Company recorded acquisition costs of \$99,428 (2018 - \$nil) and exploration expenditures of \$602,633 for the year ended December 31, 2019. On March 20, 2020, the Company and the owners of the Tango property mutually agreed to terminate the property agreement (Note 8). The optionor forgave approximately \$600,000 due for exploration expenditures accrued and/or incurred.

9. Payable to Domus Management Ltd.

Included in accounts payable is an amount payable to Domus Management Ltd (“Domus”), a non-related company. 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% compounded annually.

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9. Payable to Domus Management Ltd. (continued)

As at September 30, 2020, the Company owed \$681,463 (US\$510,288) (December 31, 2019 - \$669,462 (US\$510,288)) in principal and \$136,299 (US\$102,750) (December 31, 2019 - \$84,371 (US\$64,961)) in interest payable to Domus.

The debt repayments, as noted above, were not made and consequently the debt is due on demand and bears interest at 10% compounded annually. Domus was awarded a judgement against the Company on February 29, 2020 in the amount of \$741,453.45 plus interest. Post-judgement, the Company and Domus have verbally agreed to an extension of payment subject to a \$10,000 per month accrued penalty which started April 1, 2020.

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 nine months ended Sep. 30, 2020	Fees incurred nine months ended Sep. 30, 2020	Balance payable at Sep. 30, 2020	Balance payable at December 31, 2019
Nexvu Services Inc.	Owned by Nexvu Capital, of which Brian Leeners is a shareholder	Rent and corporate services	\$ 90,000	\$ 90,000	\$ 61,875	\$ 474,500
Brian Leeners	Chief executive officer and director	Management services	90,000	90,000	30,000	501,600
Global Link Capital	Greg Pearson, director of the Company, is a shareholder	Management services	90,000	90,000	5,500	481,225
Gordorn J. Fretwell, Law Corporation	Gordon Fretwell is a shareholder of Nexvu Capital Corporation	Legal services	9,000	17,071	12,463	118,463
Tyler Thorburn	Director	Consulting	-	98,363	-	-
AE Financial Management Ltd.	Edward Low, chief financial officer, is a shareholder	Accounting services	31,500	31,500	7,375	149,200
			\$ 310,500	\$ 416,934	\$ 117,213	\$ 1,724,988

Balances owing are included in accounts payable and accrued liabilities, due on demand, unsecured, non-interest bearing and have no specified terms of repayment. During the nine-month period ended September 30, 2020, certain directors, officers and companies owned by directors and/or officers, agreed to settle debt for common shares, subject to regulatory approval. The common shares have not been issued and have been recorded as an obligation to issue shares.

During the nine-month period ended September 30, 2020, certain directors, officers and companies owned by directors and/or officers, agreed to forgo \$991,984 in debt.

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For the Nine Months Ended September 30, 2020 and 2019

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11. Share capital

Authorized: unlimited common voting shares, without par value.

During the nine-month period ended September 30, 2020, the Company issued 200,000 common shares as part of the Bruce and Camping Lake agreement.

During the year ended December 31, 2019, the Company issued 7,376,600 units, with each unit consisting of one common share and one common share purchase warrant. The gross proceeds for the private placement were \$737,660. 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. The Company incurred \$6,027 in share issuance costs.

Options and warrants

a) Stock options

No stock options were issued by the Company during the nine-month ended September 30, 2020 (2019 – nil), and no stock options are outstanding as at September 30, 2020 (December 31, 2019 – nil).

b) Warrants

During the nine-month period ended September 30, 2020, the Company did not issue and share purchase warrants (2019 – nil).

During the year ended December 31, 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. These warrants expired on July 26, 2020 unexercised.

As at September 30, 2020, there are not warrants outstanding (December 31, 2019 – 7,376,600).

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.

12. Segmented information

The Company has one reportable operating segment. All assets and liabilities are located in Canada.