



**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three and six months ended  
October 31, 2020 and 2019  
(Unaudited)

**PRIME MINING CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

At October 31, 2020 and April 30, 2020

(In Canadian dollars) - Unaudited

|                                                   | Note | October 31,<br>2020  | April 30,<br>2020    |
|---------------------------------------------------|------|----------------------|----------------------|
| <b>ASSETS</b>                                     |      |                      |                      |
| <b>Current</b>                                    |      |                      |                      |
| Cash                                              |      | \$ 7,678,959         | \$ 1,020,820         |
| Receivables                                       |      | 32,148               | 150,993              |
| Prepaid expenses                                  |      | 313,182              | 200,992              |
| Total current assets                              |      | 8,024,289            | 1,372,805            |
| Value added tax receivable                        | 4    | 1,068,192            | -                    |
| Deposits                                          |      | 21,695               | 21,695               |
| Prepaid exploration and evaluation advance        |      | -                    | 1,693                |
| Property and equipment                            | 5    | 221,964              | 263,978              |
| Exploration and evaluation                        | 6    | 12,253,895           | 8,700,039            |
| <b>Total assets</b>                               |      | <b>\$ 21,590,035</b> | <b>\$ 10,360,210</b> |
| <b>LIABILITIES</b>                                |      |                      |                      |
| <b>Current</b>                                    |      |                      |                      |
| Trade payables and accruals                       |      | \$ 574,135           | \$ 576,046           |
| Loan payable                                      | 7    | -                    | 1,149,416            |
| Current portion of lease liability                |      | 81,410               | 74,216               |
| Total current liabilities                         |      | 655,545              | 1,799,678            |
| Long-term payable                                 | 8    | 991,961              | -                    |
| Lease liability                                   |      | 20,741               | 64,304               |
| Total liabilities                                 |      | 1,668,247            | 1,863,982            |
| <b>SHAREHOLDERS' EQUITY</b>                       |      |                      |                      |
| Share capital                                     | 9    | 62,629,801           | 49,827,410           |
| Share subscriptions received                      |      | 1,750                | -                    |
| Obligation to issue shares                        |      | 465,000              | -                    |
| Reserves                                          |      | 8,919,990            | 6,768,644            |
| Deficit                                           |      | (52,094,753)         | (48,099,826)         |
| Total shareholders' equity                        |      | 19,921,788           | 8,496,228            |
| <b>Total liabilities and shareholders' equity</b> |      | <b>\$ 21,590,035</b> | <b>\$ 10,360,210</b> |

Nature and continuance of operations (note 1)

Subsequent events (note 14)

Approved by the Board of Directors on December 11, 2020:

\_\_\_\_\_  
*"Daniel Kunz"* Director

\_\_\_\_\_  
*"Paul Sweeney"* Director

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

**PRIME MINING CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**

For the three and six months ended October 31, 2020 and 2019

(In Canadian dollars, except share numbers and per share amounts) - Unaudited

|                                                   |             | <b>Three months ended<br/>October 31,</b> |                       | <b>Six months ended<br/>October 31,</b> |                       |
|---------------------------------------------------|-------------|-------------------------------------------|-----------------------|-----------------------------------------|-----------------------|
|                                                   | <b>Note</b> | <b>2020</b>                               | <b>2019</b>           | <b>2020</b>                             | <b>2019</b>           |
| <b>Operating expenses</b>                         |             |                                           |                       |                                         |                       |
| General and administrative                        | 3           | \$ 1,741,286                              | \$ 2,448,680          | \$ 3,986,788                            | \$ 2,787,621          |
| Depreciation                                      | 5           | 29,992                                    | 21,163                | 56,457                                  | 42,326                |
| Financing                                         |             | 2,275                                     | 513,414               | 20,174                                  | 517,429               |
| Property investigation                            |             | -                                         | -                     | -                                       | 43,407                |
| Foreign exchange                                  |             | (86,114)                                  | 51,889                | (2,972)                                 | 39,719                |
| <b>Loss from operations</b>                       |             | <b>(1,687,439)</b>                        | <b>(3,035,146)</b>    | <b>(4,060,447)</b>                      | <b>(3,430,502)</b>    |
| Interest income                                   |             | 538                                       | 20                    | 1,528                                   | 20                    |
| Rent recovery                                     |             | 30,435                                    | 22,476                | 63,992                                  | 44,951                |
| Geological services                               |             | -                                         | 5,586                 | -                                       | 16,043                |
| <b>Loss and comprehensive loss for the period</b> |             | <b>\$ (1,656,466)</b>                     | <b>\$ (3,007,064)</b> | <b>\$ (3,994,927)</b>                   | <b>\$ (3,369,488)</b> |
| <b>Weighted average shares</b>                    |             |                                           |                       |                                         |                       |
| <b>outstanding - basic and diluted</b>            |             | <b>84,821,720</b>                         | <b>46,484,764</b>     | <b>78,600,156</b>                       | <b>32,429,908</b>     |
| <b>Loss per share - basic and diluted</b>         |             | <b>\$ (0.02)</b>                          | <b>\$ (0.06)</b>      | <b>\$ (0.05)</b>                        | <b>\$ (0.10)</b>      |

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

**PRIME MINING CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the six months ended October 31, 2020 and 2019

(In Canadian dollars) - Unaudited

|                                           | <b>October 31,<br/>2020</b> | <b>October 31,<br/>2019</b> |
|-------------------------------------------|-----------------------------|-----------------------------|
| <b>OPERATING ACTIVITIES</b>               |                             |                             |
| Loss for the period                       | \$ (3,994,927)              | \$ (3,369,488)              |
| Items not affecting cash:                 |                             |                             |
| Depreciation                              | 56,457                      | 42,326                      |
| Interest (income) expense, net            | (990)                       | 7,675                       |
| Share-based compensation                  | 2,444,500                   | 1,408,600                   |
| Financing expense                         | 20,174                      | -                           |
| Shares paid for services                  | -                           | 30,000                      |
| Foreign exchange                          | (13,040)                    | -                           |
|                                           | <b>(1,487,826)</b>          | <b>(1,880,887)</b>          |
| Change in non-cash working capital items: |                             |                             |
| Receivables                               | 118,845                     | (62,665)                    |
| Prepaid expense                           | 127,810                     | (414,270)                   |
| Payables and accruals                     | (1,911)                     | 25,339                      |
| Cash used in operating activities         | <b>(1,243,082)</b>          | <b>(2,332,483)</b>          |
| <b>FINANCING ACTIVITIES</b>               |                             |                             |
| Shares issued for cash                    | 12,837,767                  | 8,687,948                   |
| Share issuance costs                      | (568,530)                   | (416,883)                   |
| Advance from related parties              | -                           | (40,000)                    |
| Subscriptions received                    | 1,750                       | -                           |
| Lease liability                           | (41,280)                    | (44,828)                    |
| Loan payable                              | -                           | 1,084,134                   |
| Repayment of loans                        | (1,000,000)                 | (201,345)                   |
| Finance expense                           | (164,678)                   | -                           |
| Cash provided by financing activities     | <b>11,065,029</b>           | <b>9,069,026</b>            |
| <b>INVESTING ACTIVITIES</b>               |                             |                             |
| Value added tax receivable                | (1,010,340)                 | -                           |
| Exploration and evaluation assets         | (2,154,458)                 | (3,891,914)                 |
| Interest received                         | 990                         | 20                          |
| Cash used in investing activities         | <b>(3,163,808)</b>          | <b>(3,891,894)</b>          |
| <b>Increase in cash</b>                   | <b>6,658,139</b>            | <b>2,844,649</b>            |
| <b>Cash, beginning of period</b>          | <b>1,020,820</b>            | <b>6,244</b>                |
| <b>Cash, end of period</b>                | <b>\$ 7,678,959</b>         | <b>\$ 2,850,893</b>         |

Supplemental disclosure with respect to cash flows (note 12)

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

**PRIME MINING CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

For the three and six months ended October 31, 2020 and 2019

(In Canadian dollars, except share numbers) - Unaudited

|                                                   | Note | Common<br>shares  | Share<br>capital     | Share<br>subscription<br>received | Obligation<br>to issue<br>shares | Reserves            | Deficit                | Shareholders'<br>Equity |
|---------------------------------------------------|------|-------------------|----------------------|-----------------------------------|----------------------------------|---------------------|------------------------|-------------------------|
| At April 30, 2020                                 |      | 59,599,382        | \$ 49,827,410        | \$ -                              | \$ -                             | \$ 6,768,644        | \$ (48,099,826)        | \$ 8,496,228            |
| Private placement, net of<br>share issuance costs | 9b)  | 20,000,000        | 9,431,470            | -                                 | -                                | -                   | -                      | 9,431,470               |
| Stock options exercised                           | 9d)  | 1,555,000         | 1,100,882            | -                                 | -                                | (470,882)           | -                      | 630,000                 |
| Warrants exercised                                | 9c)  | 4,415,535         | 2,270,039            | -                                 | -                                | (62,272)            | -                      | 2,207,767               |
| Warrants exercise proceeds<br>received            |      | -                 | -                    | 1,750                             | -                                | -                   | -                      | 1,750                   |
| Warrants issued to financial<br>advisory firm     |      | -                 | -                    | -                                 | -                                | 240,000             | -                      | 240,000                 |
| Obligation to issue shares                        |      | -                 | -                    | -                                 | 465,000                          | -                   | -                      | 465,000                 |
| Stock-based compensation                          | 9d)  | -                 | -                    | -                                 | -                                | 2,444,500           | -                      | 2,444,500               |
| Loss for the period                               |      | -                 | -                    | -                                 | -                                | -                   | (3,994,927)            | (3,994,927)             |
| <b>At October 31, 2020</b>                        |      | <b>85,569,917</b> | <b>\$ 62,629,801</b> | <b>\$ 1,750</b>                   | <b>\$ 465,000</b>                | <b>\$ 8,919,990</b> | <b>\$ (52,094,753)</b> | <b>\$ 19,921,788</b>    |

  

|                                                   | Note | Common<br>shares  | Share<br>capital     | Share<br>subscription<br>receivable | Obligation<br>to issue<br>shares | Reserves            | Deficit                | Shareholders'<br>Equity |
|---------------------------------------------------|------|-------------------|----------------------|-------------------------------------|----------------------------------|---------------------|------------------------|-------------------------|
| At April 30, 2019                                 |      | 18,374,238        | \$ 37,930,033        | \$ -                                | \$ -                             | \$ 4,383,164        | \$ (37,222,020)        | \$ 5,091,177            |
| Private placement, net of<br>share issuance costs | 9b)  | 29,051,327        | 8,143,215            | (1,200)                             | -                                | 155,300             | -                      | 8,297,315               |
| Shares issued for property<br>acquisition         | 9b)  | 10,006,250        | 3,001,875            | -                                   | -                                | 457,800             | -                      | 3,459,675               |
| Shares issued to bridge loan<br>lenders           | 9b)  | 1,333,334         | 400,000              | -                                   | -                                | -                   | -                      | 400,000                 |
| Warrants exercised                                |      | 12,500            | 3,750                | -                                   | -                                | -                   | -                      | 3,750                   |
| Stock-based compensation                          | 9d)  | -                 | -                    | -                                   | -                                | 1,408,600           | -                      | 1,408,600               |
| Loss for the period                               |      | -                 | -                    | -                                   | -                                | -                   | (3,369,488)            | (3,369,488)             |
| <b>At October 31, 2019</b>                        |      | <b>58,777,649</b> | <b>\$ 49,478,873</b> | <b>\$ (1,200)</b>                   | <b>\$ -</b>                      | <b>\$ 6,404,864</b> | <b>\$ (40,591,508)</b> | <b>\$ 15,291,029</b>    |

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

**PRIME MINING CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three and six months ended October 31, 2020 and 2019

(In Canadian dollars, except share numbers) – Unaudited

**1. Nature and continuance of operations**

Prime Mining Corp. ("Prime" or "the Company") was incorporated on May 14, 1981, under the laws of the Province of British Columbia, Canada. The Company acquires, explores, and develops interests in mineral projects in Mexico.

| <b>Subsidiary</b>                        | <b>Jurisdiction</b> | <b>Operating status</b> |
|------------------------------------------|---------------------|-------------------------|
| Minera Amari SA de CV ("Minera Amari")   | Mexico              | Los Reyes project       |
| Exploracion Auramex SA de CV ("Auramex") | Mexico              | Magenta project         |
| ePower Metals SA de CV                   | Mexico              | Holding mineral claims  |
| Argus Metals (BGI) Inc.                  | Barbados            | Inactive                |
| ePower Metalen                           | Suriname            | Inactive                |

The Company is listed for trading on the TSX Venture Exchange ("TSX-V" or the "Exchange") under the symbol PRYM. The Company's head office and principal place of business is located at Suite 1507, 1030 West Georgia Street, Vancouver, BC, V6E 2Y3. The Company's registered and records office is located at Suite 2200, 885 West Georgia Street, Vancouver, BC, V6C 3E8.

The business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

The Company has not generated revenue from operations. The Company recorded a loss of \$3,994,927 during the six months ended October 31, 2020 and, as of that date, the Company's deficit was \$52,094,753. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future. The Company had cash of \$7,678,959 at October 31, 2020 that will be sufficient to maintain operations for at least the next twelve months.

During March 2020, the World Health Organization declared 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. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

**PRIME MINING CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three and six months ended October 31, 2020 and 2019

(In Canadian dollars, except share numbers) – Unaudited

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**2. Basis of Preparation**

**a) Statement of Compliance**

These condensed interim consolidated financial statements (“interim financial statements”) were approved by the Board of Directors and authorized for issue on December 11, 2020.

These interim financial statements have been prepared in accordance with International Accounting Standard 34 - *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. As such, these interim financial statements do not contain all the disclosures required by IFRS for annual financial statements and should be read in conjunction with the Company’s audited annual consolidated financial statements for the years ended April 30, 2020 and 2019 (“annual consolidated financial statements”).

**b) Significant accounting policies**

*Basis of measurement*

The accounting policies applied in the preparation of these interim financial statements are consistent with those applied and disclosed in note 3 to the annual consolidated financial statements.

*Basis of consolidation*

These interim financial statements include the accounts of the Company and its wholly owned subsidiaries, Minera Amari, Auramex, Argus Metals (BGI) Inc., ePower Metalen and ePower Metals SA de CV. All significant intercompany transactions and balances have been eliminated upon consolidation.

*Foreign currency transactions*

Foreign currency amounts are translated into each entity’s functional currency as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into the entity’s functional currency by the use of the exchange rate in effect at that date. At the period-end date, unsettled monetary assets and liabilities are translated into the functional currency by using the exchange rate in effect at the period-end date and the related translation differences are recognized in net income.

Non-monetary assets and liabilities that are measured at historical cost are translated into the functional currency by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into the functional currency by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in profit or loss or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

The functional currency of the Company and its subsidiaries is the Canadian dollar and these financial statements are presented in Canadian dollars.

**PRIME MINING CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three and six months ended October 31, 2020 and 2019

(In Canadian dollars, except share numbers) – Unaudited

**c) Critical accounting estimates and judgements**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in total comprehensive loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The critical judgements and estimates applied in the preparation of these interim financial statements are consistent with those applied and disclosed in note 4 to the annual consolidated financial statements.

**d) Comparatives**

Certain comparatives have been reclassified to conform to the current period's presentation.

**e) New accounting standards issued and not yet effective**

IASB or the IFRS Interpretations Committee have issued certain pronouncements that are mandatory for accounting years beginning on or after May 1, 2020. None of these are expected to be relevant to the Company's financial statements.

**3. Corporate and administration expense**

|                                  |      | <b>Three months ended</b> |                     | <b>Six months ended</b> |                     |
|----------------------------------|------|---------------------------|---------------------|-------------------------|---------------------|
|                                  |      | <b>October 31,</b>        |                     | <b>October 31,</b>      |                     |
|                                  | Note | <b>2020</b>               | <b>2019</b>         | <b>2020</b>             | <b>2019</b>         |
| Salaries and personnel           | 10   | \$ 349,953                | \$ 444,589          | \$ 812,183              | \$ 572,282          |
| Consulting and professional fees |      | 126,299                   | 271,100             | 198,293                 | 328,569             |
| Investor relations               |      | 34,758                    | 200,674             | 249,591                 | 296,039             |
| Rent and office                  |      | 69,436                    | 35,720              | 130,635                 | 57,044              |
| Administrative and other         |      | 75,301                    | 87,997              | 151,586                 | 125,087             |
| Share-based compensation         | 9d)  | 1,085,539                 | 1,408,600           | 2,444,500               | 1,408,600           |
|                                  |      | <b>\$ 1,741,286</b>       | <b>\$ 2,448,680</b> | <b>\$ 3,986,788</b>     | <b>\$ 2,787,621</b> |

**4. VAT receivable**

VAT receivable is value added tax payments relating to supplies and services paid by the Company in Mexico which are refundable from the Mexican government. The recovery of VAT receivable involves a complex application process, and the timing of collection is uncertain. Accordingly, the Company capitalizes VAT payments to the related exploration and evaluation asset. Any subsequent VAT receipt is recorded as a recovery of exploration and evaluation expenditures. Regarding the long-term payable relating to VAT paid on the purchase of Los Reyes Project the Company has recorded the corresponding VAT receivable of \$1,050,485 (note 8). The Company has not recognized a loss allowance for expected credit losses as the VAT receivable is not a contract asset and therefore outside the scope of IFRS 9. Upon receipt the VAT receivable the Company is required to settle the long-term payable.

**PRIME MINING CORP.****NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three and six months ended October 31, 2020 and 2019

(In Canadian dollars, except share numbers) – Unaudited

**5. Property and equipment**

|                                 | Prime<br>office and<br>equipment | Right of use<br>assets | Project<br>equipment | Total      |
|---------------------------------|----------------------------------|------------------------|----------------------|------------|
| <b>Cost</b>                     |                                  |                        |                      |            |
| At May 1, 2020                  | \$ 62,965                        | \$ 192,268             | \$ 120,114           | \$ 375,347 |
| Expenditures                    | 3,908                            | -                      | 10,535               | 14,443     |
| At October 31, 2020             | 66,873                           | 192,268                | 130,649              | 389,790    |
| <b>Accumulated depreciation</b> |                                  |                        |                      |            |
| At May 1, 2020                  | 26,888                           | 69,912                 | 14,569               | 111,369    |
| Depreciation                    | 9,016                            | 34,956                 | 12,485               | 56,457     |
| At October 31, 2020             | 35,904                           | 104,868                | 27,054               | 167,826    |
| <b>Carrying amount</b>          |                                  |                        |                      |            |
| October 31, 2020                | \$ 30,969                        | \$ 87,400              | \$ 103,595           | \$ 221,964 |

  

|                                 | Prime<br>office and<br>equipment | Right of use<br>assets | Project<br>equipment | Total      |
|---------------------------------|----------------------------------|------------------------|----------------------|------------|
| <b>Cost</b>                     |                                  |                        |                      |            |
| At May 1, 2019                  | \$ 53,511                        | \$ -                   | \$ 32,635            | \$ 86,146  |
| Expenditures                    | 9,454                            | 192,268                | 87,479               | 289,201    |
| At April 30, 2020               | 62,965                           | 192,268                | 120,114              | 375,347    |
| <b>Accumulated depreciation</b> |                                  |                        |                      |            |
| At May 1, 2019                  | 18,425                           | -                      | 3,263                | 21,688     |
| Depreciation                    | 8,463                            | 69,912                 | 11,306               | 89,681     |
| At April 30, 2020               | 26,888                           | 69,912                 | 14,569               | 111,369    |
| Carrying amount April 30, 2020  | \$ 36,077                        | \$ 122,356             | \$ 105,545           | \$ 263,978 |

**6. Exploration and evaluation**

|                               |                      |
|-------------------------------|----------------------|
| At May 1, 2019                | \$ 5,693,906         |
| Expenditures                  | 150,007              |
| Los Reyes acquisition         | 7,531,775            |
| Los Reyes expenditures        | 1,168,264            |
| Impairment <sup>(1)</sup>     | (5,843,913)          |
| <b>At April 30, 2020</b>      | <b>8,700,039</b>     |
| <b>Los Reyes acquisition</b>  | <b>2,331,389</b>     |
| <b>Los Reyes expenditures</b> | <b>1,222,467</b>     |
| <b>At October 31, 2020</b>    | <b>\$ 12,253,895</b> |

- <sup>(1)</sup> During the year ended April 30, 2020, the Company impaired \$1,153,617 and \$4,690,296 related to the Magenta Project and Panther Creek Project, respectively. The Company evaluated the projects and concluded that no further investment was warranted. No additional expenditures related to the projects are capitalized.

**PRIME MINING CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

For the three and six months ended October 31, 2020 and 2019

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**a) Los Reyes Project**

*Acquisition*

In August 2019, the Company closed the Los Reyes Assignment Agreement with Minera Alamos Inc. ("MAI"), Vista Gold Inc. ("Vista Gold"), and the Mexican subsidiaries of each of MAI and the Company, pursuant to which MAI assigned the rights to an option to earn a 100% interest in the Los Reyes Project in Sinaloa State, Mexico.

The Company funded an initial option payment of US\$1,500,000 through a bridge loan of \$2,000,000 which was previously arranged through a group of lenders consisting of Andrew Bowering, George Dengin and Perfect Storm Holdings Ltd. (the "Lenders"). The bridge loan was unsecured, bore interest at 12% per year compounded monthly, and had a term of 12 months. In consideration for providing the bridge loan, the Company paid a commitment fee of \$40,000 and issued 1,333,334 common shares to the Lenders (the "Bonus Shares"). In September 2019, the Company repaid George Dengin and Perfect Storm Holdings Ltd. \$1,000,000 of the bridge loan, \$20,000 commitment fee, interest and issued all the bonus shares. The Company repaid the balance of the loan, interest and commitment fee due to Andrew Bowering in June 2020 (note 7).

In consideration for introducing the transaction to the Company, and for assisting in its facilitation, the Company agreed to issue up to 1,216,250 common shares to two arms'-length parties, Jeremy Ross and Sandwedge Consulting Ltd. A total of 556,250 finders' shares were issued on completion of the Transaction, with a further 330,000 finders' shares to be issued upon completion of each of two US\$1,500,000 option payments. The Company issued 330,000 common shares in December 2019 and at July 31, 2020 the final tranche of 330,000 common shares valued at \$465,000 is included as an obligation to issue shares.

On June 12, 2020, with subsequent amendments, the Company entered into an amended option agreement for the Los Reyes Project with Vista Gold (the "Los Reyes Amended Option Agreement"). The Los Reyes Amended Option Agreement provides for the cancellation of all ongoing net smelter royalties ("NSR") and back-in rights ("Back-in Right") held by Vista Gold, in consideration for accelerating the final US\$1,500,000 option payment owing to Vista Gold (paid) and paying (1) US\$1,100,000 no later than six months from the acquisition date; and (2) US\$1,000,000 no later than 12 months from the acquisition date. If the Company fails to make the US\$1,100,000 and US\$1,000,000 payments, Vista Gold will have the right to reinstate its NSRs and Back-in Rights.

In summary, to acquire the Property, the Company:

- Paid US\$1,500,000 to MAI, to reimburse MAI for the cost of an option payment required to be made to Vista Gold in April 2019.
- Assumed MAI's remaining option payments of US\$3,000,000 in favour of Vista Gold of which US\$1,500,000 was paid in October 2019 and US\$1,500,000 was paid in July 2020.
- Issued to MAI 9,450,000 common shares and 3,350,000 common share purchase warrants entitling MAI to acquire further common shares at a price \$0.50 per share for a period of 24 months.

In February 2020, the Company entered into a surface-rights agreement with local landowners subject to which it paid MXN 700,000 (\$51,000) for past and future land access through to January 2023. The Company has the right to extend the exploration period for up to two additional years by making an annual payment of US\$20,000 in 2024 and US\$30,000 in 2025. The Company may initiate construction of a mine at any time. If construction begins prior to February 2025, the annual payment will increase to US\$30,000. Once commercial production starts, the annual payment will increase to US\$200,000. The payments are subject to customary indexing for inflation.

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*Expenditures*

Project expenditures during the six months ended October 31, 2020, and year ended April 30, 2020, are summarized as follows:

|                                            | October 31,<br>2020 | April 30,<br>2020 |
|--------------------------------------------|---------------------|-------------------|
| Salaries and personnel                     | \$ 411,181          | \$ 245,240        |
| Land payments and maintenance              | 17,378              | 224,189           |
| Equipment and field supplies               | 120,391             | 299,316           |
| Resource estimation and technical services | 374,745             | 306,220           |
| General and administrative                 | 78,192              | 93,299            |
| Value added tax                            | 220,580             | -                 |
|                                            | \$ 1,222,467        | \$ 1,168,264      |

**7. Loan payable**

At October 31, 2020, the loan payable balance was \$nil (April 30, 2020 - \$1,149,416). During the six months ended October 31, 2020, the Company repaid the balance outstanding and interest of \$1,149,416 and \$15,262, respectively. The loan included amounts owed to related parties and bore an interest rate of 12% per year compounded monthly.

**8. Long-term payable**

The Los Reyes Amended Option Agreement requires the Company to reimburse Vista Gold 90% of the VAT receivable of \$991,961 (US\$744,828), associated with the Los Reyes Project purchase (notes 4 and 6) when the funds are received. Collection of the VAT receivable is not expected within twelve months and accordingly is presented as a non-current liability.

**9. Capital stock****a) Authorized share capital**

Unlimited number of common shares without par value.

**b) Issued capital**

At October 31, 2020, there were 85,569,917 issued and outstanding common shares (April 30, 2020 - 59,599,382).

The Company had the following common share transactions during the six months ended October 31, 2020:

- On June 12, 2020, the Company closed a private placement of 20,000,000 units at a price of \$0.50 per unit for gross proceeds of \$10,000,000. Each unit consists of one common share and one common share purchase warrant exercisable at a price of \$1.10 until June 12, 2025. Clarus Securities Inc. and Desjardins Securities Inc. acted as co-lead agents in connection with completion of the offering. The Company paid a cash commission of \$397,200, out-of-pocket costs of \$81,275 to finders and \$90,055 in direct costs in connection with the private placement.
- The Company issued 4,415,535 common shares for gross proceeds of \$2,207,767 upon exercise of warrants.
- The Company issued 1,555,000 common shares for gross proceeds of \$630,000 upon exercise of options.

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The Company had the following common share transactions during the year ended April 30, 2020:

- The Company completed a private placement that raised \$8,715,398 through the issuance of 29,051,327 units at \$0.30 per unit. Each unit comprises one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder to acquire a further common share at a price of \$0.50 per share until August 28, 2021. The Company paid finders' fees of \$360,465 and issued finders' warrants to purchase up to 1,164,594 common shares at a price of \$0.50 per share until August 28, 2021 to certain eligible parties who introduced subscribers to the financing.
- The Company issued MAI 9,450,000 common shares valued at \$2,835,000 and 3,350,000 common share purchase warrants valued at \$457,800 entitling MAI to acquire further common shares at a price \$0.50 per share for a period of 24 months (note 6).
- The Company issued 556,250 common shares valued at \$166,875 on completion of the MAI transaction and 330,000 common shares valued at \$100,650 in December 2019 as finders' fees (note 6).
- The Company issued 1,333,334 common shares valued at \$400,000 to the lenders of a bridge loan facility.
- The Company issued 464,233 common shares for gross proceeds of \$229,617 upon exercise of warrants.
- The Company issued 40,000 common shares for gross proceeds of \$16,000 upon exercise of options.

**c) Warrants**

Warrant transactions and the number of warrants outstanding during the six months ended October 31, 2020, and year ended April 30, 2020, are summarized as follows:

|                                        | Number of warrants | Weighted average exercise price |
|----------------------------------------|--------------------|---------------------------------|
| Outstanding at April 30, 2019          | 4,118,913          | 0.68                            |
| Granted                                | 19,040,258         | 0.50                            |
| Exercised                              | (464,233)          | 0.49                            |
| Expired                                | (4,106,413)        | 0.68                            |
| Outstanding at April 30, 2020          | <b>18,588,525</b>  | <b>0.50</b>                     |
| Granted                                | <b>21,200,000</b>  | <b>1.10</b>                     |
| Exercised                              | <b>(4,415,535)</b> | <b>0.50</b>                     |
| <b>Outstanding at October 31, 2020</b> | <b>35,372,990</b>  | <b>0.86</b>                     |

Warrants outstanding at October 31, 2020, are as follows:

| Issuance date                | Expiry date     | Exercise price | Warrants outstanding at |                |
|------------------------------|-----------------|----------------|-------------------------|----------------|
|                              |                 |                | October 31, 2020        | April 30, 2020 |
| August 28, 2019              | August 28, 2021 | \$0.50         | <b>14,172,990</b>       | 18,588,525     |
| June 12, 2020 <sup>(1)</sup> | June 12, 2025   | \$1.10         | <b>21,200,000</b>       | -              |

- <sup>(1)</sup> The Company paid a financial advisory firm a fee of 1,200,000 warrants for consulting advisory services to be provided over 24 months. The warrants were valued at \$240,000 based on the fair value of the services. At October 31, 2020, \$190,000 is included in prepaid expenses.

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**d) Stock options**

The Company has a stock option plan by which the directors may grant options to purchase common shares to directors, officers, employees and service providers of the Company on terms that the directors may determine within the limitations set forth in the stock option plan ("the plan"). The maximum number of common shares issuable upon the exercise of options granted pursuant to the plan is set at 10% of the total issued common shares. The board of directors may grant options with a life of up to ten years, however options granted to date have a maximum term of five years. Vesting terms may be set by the board of directors.

Stock option transactions and the number of stock options outstanding during the six months ended October 31, 2020, and year ended April 30, 2020, are summarized as follows:

|                                        | Number of share options | Weighted average exercise price |
|----------------------------------------|-------------------------|---------------------------------|
| Outstanding at April 30, 2019          | 1,320,000               | 1.08                            |
| Granted                                | 5,350,000               | 0.40                            |
| Exercised                              | (40,000)                | 0.40                            |
| Forfeited                              | (1,175,000)             | 1.16                            |
| Outstanding at April 30, 2020          | <b>5,455,000</b>        | <b>0.40</b>                     |
| Granted                                | <b>4,575,000</b>        | <b>1.15</b>                     |
| Exercised                              | <b>(1,555,000)</b>      | <b>0.41</b>                     |
| Forfeited                              | <b>(90,000)</b>         | <b>0.43</b>                     |
| <b>Outstanding at October 31, 2020</b> | <b>8,385,000</b>        | <b>0.81</b>                     |
| <b>Exercisable at October 31, 2020</b> | <b>5,335,000</b>        | <b>0.62</b>                     |

Share options outstanding and exercisable at October 31, 2020, are as follows:

| Outstanding         |                   |                                      |                                                    | Exercisable                   |                                      |                                   |
|---------------------|-------------------|--------------------------------------|----------------------------------------------------|-------------------------------|--------------------------------------|-----------------------------------|
| Exercise price (\$) | Number of options | Weighted average exercise price (\$) | Weighted average remaining life of options (years) | Number of options exercisable | Weighted average exercise price (\$) | Remaining life of options (years) |
| 0.40                | 3,460,000         | 0.40                                 | 3.93                                               | 3,460,000                     | 0.40                                 | 3.93                              |
| 0.42                | 350,000           | 0.42                                 | 4.27                                               | 350,000                       | 0.42                                 | 4.27                              |
| 0.95                | 3,100,000         | 0.95                                 | 4.62                                               | 1,033,333                     | 0.95                                 | 4.62                              |
| 1.30                | 750,000           | 1.30                                 | 4.66                                               | 250,000                       | 1.30                                 | 4.66                              |
| 1.65                | 300,000           | 1.65                                 | 4.92                                               | 100,000                       | 1.65                                 | 4.92                              |
| 1.92                | 425,000           | 1.92                                 | 4.75                                               | 141,667                       | 1.92                                 | 4.75                              |
|                     | <b>8,385,000</b>  | <b>0.80</b>                          | <b>4.34</b>                                        | <b>5,335,000</b>              | <b>0.62</b>                          | <b>4.16</b>                       |

The fair value of stock options recognized during the six months ended October 31, 2020, as an expense was \$2,444,500 (six months ended October 31, 2019 - \$1,408,600).

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The following are the weighted average assumptions used for the Black-Scholes option pricing model valuation of share options granted during the six months ended October 31, 2020 and 2019:

|                                                   | <b>Six months ended October 31,</b> |             |
|---------------------------------------------------|-------------------------------------|-------------|
|                                                   | <b>2020</b>                         | <b>2019</b> |
| Risk-free interest rate                           | <b>0.36%</b>                        | 1.25%       |
| Expected life of options                          | <b>5 years</b>                      | 5 years     |
| Annualized volatility                             | <b>90.0%</b>                        | 103.0%      |
| Forfeiture rate                                   | <b>0.0%</b>                         | 0.0%        |
| Dividend rate                                     | <b>0.0%</b>                         | 0.0%        |
| Weighted average grant-date fair value per option | <b>\$0.79</b>                       | \$0.30      |

The risk-free rate of periods within the expected life of the share option is based on the Canadian government bond rate. The annualized volatility and forfeiture rate assumptions are based on historical results.

**10. Related party transactions and balances**

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

Key management compensation includes:

|                                  | <b>Six months ended October 31,</b> |              |
|----------------------------------|-------------------------------------|--------------|
|                                  | <b>2020</b>                         | <b>2019</b>  |
| Salaries, personnel and benefits | <b>\$ 785,491</b>                   | \$ 650,272   |
| Directors fees                   | <b>77,651</b>                       | -            |
| Share-based compensation         | <b>2,130,167</b>                    | 3,975,000    |
|                                  | <b>\$ 2,993,309</b>                 | \$ 4,625,272 |

Payables and accruals include \$31,000 (April 30, 2020 - \$30,000) owed to directors and officers of the Company.

During the six months ended October 31, 2020, the Company repaid the loan balance, interest and commitment fee owed to a director and officer of the Company (note 7).

**11. Segmented information**

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. At October 31, 2020, and April 30, 2020, all exploration and evaluation assets and equipment were located in Canada and Mexico.

|        | <b>October 31,</b>   | <b>April 30,</b> |
|--------|----------------------|------------------|
|        | <b>2020</b>          | <b>2020</b>      |
| Canada | <b>\$ 118,369</b>    | \$ 262,865       |
| Mexico | <b>12,357,490</b>    | 8,700,039        |
|        | <b>\$ 12,475,859</b> | \$ 8,962,904     |

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**12. Supplemental disclosure with respect to cash flow**

|                                                                  | <b>For the six months ended October 31,</b> |             |
|------------------------------------------------------------------|---------------------------------------------|-------------|
|                                                                  | <b>2020</b>                                 | <b>2019</b> |
| Prepaid consulting fees paid with warrants                       | \$ 240,000                                  | \$ -        |
| Obligation to issue shares for exploration and evaluation assets | 465,000                                     | -           |
| Non-current payables for exploration and evaluation assets       | 1,005,000                                   | -           |
| Fair value of stock options exercised                            | 470,882                                     | -           |
| Right of use asset                                               | -                                           | 192,268     |
| Fair value of agent warrants exercised                           | 62,272                                      | -           |
| Shares issued for property acquisition                           | -                                           | 3,001,875   |
| Shares issued for bridge loan                                    | -                                           | 400,000     |
| Fair value of warrants issued as finder's fees                   | -                                           | 155,300     |
| Fair value of warrants issued as MAI consideration               | \$ -                                        | \$ 457,800  |

**13. Financial instruments and risk management****a) Interest rate risk**

The Company's interest rate risk mainly arises from changes in the interest rates on cash. Cash generates interest based on market interest rates. At October 31, 2020, the Company was not subject to significant interest rate risk.

**b) Credit risk**

Credit risk arises from the non-performance by counterparties of contractual financial obligations. The Company's credit risk arises primarily with respect to money market investments.

The Company manages its credit risk by investing only in high quality financial institutions.

The Company's maximum exposure to credit risk at the reporting date is the carrying value of cash and receivables.

**c) Currency risk**

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at October 31, 2020, the Company has activities in other countries which exposes the Company to foreign exchange risk.

With other variables unchanged, a 10% increase (decrease) in the Canadian dollar would have the following effect on loss for the period:

|              | <b>October 31,</b> | <b>April 30,</b> |
|--------------|--------------------|------------------|
|              | <b>2020</b>        | <b>2020</b>      |
| US dollar    | \$ 99,196          | \$ 6,394         |
| Mexican peso | \$ 67,867          | \$ 24,432        |

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The Company's financial assets and liabilities denominated in foreign currencies are as follows:

|                       | <b>October 31,</b> |                  | <b>April 30,</b> |         |
|-----------------------|--------------------|------------------|------------------|---------|
|                       | <b>2020</b>        |                  | <b>2020</b>      |         |
| Receivables           | \$                 | <b>1,068,192</b> | \$               | 67,042  |
| Payables and accruals |                    | <b>389,524</b>   |                  | 408,925 |
| Long-term payable     | \$                 | <b>991,961</b>   | \$               | -       |

**d) Liquidity risk**

The Company manages liquidity risk by maintaining adequate cash balances. If necessary, the Company may raise funds through the issuance of debt, equity or sale of non-core assets. The Company attempts to ensure that there is sufficient capital to meet its obligations by continuously monitoring and reviewing actual and forecasted cash flows, and matching the maturity profile of financial assets to development, capital and operating needs.

**e) Fair value hierarchy**

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities; and
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within 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 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash is measured at fair value using Level 1. The carrying value of receivables, payables and accruals, loan payable and lease liability approximates their fair value due to the relatively current nature of those financial instruments.

**14. Subsequent events**

The Company issued 3,500 common shares to settle the share subscription received of \$1,750.

The Company granted stock options to purchase up to 125,000 common shares at a price of \$1.75 per share. The stock options granted have a 5-year life and vest one-third at date of grant, one-third six months from the grant date and one-third twelve months from the grant date.