



## **Condensed Interim Consolidated Financial Statements**

### **Three Months Ended July 31, 2020**

Expressed in Canadian Dollars

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**Prime Mining Corp.**  
**Condensed Interim Consolidated Statements of Financial Position**

	Notes	July 31, 2020	April 30, 2020
		\$	\$
<b>ASSETS</b>			
Current assets			
Cash		8,032,658	1,020,820
Receivables	3	151,011	150,993
Prepaid expenses		288,622	200,992
<b>Total current assets</b>		<b>8,472,291</b>	<b>1,372,805</b>
Non-current assets			
Value added taxes receivable	4	1,172,871	-
Deposits		21,695	21,695
Prepaid exploration and evaluation advance		-	1,693
Exploration and evaluation assets	5	11,361,605	8,700,039
Property and equipment	6	243,115	263,978
<b>Total non-current assets</b>		<b>12,799,286</b>	<b>8,987,405</b>
<b>Total assets</b>		<b>21,271,577</b>	<b>10,360,210</b>
<b>LIABILITIES</b>			
Current liabilities			
Payables and accruals		505,389	576,046
Loans payable	8	-	1,149,416
Current lease liability	9	75,636	74,216
<b>Total current liabilities</b>		<b>581,025</b>	<b>1,799,678</b>
Non-current liabilities			
Payables	10	1,005,000	-
Non-current lease liability	9	44,880	64,304
<b>Total liabilities</b>		<b>1,630,905</b>	<b>1,863,982</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	61,732,437	49,827,410
Share subscriptions received	18	24,250	-
Obligation to issue shares	5	465,000	-
Reserves	11	7,857,272	6,768,644
Deficit		(50,438,287)	(48,099,826)
<b>Total shareholders' equity</b>		<b>19,640,672</b>	<b>8,496,228</b>
<b>Total liabilities and shareholders' equity</b>		<b>21,271,577</b>	<b>10,360,210</b>

Nature and continuance of operations (note 1)  
Subsequent events (note 18)

These interim condensed consolidated financial statements are approved by the Board of Directors on September 24, 2020:

"Paul Sweeney" Director                      "Daniel Kunz" Director  
Paul Sweeney    Daniel Kunz

**Prime Mining Corp.**  
**Condensed Interim Consolidated Statements of Comprehensive Loss**

For the three months ended July 31,	Notes	2020	2019
		\$	\$
<b>General and administrative expenses</b>			
Consulting services		25,833	2,500
Depreciation	6	26,465	21,163
Financing		17,899	4,015
Foreign exchange		83,142	(12,170)
Investor relations		214,833	95,365
Late payment penalties		52,047	-
Office		61,199	21,324
Personnel	14	462,230	127,693
Professional fees		46,161	54,969
Property investigation and due diligence		-	43,407
Regulatory and shareholder services		22,991	24,735
Share-based compensation	12	1,358,961	-
Travel		1,247	12,355
		(2,373,008)	(395,356)
Interest income		990	-
Geological services		-	10,457
Recovery of rent and administrative expenses		33,557	22,475
<b>Loss and total comprehensive loss for the year</b>		(2,338,461)	(362,424)
<b>Loss per share - basic and diluted</b>	13	(0.03)	(0.02)
<b>Weighted average common shares outstanding - basic and diluted</b>	13	72,378,585	18,375,053

**Prime Mining Corp.**  
**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**

	Common Shares	Share Capital \$	Share Subscription Received \$	Obligation to Issue Shares \$	Reserves \$	Deficit \$	Shareholders' Equity \$
<b>Balance - April 30, 2019</b>	18,374,238	37,930,033	-	-	4,383,164	(37,222,020)	5,091,177
Warrants exercised	12,500	3,750	-	-	-	-	3,750
Loss for the period	-	-	-	-	-	(362,424)	(362,424)
<b>Balance - July 31, 2019</b>	18,386,738	37,933,783	-	-	4,383,164	(37,584,444)	4,732,503

	Common Shares	Share Capital \$	Share Subscription Received \$	Obligation to Issue Shares \$	Reserves \$	Deficit \$	Shareholders' Equity \$
<b>Balance - April 30, 2020</b>	59,599,382	49,827,410	-	-	6,768,644	(48,099,826)	8,496,228
Private placement, net of share issue costs	20,000,000	9,431,470	-	-	-	-	9,431,470
Stock options exercised	1,555,000	1,100,882	-	-	(470,882)	-	630,000
Warrants exercised	2,666,449	1,372,675	-	-	(39,451)	-	1,333,224
Warrant exercise proceeds received	-	-	24,250	-	-	-	24,250
Warrants issued to financial advisory firm	-	-	-	-	240,000	-	240,000
Obligation to issue shares	-	-	-	465,000	-	-	465,000
Share-based compensation	-	-	-	-	1,358,961	-	1,358,961
Loss for the period	-	-	-	-	-	(2,338,461)	(2,338,461)
<b>Balance - July 31, 2020</b>	83,820,831	61,732,437	24,250	465,000	7,857,272	(50,438,287)	19,640,672

## Prime Mining Corp.

### Condensed Interim Consolidated Statements of Cash Flows

For the three months ended July 31,	2020	2019
	\$	\$
<b>Cash provided by (used in):</b>		
<b>Operating Activities:</b>		
Loss for the period	(2,338,461)	(362,424)
Adjustments for:		
Depreciation	26,465	21,163
Interest income	(990)	-
Share-based compensation	1,358,961	-
Financing expense	17,899	4,015
Foreign exchange	-	(4,125)
Changes in non-cash working capital items		
Receivables	(18)	(17,917)
Prepaid expenses	152,370	(42,901)
Payables and accruals	29,343	345,271
Cash used in operating activities	(754,431)	(56,918)
<b>Financing Activities:</b>		
Shares issued for cash	11,963,224	3,750
Share issue costs	(568,530)	-
Advance from related parties	-	115,000
Subscriptions received	24,250	-
Lease liability	(20,641)	(16,626)
Repayment of loans	(1,000,000)	-
Loan interest and fees	(164,678)	(4,015)
Cash provided by financing activities	10,233,625	98,109
<b>Investing Activities:</b>		
Value added taxes receivable	(1,172,871)	-
Exploration and evaluation assets	(1,289,873)	(14,647)
Purchase of equipment	(5,602)	-
Interest received	990	-
Cash used in investing activities	(2,467,356)	(14,647)
Net increase in cash	7,011,838	26,544
Cash, beginning of period	1,020,820	6,244
Cash, end of period	8,032,658	32,788

Supplemental disclosure with respect to cash flows (note 15)

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# Prime Mining Corp.

## Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended July 31, 2020

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### 1. Nature and continuance of operations

Prime Mining Corp. (the “Company”) acquires, explores and develops interests in mineral projects. The Company’s shares are traded on the TSX Venture Exchange (“TSXV” or the “Exchange”). The Company is engaged in mineral exploration with a focus on properties bearing high-value and specialty metals.

The Company is incorporated under the laws of British Columbia. The head office and principal address of the Company is Suite 1507 – 1030 West Georgia Street, Vancouver, British Columbia, V6E 2Y3.

The subsidiaries of the Company during the period were:

<b>Name of Company</b>	<b>Jurisdiction</b>	<b>Operating status</b>
Exploracion Auramex SA de CV (“Auramex”)	Mexico	Magenta project
Minera Amari SA de CV (“Minera Amari”)	Mexico	Los Reyes project
ePower Metals SA de CV	Mexico	Holding mineral claims
Argus Metals (BGI) Inc.	Barbados	Inactive
ePower Metalen	Suriname	Inactive

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 \$2,338,461 during the three months ended July 31, 2020 and, as of that date the Company’s deficit was \$50,438,287. 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 \$8,032,658 at July 31, 2020 that will be sufficient to maintain operations for at least the next 12 months.

### 2. Basis of preparation

The financial statements are presented in Canadian dollars, which is the functional currency of the Company.

### Statement of Compliance

These condensed interim consolidated financial statements of the Company for the three months ended July 31, 2020 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), on a basis consistent with the significant accounting policies disclosed in note 3 of the most recent annual financial statements as at and for the year ended April 30, 2020 as filed on SEDAR at [www.sedar.com](http://www.sedar.com). These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent annual audited consolidated financial statements. These statements were approved and authorized for issue by the Board of Directors on September 24, 2020.

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**Prime Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
For the three months ended July 31, 2020

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**2. Basis of preparation (continued)**

**Basis of measurement**

The financial statements have been prepared on a historical cost basis except for certain financial instruments carried at fair value.

**Basis of consolidation**

These consolidated 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.

**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.

Information about such judgements and estimates is contained in the description of accounting policies and other notes to the annual financial statements. Management has made the following critical accounting judgements and estimates:

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**Prime Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
For the three months ended July 31, 2020

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**2. Basis of preparation (continued)**

*Critical judgments in applying accounting policies*

Exploration and Evaluation Expenditures

The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

*Key sources of estimation uncertainty*

Rehabilitation Provisions

Rehabilitation provisions have been created based on the Company's internal estimates with future period amounts discounted to reflect the time value of money. Assumptions, based on the current economic environment, have been made which management believes are a reasonable basis upon which to estimate the future liability. These estimates take into account any material changes to the assumptions that occur when reviewed regularly by management. Estimates are reviewed annually and are based on current regulatory requirements. Significant changes in estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period. Actual rehabilitation costs will ultimately depend on future market prices for the rehabilitation costs which will reflect the market condition at the time the rehabilitation costs are actually incurred.

Income tax

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes it has adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company may recognize deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 12.

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**Prime Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
For the three months ended July 31, 2020

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**2. Basis of preparation (continued)**

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. Receivables**

The Company's receivables consist of the following:

	July 31, 2020	April 30, 2020
	\$	\$
Receivables	63,081	85,378
Allowance for doubtful account	(3,440)	(3,440)
GST/HST - value added tax	91,370	69,055
<b>Total</b>	<b>151,011</b>	<b>150,993</b>

**4. Value added taxes receivable**

Current and non-current taxes receivable includes Mexico value added tax ("VAT") receivables generated on the purchase of supplies and services and are receivable from the Mexican government. The Company classifies the majority of Mexico VAT receivables as non-current as it does not expect collection of certain amounts to occur within the next year. The recovery of VAT involves a complex application process and the timing of collection of VAT receivables is uncertain. The Company has not recognized a loss allowance for expected credit losses as VAT receivables are not contract assets and therefore outside the scope of IFRS 9.

**5. Exploration and evaluation assets**

	April 30,			April 30,		July 31,
	2019	Expenditures	Impairment	2020	Expenditures	2020
	\$	\$	\$	\$	\$	\$
Los Reyes	-	8,700,039	-	8,700,039	2,661,566	11,361,605
Magenta Project	1,068,526	85,091	(1,153,617)	-	-	-
Panther Creek	4,625,380	64,916	(4,690,296)	-	-	-
	<b>5,693,906</b>	<b>8,850,046</b>	<b>(5,843,913)</b>	<b>8,700,039</b>	<b>2,661,566</b>	<b>11,361,605</b>

**Los Reyes Project, Sinaloa Mexico**

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.

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**Prime Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
For the three months ended July 31, 2020

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**5. Exploration and evaluation assets (continued)**

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.

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.
- Agreed to pay to Vista Gold US\$1,100,000 by January 2021 and a further US\$1,000,000 by July 2021.

In February 2020, the Company entered into a surface-rights agreement with local land owners 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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**Prime Mining Corp.****Notes to the Condensed Interim Consolidated Financial Statements**For the three months ended July 31, 2020

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**5. Exploration and evaluation assets (continued)**

	Los Reyes
	\$
Balance April 30, 2019	-
Acquisition	
Cash	3,971,450
Shares and warrants	3,560,325
Equipment rental	170,343
Field supplies	128,973
General administration	13,611
Geochemistry	121,752
Labour	245,240
Land maintenance	224,189
Legal	14,526
Project geologist	118,235
Resource estimation	66,233
Shipping	4,921
Travel and accomodation	60,241
Balance April 30, 2020	8,700,039
Acquisition	
Cash	1,866,389
Shares and warrants	465,000
Contractors	25,672
Construction	4,199
Equipment rental	3,940
Field supplies	37,505
General administration	7,863
Geochemistry	70,749
Geologic mapping	12,169
Labour	84,804
Land maintenance	(20,452)
Project geologist	46,500
Resource estimation	31,246
Travel and accomodation	25,982
Balance July 31, 2020	11,361,605

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**Prime Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
For the three months ended July 31, 2020

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**5. Exploration and evaluation assets (continued)**

**Magenta Project, Sinaloa Mexico**

In March 2019, the Company acquired the Magenta gold project in Sinaloa, Mexico through the purchase of Auramex. The Magenta gold project comprises four claims held by Auramex that are not subject to any royalties.

At April 30, 2020, the Company completed a review of the Magenta property and concluded that further exploration was not warranted in the near term. Given this uncertainty regarding the future prospects of the property, the Company fully impaired the carrying value of the Magenta property.

	Magenta
	\$
Balance April 30, 2019	1,068,526
Mineral rights	85,091
Impairment	(1,153,617)
Balance April 30, 2020 and July 31, 2020	-

**Panther Creek – Idaho**

In October 2017, the Company entered into a mineral property option agreement with Utah Mineral Resources, LLC (“UMR”) to earn up to a 100% interest in the Panther Creek cobalt project located in the Idaho cobalt belt. To earn an initial 50% interest in the property, the Company paid US\$25,000 (\$32,025) upon signing and, in December 2017, paid an additional US\$150,000 (\$193,875) in cash and issued 2,750,000 common shares with fair value of \$4,125,000.

With effect from October 22, 2018, the Company and UMR amended the terms of the option agreement to defer project milestones. As amended, to earn 100% interest in the property the Company must make additional payments and expenditures:

- a) paying an additional US\$150,000, in cash or shares at the Company’s option, and incurring at expenditures of least US\$75,000 on the property by October 23, 2019 (incurred);
- b) paying an additional US\$150,000, in cash or shares at the Company’s option, and incurring additional expenditures of at least US\$100,000 on the property by October 23, 2020; and
- c) incurring further additional expenditures of at least US\$200,000 on the property by October 23, 2021.

In addition, should the Company determine that proven and probable mineral resources, (as determined in compliance with NI 43-101), of at least 4,000,000 tonnes grading a minimum 0.25% cobalt, are contained within any portion of the property, on or before five years following the date of the agreement, the Company will issue to UMR an additional 2,000,000 shares.

The Company has earned a 50% interest in the property and had planned to enter into a joint venture agreement in accordance with the terms of the option agreement with UMR. At April 30, 2020, the Company completed a review of the Panther Creek project. The enduring low price of cobalt called into question the Company’s ability to derive an economic return on its investment. Given this uncertainty, the Company fully impaired the carrying value of the Panther Creek project at April 30, 2020.

**Prime Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
For the three months ended July 31, 2020

**5. Exploration and evaluation assets (continued)**

Upon exercise of the option, UMR will retain and will be entitled to receive, a 2% NSR royalty on all product derived from the property.

	Panther Creek
	\$
Balance April 30, 2019	4,625,380
Land maintenance	59,395
Legal	5,521
Impairment	(4,690,296)
Balance April 30, 2020 and July 31, 2020	-

**6. Property and Equipment**

	Office computer, equipment and furnishings	Software	Mining equipment	Vehicle	Right of use asset	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
At April 30, 2019	53,511	-	32,635	-	-	86,146
Additions	9,454	53,594	-	33,885	192,268	289,201
At April 30, 2020	62,965	53,594	32,635	33,885	192,268	375,347
Additions	5,602	-	-	-	-	5,602
At July 31, 2020	68,567	53,594	32,635	33,885	192,268	380,949
<b>Accumulated depreciation</b>						
At April 30, 2019	18,425	-	3,263	-	-	21,688
Charge for the period	8,463	4,020	5,874	1,412	69,912	89,681
At April 30, 2020	26,888	4,020	9,137	1,412	69,912	111,369
Charge for the period	2,470	3,718	1,175	1,624	17,478	26,465
At July 31, 2020	29,358	7,738	10,312	3,036	87,390	137,834
<b>Net book value</b>						
At April 30, 2019	35,086	-	29,372	-	-	64,458
At April 30, 2020	36,077	49,574	23,498	32,473	122,356	263,978
At July 31, 2020	39,209	45,856	22,323	30,849	104,878	243,115

At July 31, 2020, office equipment under capital lease had a cost of \$18,487 (April 30, 2020 - \$18,487) and a net book value of \$10,479 (April 30, 2020 - \$7,084).

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**Prime Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
For the three months ended July 31, 2020

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**7. Advances from related parties**

	Bowering Projects Ltd.	Tyler Ross & Partner	Total
	\$	\$	\$
Balance, April 30, 2019	40,000	-	40,000
Advances	65,000	50,000	115,000
Repayments	(105,000)	(50,000)	(155,000)
Balance, April 30, 2020 and July 31, 2020	-	-	-

Advances from related parties were provided by the Company's CEO and Tyler Ross and Partner to fund the Company's operations. These amounts did not bear interest.

**8. Loans payable**

	Los Reyes Bridge Loan	Auramex Acquisition Loan	Total
	\$	\$	\$
Balance, April 30, 2019	-	201,345	201,345
Funding of MAI loan payment	2,000,000	-	2,000,000
Commitment fee	40,000	-	40,000
Interest	175,016	-	175,016
Repayments	(1,065,600)	(198,248)	(1,263,848)
Changes in exchange rates	-	(3,097)	(3,097)
Balance, April 30, 2020	1,149,416	-	1,149,416
Interest	15,262	-	15,262
Repayments	(1,164,678)	-	(1,164,678)
Balance, July 31, 2020	-	-	-

**Los Reyes Bridge Loans**

The Company funded the April Payment to MAI 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. (note 6). The bridge loan is unsecured, bears interest at a rate of 12% per year compounded monthly and was due April 24, 2020. The Company repaid the portions of the bridge loan funded by George Dengin and Perfect Storm Holdings Ltd. in the current fiscal year. The part of the loan funded by Andrew Bowering, together with related interest was paid out in the three months ended July 31, 2020.

The Company also issued 1,333,384 bonus shares with a value of \$400,000, which has been recorded as part of the financing expenses in profit and loss in the year ended April 30, 2020 due to the short term nature of the bridge loans.

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**Prime Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
For the three months ended July 31, 2020

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**9. Lease liability**

The Company has entered into a lease for office equipment over a term of five years with monthly payments of \$370 and an implicit interest rate of 8%. The Company has also entered into a premises lease expiring January 31, 2022 with monthly payments of \$6,510. The incremental borrowing rate is estimated at 8% per year.

	Premises lease	Equipment lease	Total
	\$	\$	\$
Balance, April 30, 2019	-	14,789	14,789
Adoption of IFRS 16	192,268	-	192,268
Interest	13,029	997	14,026
Payments	(78,120)	(4,443)	(82,563)
Balance, April 30, 2020	127,177	11,343	138,520
Interest	2,430	207	2,637
Payments	(19,530)	(1,111)	(20,641)
Balance, July 31, 2020	110,077	10,439	120,516

**Presentation**

Current lease liability	74,216
Non-current lease liability	64,304
<b>Total lease liability April 30, 2020</b>	<b>138,520</b>

**Presentation**

Current lease liability	75,636
Non-current lease liability	44,880
<b>Total lease liability July 31, 2020</b>	<b>120,516</b>

The Company is contractually committed to make payments regarding equipment and premises' leases as follows:

Period ending April 30,	
	\$
2021	61,920
2022	69,540
2023	3,700
	<u>135,160</u>

**10. Long term payables**

As part of the its agreement to purchase Los Reyes Project, the Company agreed to reimburse the vendor for 90% of the VAT receivable (being US\$827,587) associated with the purchase (notes 4 and 5) as and when received. The Company does not expect to collect the VAT receivable within the next 12 months and accordingly the liability to reimburse the vendor is recorded as a non-current liability.

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**Prime Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
For the three months ended July 31, 2020

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**11. Share capital and reserves**

**Authorized capital**

Unlimited number of common shares without par value.

**Issued capital**

83,820,831 common shares at July 31, 2020 (April 30, 2020 – 59,599,382).

**Fiscal 2021**

In June 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.

In June 2020, the Company paid an arm's-length financial advisory firm a fee of 1,200,000 warrants for consulting advisory services to be provided over the next 24 months. The warrants were valued at \$240,000 based on the fair value of services to be provided with the \$240,000 recognized over the term of the agreement. As of July 31, 2020, \$220,000 is included in prepaid expenses.

In the three months ended July 31, 2020, options to purchase 1,555,000 common shares at between \$0.40 and \$0.42 per share were exercised for gross proceeds of \$630,000.

In the three months ended July 31, 2020, warrants to purchase 2,666,449 common shares at \$0.50 per share were exercised for gross proceeds of \$1,333,254.

Subsequent to July 31, 2020, 49,000 warrants were exercised of which \$24,500 was received during the period ending July 31, 2020.

**Fiscal 2020**

In July 2019, a warrant holder exercised warrants to purchase 12,500 common shares at \$0.30 per share for gross proceeds of \$3,750.

In August 2019, 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.

In August 2019, 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 4).

In August 2019, the Company issued 1,333,334 common shares valued at \$400,000 to the lenders of the bridge loan (note 7).

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**Prime Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
For the three months ended July 31, 2020

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**11. Share capital and reserves (continued)**

In August 2019, 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 4).

In April 2020, warrant holders exercised warrants to purchase 451,733 common shares at \$0.50 per share for gross proceeds of \$225,867.

In April 2020, 40,000 stock options were exercised at \$0.40 per share for gross proceeds of \$16,000.

**Reserves**

Reserves recorded in shareholders' equity comprise the fair value of share-based payments before exercise. The following is a summary of changes in reserves from April 30, 2019 to July 31, 2020:

	\$
Balance - April 30, 2019	4,383,164
Share-based compensation	1,778,600
Fair value of finders' warrants granted	155,300
Fair value of MAI warrants granted	457,800
Fair value of options exercised	(5,072)
Fair value of agent warrants exercised	(1,148)
Balance - April 30, 2020	6,768,644
Share-based compensation	1,358,961
Fair value of advisory firm warrants	240,000
Fair value of options exercised	(470,882)
Fair value of agent warrants exercised	(39,451)
<b>Balance - July 31, 2020</b>	<b>7,857,272</b>

**Warrants**

Warrant activity for the respective periods are as follows:

	July 31, 2020		April 30, 2020	
	Number	Weighted Avg. Exercise Price	Number	Weighted Avg. Exercise Price
		\$		\$
Warrants outstanding, beginning of period	18,588,525	0.50	4,118,913	0.68
Granted	21,200,000	1.10	19,040,258	0.50
Exercised	(2,666,449)	0.50	(464,233)	0.49
Expired	-	-	(4,106,413)	0.68
Warrants outstanding, end of period	<u>37,122,076</u>	0.84	<u>18,588,525</u>	0.50

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**Prime Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
For the three months ended July 31, 2020

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**11. Share capital and reserves (continued)**

Warrants outstanding and exercisable at July 31, 2020:

<u>Expiry Date</u>	<u>Price</u>	<u>Number</u>
August 28, 2021	0.50	15,922,076
June 12, 2025	1.10	21,200,000

**12. Share-based compensation**

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 maximum number of common shares issuable upon the exercise of options granted pursuant to the stock option 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 options outstanding and exercisable for the respective periods are as follows:

	<u>July 31, 2020</u>		<u>April 30, 2020</u>	
	<u>Number</u>	<u>Weighted Avg. Exercise Price</u>	<u>Number</u>	<u>Weighted Avg. Exercise Price</u>
		\$		\$
Options outstanding, beginning of period	5,455,000	0.40	1,320,000	1.08
Granted	4,275,000	1.12	5,350,000	0.40
Exercised	(1,555,000)	0.41	(40,000)	0.40
Forfeited	<u>(15,000)</u>	0.40	<u>(1,175,000)</u>	1.16
Options outstanding, end of period	<u>8,160,000</u>	0.78	<u>5,455,000</u>	0.40
Exercisable, end of period	<u>5,310,000</u>	0.59	<u>5,130,000</u>	0.40

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**Prime Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
For the three months ended July 31, 2020

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**12. Share-based compensation (continued)**

Summary of outstanding options at July 31, 2020:

Number of Options	Exercise Price \$	Remaining Contractual Life (Years)
3,460,000	0.40	4.18
350,000	0.42	4.52
75,000	0.44	0.08
3,100,000	0.95	4.87
750,000	1.30	4.91
425,000	1.92	5.00
<u>8,160,000</u>		4.53

In October 2019, the Company awarded options to directors and contractors to purchase up to 4,600,000 common shares at a price of \$0.40 per share expiring October 4, 2024. Using the Black Scholes method the grant-date value of each option was \$0.30.

In February 2020, the Company awarded options to directors and contractors to purchase up to 750,000 common shares at a price of \$0.42 per share expiring February 7, 2025. Using the Black Scholes method the grant-date value of each option was \$0.32.

In June 2020, the Company awarded directors, officers and consultants options to purchase up to 3,100,000 common shares at \$0.95 per share and 750,000 common shares at \$1.30 per share. Using the Black Scholes method the grant date fair value was \$0.65.

In July 2020, the Company made option grants to an officer and to a consultant to purchase up to 425,000 shares at \$1.92 per share. Using the Black Scholes method the grant date fair value was \$1.30.

Share-based compensation expense to be recognized in the three months ended July 31, 2020 was \$1,358,961 (2019 - \$nil).

The Company used the Black-Scholes option pricing model to estimate the fair value of the options granted using the following weighted average assumptions:

	<u>2020</u>
Risk-free interest rate	0.36%
Dividend yield	0.00%
Expected volatility	90%
Expected option life	5 years

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**Prime Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
For the three months ended July 31, 2020

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**13. Loss per share**

The calculation of the basic and diluted loss per share for the periods ended July 31, 2020 and 2019 presented is based on the following data:

For the three months ended July 31,	2020	2019
Loss for the period	(\$2,338,461)	(\$362,424)
Weighted average number of common shares outstanding	72,378,585	18,375,053
Loss per share, basic and fully diluted	(\$0.03)	(\$0.02)

Diluted loss per share for the three months ended July 31, 2020 and 2019 is the same as basic loss per share as the exercise of the 5,310,000 options (2019 – 870,000) and 37,122,076 warrants (2019 – 3,843,100) are anti-dilutive.

**14. 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. The following are related party transactions not disclosed elsewhere in the financial statements.

For the three months ended July 31,	2020	2019
	\$	\$
Key management personnel compensation		
Management fees	486,524	144,990
Share-based compensation	1,141,600	-
Total	1,628,124	144,990

Included in the management fees above is \$46,500 (2019 - \$nil) of management fees capitalized to exploration and evaluation assets.

Included in the management fees above is compensation paid through companies:

S2 Management Inc.	\$ 9,750	\$ 6,000
Andros Capital Corp	\$-	\$ 15,000
Bruce Kienlen Consulting	\$ 46,500	\$ 2,490
Daniel Kunz & Associates, LLC	\$ 348,009	\$ 37,500

S2 Management Inc. is controlled by the Company's CFO.

Andros Capital Corp is controlled by the Company's VP Capital Markets

Bruce Kienlen Consulting is controlled by the Company's VP Exploration

Daniel Kunz & Associates, LLC is controlled by a director and officer of the Company. The fees disclosed above relate to engineering, geologic, technical and management services provided by Mr. Kunz and several associates of that company.

Included in the payables and accruals is \$31,777 (April 30, 2020 - \$30,000) owed to directors and officers of the Company.

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**Prime Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
For the three months ended July 31, 2020

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**14. Related party transactions and balances (continued)**

In the three months ended July 31, 2020, the Company repaid the loan, interest and commitment fee owed to a director an officer of the Company.

**15. Supplemental disclosure with respect to cash flows**

For the three months ended July 31,	2020	2019
	\$	\$
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	39,451	-

**16. Segmented information**

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

	July 31, 2020	April 30, 2020
	\$	\$
Canada	236,400	262,865
Mexico	11,368,320	8,700,039
	11,604,720	8,962,904

**17. Financial instruments and risk management**

**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 July 31, 2020, the Company was not subject to significant interest rate risk.

**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.

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**Prime Mining Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
For the three months ended July 31, 2020

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**17. Financial instruments and risk management (continued)**

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 July 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:

	July 31, 2020	April 30, 2020
	\$	\$
US dollar	26,177	6,394
Mexican peso	2,527	24,432

Exposure to the Canadian dollar on financial instruments is as follows:

Balances at	July 31, 2020	April 30, 2020
	\$	\$
Cash	390,347	33,620
Receivables	1,189,288	67,042
Payables and accruals	(1,292,586)	(408,925)

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 match the maturity profile of financial assets to development, capital and operating needs.

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 marker 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.

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**Prime Mining Corp.****Notes to the Condensed Interim Consolidated Financial Statements**

For the three months ended July 31, 2020

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**18. Subsequent events**

Subsequent to July 31, 2020, warrants to purchase 1,272,833 common shares were exercised at \$0.50 per share of which \$24,250 was received during the prior period.