PROVENANCE GOLD CORP.

(FORMERLY SPARX ENERGY CORP.)

FINANCIAL STATEMENTS

DECEMBER 31, 2016 and 2015

DeVISSERGRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Provenance Gold Corp. (formerly Sparx Energy Corp.),

We have audited the accompanying financial statements of Provenance Gold Corp. (formerly Sparx Energy Corp.) which comprise the statements of financial position as at December 31, 2016 and 2015 and the statements of comprehensive loss, cash flows and changes in deficiency for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Provenance Gold Corp. (formerly Sparx Energy Corp.) as at December 31, 2016 and 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 of the financial statements which indicates that the Company has limited working capital, no sources of revenue, and is dependent upon its ability to secure new sources of financing. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC
April 7, 2017

PROVENANCE GOLD CORP. (FORMERLY SPARX ENERGY CORP.)

STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31,

		2016		2015
ASSETS				
Current assets				
Cash	$	724	$	40
Amounts receivable		160		309
	$	884	$	349
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	70,064	$	55,187
Loan payable (note 3)		168,811		155,705
		238,875		210,892
SHAREHOLDERS' DEFICIENCY				
Share capital (note 4)		52,500		52,500
Deficit		(290,491)		(263,043)
		(237,991)		(210,543)
	$	884	$	349

Nature and continuance of operations (note 1)
Events after the reporting period (note 10)

Approved on behalf of the Board

Director *"Rauno Perttu"*
Rauno Perttu

Director *"Robert Clark"*
Robert Clark

The accompanying notes are an integral part of these financial statements

PROVENANCE GOLD CORP. (FORMERLY SPARX ENERGY CORP.)

STATEMENTS OF COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31,

		2016		2015
EXPENSES				
Bank charges	$	177	$	153
Consulting fees (note 7)		7,900		8,400
Interest		13,067		11,875
Office		102		10
Professional fees		11,604		6,194
Regulatory and transfer agent fees		5,648		7,398
Loss from operations		38,498		34,030
Other income				
Gain on debt settlement (note 7)		11,050		-
Net and comprehensive loss for the year	$	27,448	$	34,030
Basic and diluted loss per share (note 8)	$	-	$	-
Weighted average number of common shares outstanding		13,111,431		13,111,431

The accompanying notes are an integral part of these financial statements

PROVENANCE GOLD CORP. (FORMERLY SPARX ENERGY CORP.)

STATEMENTS OF CHANGES IN DEFICIENCY
YEARS ENDED DECEMBER 31,

	Number of Shares	Share Capital	Deficit	Total Shareholders' Deficiency
Balance at January 1, 2015	13,111,431	$ 52,500	$ (229,013)	$ (176,513)
Net and comprehensive loss for the year	-	-	(34,030)	(34,030)
Balance at December 31, 2015	13,111,431	52,500	(263,043)	(210,543)
Balance at January 1, 2016	13,111,431	52,500	(263,043)	(210,543)
Net and comprehensive loss for the year	-	-	(27,448)	(27,448)
Balance at December 31, 2016	13,111,431	$ 52,500	$ (290,491)	$ (237,991)

The accompanying notes are an integral part of these financial statements

PROVENANCE GOLD CORP. (FORMERLY SPARX ENERGY CORP.)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,

	2016	2015
Cash provided by (used for):		
Operating activities		
Net loss for the year	$ (27,448)	$ (34,030)
Adjustment for item which does not involve cash:		
Gain on debt settlement (note 7)	(11,050)	-
Change in non-cash working capital:		
Amounts receivable	149	(309)
Prepaid expenses	-	2,040
Accounts payable and accrued liabilities	25,927	18,818
Cash used in operating activities	(12,422)	(13,481)
Financing activity		
Loan payable (note 3)	13,106	13,205
Cash provided by investing activity	13,106	13,205
Change in cash during the year	684	(276)
Cash, beginning of the year	40	316
Cash, end of the year	$ 724	$ 40

The accompanying notes are an integral part of the financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Provenance Gold Corp. (formerly Sparx Energy Corp.) ("Provenance" or the "Company") was incorporated in the Province of British Columbia on October 5, 2012. For the period October 5, 2012 to May 31, 2013, the Company was a wholly-owned subsidiary of Aldever Resources Inc. (formerly Glenmark Capital Corp.) ("Aldever"), which is a junior exploration company engaged in the business of identification, acquisition and exploration of mineral interests.

During October 2012, Aldever's board of directors approved a plan of arrangement (the "Arrangement") between Aldever and its four wholly-owned subsidiaries, including Provenance. As a result of the completion of the Arrangement on May 31, 2013, Aldever ceased to be a shareholder of Provenance and the Company became a reporting issuer in its own right. Provenance is a junior exploration company engaged in the business of identification, acquisition and exploration of mineral interests.

On January 16, 2017, the Company changed its name to Provenance Gold Corp. See note 10.

The Company's principal office and registered and records office is located at 2200-885 West Georgia Street, Vancouver, BC V6C 3E8.

These financial statements have been prepared on a going concern basis which presumes the realization of assets and settlement of liabilities in the normal course of operations in the foreseeable future. The Company has no source of operating revenue, has incurred operating losses and at December 31, 2016 had a deficit of $290,491 (2015 - $263,043) and a working capital deficiency of $237,991 (2015 - $210,543). The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. The aforementioned factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Further discussion of liquidity risk is included in notes 5 and 6.

These financial statements were authorized for issue on April 7, 2017 by the directors of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The presentation and functional currency of the Company is the Canadian dollar. These financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows:

Use of Estimates and Assumptions

The preparation of the Company's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Judgments

The preparation of financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments applying to the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss – This category involves financial instruments held for the purpose of selling them in the short term. All of the financial instruments in this category meet the definition of financial assets held for trading and include cash.

The financial instruments included in this category are initially recognized at fair value and the transaction costs are expensed to the statement of comprehensive income (loss).

Subsequently, financial assets at fair value through profit or loss are measured at fair value and all gains and losses, realized and unrealized, measured on the basis of market transactions, are recognized directly in the statement of comprehensive income (loss).

Loans and receivables – These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. The Company's financial assets classified as loans and receivables consist of amounts receivable (excluding GST).

Held-to-maturity investments – These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive income (loss). The Company has no financial assets classified as held-to-maturity investments

Available-for-sale – Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of comprehensive income (loss). The Company has no financial assets classified as available-for-sale assets.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost. The Company's non-derivative liabilities consist of accounts payable and accrued liabilities and loan payable.

Derivative liabilities are classified as fair value through profit or loss. The Company has no derivative assets or liabilities.

Asset retirement obligations

The fair value of a liability for an asset retirement or environmental obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement or environmental obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement or environmental cost is charged to operations using a systematic and rational method and the resulting liability is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As of December 31, 2016, the Company did not have any asset retirement or environmental obligations.

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income is also recognized directly in equity or other comprehensive income.

Current tax is expected tax payable on the taxable income for the period, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income taxes *(continued)*

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

New accounting standards issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee ("IFRIC") but not yet effective as at December 31, 2016. The Company intends to adopt these standards and interpretations when they become effective. The Company does not expect these standards to have an impact on its financial statements.

Standard	Title	Applicable for financial years beginning on/after
IFRS 7	Financial Instruments: Disclosures	January 1, 2016
IFRS 9	Financial Instruments	January 1, 2018
IAS 1	Presentation of Financial Statements (amendments)	January 1, 2017
IAS 7	Statement of Cash Flows (amendments)	January 1, 2017
IAS 34	Interim Financial Reporting (amendments)	January 1, 2016

3. LOAN PAYABLE

This loan represents funds advanced by investors who were assisting in the implementation of the Company's business plan. The funds received provided the working capital required to prepare financial statements and for corporate registrations. On March 1, 2016, these investors assigned their loans ($157,205) plus accrued interest ($40,656) to a private company that became a related party as a result of the Securities Purchase Agreement executed subsequent to year end. Subsequent to March 1, 2016, the private company advanced $11,606 to the Company. This loan is unsecured and bears interest at 10% per annum. As at December 31, 2016, $41,779 (2015 - $28,712) in accrued interest was included in accounts payable and accrued liabilities.

Subsequent to year end, the Company executed a Debt Settlement Agreement in respect of this indebtedness.

See note 10.

4. SHARE CAPITAL

Authorized

Unlimited number of common shares, without par value.
Unlimited number of preferred shares, without par value.

Issued

No shares were issued during the years ended December 31, 2016 and 2015.

Warrants

Details of common share purchase warrants outstanding at December 31, 2016 and 2015 are as follows:

	2016 Outstanding Warrants	2015 Outstanding Warrants	Exercise price	Expiry
Share purchase warrants				
Issued pursuant to amended Arrangement	12,000,000	12,100,000	$ 0.10	April 8, 2018

Common share purchase warrant transactions during the years ended December 31, 2016 and 2015 are as follows:

	2016			2015		
	Number of Warrants	Weighted average exercise price	Fair Value	Number of Warrants	Weighted average exercise price	Fair Value
Outstanding - beginning of year	12,100,000	$ 0.10	$ -	12,100,000	$ 0.10	$ -
Cancelled	(100,000)	0.10	-	-	-	-
Outstanding - end of year	12,000,000	$ 0.10	$ -	12,100,000	$ 0.10	$ -

On March 1, 2016, 100,000 share purchase warrants were cancelled.

The weighted average remaining contractual life of the issued and outstanding warrants as at December 31, 2016 was 1.27 years.

5. FINANCIAL INSTRUMENTS

Fair Values

As at December 31, 2016, the Company's financial instruments consist of cash, accounts payable and accrued liabilities, and loan payable.

5. FINANCIAL INSTRUMENTS *(continued)*

Fair Values *(continued)*

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices).

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.

The fair value of cash, accounts payable and accrued liabilities, and loan payable is determined on level 1 inputs and the carrying amounts approximate the fair values due to the short-term maturities of these items.

Credit Risk

The Company is not exposed to any significant credit risk as it had limited cash balances at December 31, 2016.

Interest Rate and Foreign Exchange Risks

Provenance has cash balances and only fixed interest-bearing debt. The Company is not exposed to any significant interest rate or foreign exchange risks.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. The Company’s only liquidity risk from financial instruments is its need to meet accounts payable and accrued liabilities and loan payable requirements. The Company did not maintain sufficient cash balances to meet its needs at December 31, 2016.

Price Risk

The Company is not exposed to price risk.

6. CAPITAL MANAGEMENT

The Company's capital currently consists of common shares. Its principal source of cash is from the issuance of common shares and funds advanced by investors. The Company's capital management objectives are to safeguard its ability to continue as a going-concern and to have sufficient capital to be able to identify, evaluate and then acquire an interest in a business or assets. The Company does not have any externally imposed capital requirements to which it is subject. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares.

7. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management. Unless otherwise indicated, the balances are unsecured, non-interest bearing, without specific terms of repayment and have arisen from advances or the provision of services and fees described.

During the year ended December 31, 2016, the Company incurred $7,100 plus GST (2015 - $7,200 plus GST) in consulting fees paid to a director and a company in which a director is a principal.

During the year ended December 31, 2016, the Company settled $22,050 of debt due to a director, through debtor forgiveness with a fair value of $11,000. As a result, a gain on debt settlement of $11,050 was recognized in the statement of comprehensive loss. The $11,000 settlement amount was secured by a non-interest bearing promissory note and was paid on January 4, 2017.

At December 31, 2016, the Company also owed the director and a company in which a director is a principal $210 (December 31, 2015 - $16,450) in respect of fees and out of pocket expenses.

8. LOSS PER SHARE

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. The warrants outstanding as at December 31, 2016 have not been included in the calculation of diluted loss per share as the effect of their inclusion would be anti-dilutive. Loss per share is calculated as follows:

		2016		2015
Net loss for the year	$	(25,648)	$	(34,030)
Weighted average number of shares outstanding		13,111,431		13,111,431
Basic and diluted loss per share	$	-	$	-

9. DEFERRED TAX

The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

		2016		2015
Net loss for the year	$	(25,648)	$	(34,030)
Expected income tax recovery	$	(6,668)	$	(8,848)
Change in deferred tax assets not recognized		6,668		8,848
Total income tax recovery	$	-	$	-

9. DEFERRED TAX *(continued)*

Unused tax losses and resource pools for which no deferred tax assets have been recognized are attributable to the following:

	2016	2015
Deferred income tax assets:		
Non-capital loss carryforwards (1)	$ 159,000	$ 133,000
Mineral properties	35,000	35,000
	$ 194,000	$ 168,000

(1) These losses are available to be utilized as deductions against future years' Canadian taxable income from Canadian operations and capital gains. These non-capital losses, if not utilized, will expire between 2033 and 2036.

10. EVENTS AFTER THE REPORTING PERIOD

On January 16, 2017, the Company closed a Securities Purchase Agreement ("the Agreement") with the shareholders of Provenance Gold Corp. ("PGC"). PGC is the beneficial owner of the right to earn up to a 100% interest in and to a series of quartz claims located in the Moosehorn Range in the Yukon Territory. This interest is subject to certain royalty rights pursuant to a property option agreement dated June 10, 2016. Pursuant to the Agreement, the Company acquired all of the outstanding share capital of PGC by issuing 11,000,000 common shares and 3,500,000 common share purchase warrants to the shareholders of PGC. Each warrant is exercisable to acquire an additional common share of the Company at a price of $0.15 per share until October 19, 2018. In connection with the closing of the Agreement, the Company changed its name to "Provenance Gold Corp." and PGC will continue as a wholly-owned subsidiary of the Company.

On January 31, 2017, the Company executed a Debt Settlement Agreement ("the Agreement") to settle debt totaling $209,467 ($168,811 (principal) plus $40,656 (accrued interest)). Pursuant to the Agreement, the debt was settled by issuing a promissory note in the amount of $209,467. This balance is non-interest bearing and is due on or before August 1, 2018. See note 3.

On January 31, 2017, the Company completed a non-brokered private placement of 750,000 units at a price of $0.10 per unit for gross proceeds of $75,000. Each unit consists of one common share of the Company and one common share purchase warrant entitling the holder to purchase an additional common share at a price of $0.15 per share for a period of two years.