

**PROVENANCE GOLD CORP.**  
**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2019 and 2018**  
**(Unaudited – Expressed in Canadian Dollars)**

**Notice of No Auditor Review**

These unaudited consolidated interim financial statements of Provenance Gold Corp. (the “Company”) have not been reviewed by the auditors of the Company. This notice is being provided in accordance with Section 4.3 (3) (a) of National Instrument 51-102 - Continuous Disclosure Obligations.

**PROVENANCE GOLD CORP.**  
**Consolidated Interim Statements of Financial Position**  
**(Unaudited - Expressed in Canadian Dollars)**

	<b>June 30</b>	<b>December 31</b>
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 4,514	\$ 42,963
Amounts receivable	540	2,567
	5,054	45,530
<b>Exploration and evaluation assets (note 3)</b>	<b>1,312,353</b>	<b>1,302,192</b>
	<b>\$ 1,317,407</b>	<b>\$ 1,347,722</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 127,483	\$ 73,590
Share subscriptions advanced	72,500	-
	199,983	73,590
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 5)	2,180,136	1,780,136
Settlement receipts (note 8)	-	400,000
Reserves (note 5)	20,253	13,875
Deficit	(1,082,965)	(919,879)
	1,117,424	1,274,132
	<b>\$ 1,317,407</b>	<b>\$ 1,347,722</b>

Nature and continuance of operations (note 1)

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 consolidated interim financial statements*

**PROVENANCE GOLD CORP.****Consolidated Interim Statements of Operations and Comprehensive Loss  
(Unaudited - Expressed in Canadian Dollars)**

	<b>Three months ended June 30</b>		<b>Six months ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>EXPENSES</b>				
Consulting and management fees (note 9)	\$ 40,781	\$ 46,318	\$ 85,781	\$ 98,818
General and administrative	19,211	11,028	32,905	12,724
Professional fees	4,221	3,472	12,681	7,256
Regulatory and transfer agent fees	8,174	6,543	14,765	9,922
Share-based payments (note 5)	3,791	-	6,378	-
Travel	7,486	10,669	10,576	13,310
<b>Net and comprehensive loss for the period</b>	<b>\$ 83,664</b>	<b>\$ 78,030</b>	<b>\$ 163,086</b>	<b>\$ 142,030</b>
<b>Basic and diluted loss per share (note 10)</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>
<b>Weighted average number of common shares outstanding</b>	<b>35,929,134</b>	<b>32,240,401</b>	<b>35,602,062</b>	<b>29,679,012</b>

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

**PROVENANCE GOLD CORP.****Consolidated Interim Statements of Changes in Equity  
(Unaudited - Expressed in Canadian Dollars)**

	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Settlement Receipts</b>	<b>Reserves</b>	<b>Deficit</b>	<b>Total Shareholders' Equity</b>
<b>Balance at January 1, 2018</b>	27,089,164	\$ 722,136	\$ -	\$ -	\$ (618,702)	\$ 103,434
Shares issued in private placement (note 6)	2,066,000	516,500	-	-	-	516,500
Shares issued for cash on exercise of share purchase warrants (note 6)	4,214,670	421,467	-	-	-	421,467
Share issuance costs	59,300	(14,968)	-	-	-	(14,968)
Net and comprehensive loss for the period	-	-	-	-	(142,030)	(142,030)
<b>Balance at June 30, 2018</b>	<b>33,429,134</b>	<b>1,645,135</b>	<b>-</b>	<b>-</b>	<b>(760,732)</b>	<b>884,403</b>
<b>Balance at January 1, 2019</b>	34,329,134	1,780,136	400,000	13,875	(919,879)	1,274,132
Settlement receipts exchanged for common shares (note 8)	1,600,000	400,000	(400,000)	-	-	-
Net and comprehensive loss for the period	-	-	-	6,378	(163,086)	(156,708)
<b>Balance at June 30, 2019</b>	<b>35,929,134</b>	<b>\$ 2,180,136</b>	<b>\$ -</b>	<b>\$ 20,253</b>	<b>\$ (1,082,965)</b>	<b>\$ 1,117,424</b>

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

**PROVENANCE GOLD CORP.**  
**Consolidated Interim Statements of Cash Flow**  
**(Unaudited - Expressed in Canadian Dollars)**

	<b>Six months ended</b>	
	<b>June 30</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash provided by (used for):</b>		
<b>Operating activities</b>		
Net and comprehensive loss for the period	\$ (163,086)	\$ (142,030)
Add item not involving cash:		
Share-based payments	6,378	-
Change in non-cash working capital:		
Amounts receivable	2,027	25,457
Accounts payable and accrued liabilities (note 8)	53,893	394,606
<b>Cash provided by (used in) operating activities</b>	<b>(100,788)</b>	<b>278,033</b>
<b>Investing activities</b>		
Exploration and evaluation assets acquired	(10,161)	(455,557)
<b>Cash (used in) investing activities</b>	<b>(10,161)</b>	<b>(455,557)</b>
<b>Financing activities</b>		
Proceeds from issuance of shares	-	110,102
Loan repayment	-	(209,467)
Proceeds from share purchase warrants exercised	-	421,467
Share issuance costs	-	(14,968)
Share subscriptions advanced	72,500	-
<b>Cash provided by financing activities</b>	<b>72,500</b>	<b>307,134</b>
<b>Change in cash during the period</b>	<b>(38,449)</b>	<b>129,610</b>
<b>Cash, beginning of the period</b>	<b>42,963</b>	<b>66,628</b>
<b>Cash, end of the period</b>	<b>\$ 4,514</b>	<b>\$ 196,238</b>

**Supplementary cash flow information (note 11)**

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

## **PROVENANCE GOLD CORP.**

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

As at and for the six months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

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#### **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.

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

These consolidated interim 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 June 30, 2019 had a cumulative deficit of \$1,082,965 and a working capital deficiency of \$194,929. 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 consolidated interim 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 6 and 7.

These consolidated interim financial statements were authorized for issue on August 28, 2019 by the directors of the Company.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of compliance**

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of consolidated interim financial statements, including International Accounting Standards ("IAS") 34, Interim Financial Reporting. These interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements for the year ended December 31, 2018, which have been prepared in accordance with IFRS.

These financial statements have been prepared on the historical cost basis. The presentation and functional currency of the Company is the Canadian dollar.

## PROVENANCE GOLD CORP.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the six months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

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## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Basis of consolidation**

These consolidated interim financial statements include the accounts of the Company and 1084160 B.C. Ltd., formerly Provenance Gold Corp. (“PGC”), its wholly owned subsidiary in which the Company has control, where control is defined as the power to govern the financial operating policies of an enterprise so as to obtain benefits from its activities.

All intercompany balances and transactions have been eliminated on consolidation. Comparative figures shown in these financial statements reflect the accounts of Provenance only.

Details of the Company’s subsidiary are as follows:

<b>Name</b>	<b>Place of incorporation</b>	<b>Interest %</b>	<b>Principal activity</b>
1084160 B.C. Ltd.	British Columbia, Canada	100%	Holding company

### **Significant accounting judgments, estimates and assumptions**

The preparation of the Company’s consolidated interim 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 consolidated interim 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.

Critical judgments in applying accounting policies:

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated interim financial statements:

- The determination that the Company will continue as a going concern for the next year; and
- The determination that there have been no events or changes in circumstances that indicate the carrying amount of exploration and evaluation assets may not be recoverable.

## **PROVENANCE GOLD CORP.**

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

As at and for the six months ended June 30, 2019 and 2018

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## **2. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

### **Impairment**

At each reporting period, management reviews all assets for indicators of impairment. If such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for that period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which that asset belongs.

Past impairments are also considered at each reporting period and where there is an indication that an impairment loss may have decreased, the recoverable amount is calculated as outlined above to determine the extent of the recovery. If the recoverable amount of the asset is more than its carrying amount, the carrying amount of the asset is increased to its recoverable amount and the impairment loss is reversed in the profit or loss for that period. The increased carrying amount due to reversal will not be more than what the depreciated historical cost would have been if the impairment had not been recognized.

### **Recent accounting pronouncements**

#### *New accounting standards*

A number of new standards and amendments to existing standards have been issued by the IASB that are mandatory for accounting periods beginning on or after January 1, 2019, or later periods. The Company has not early adopted these new standards in preparing these financial statements. The following pronouncement is considered by the Company to be the most significant of several pronouncements that may affect the financial statements in future periods.

#### *Standard effective for annual periods beginning on or after January 1, 2019*

- IFRS 16 – *Leases* - On January 13, 2016 the IASB issued IFRS 16, “Leases”. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease.

The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, “Revenue from contracts with customers” at or before the date of initial adoption of IFRS 16.

The extent of the impact of adoption of the above standard on the financial statements of the Company is not expected to be significant.



## **PROVENANCE GOLD CORP.**

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

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(Unaudited - Expressed in Canadian Dollars)

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### **3. EXPLORATION AND EVALUATION ASSETS**

#### **2K Gold Property, Yukon, Canada**

On June 10, 2016, the Company's CEO entered into the Moosehorn Range Property Option Agreement (the "MRPOA") pursuant to which he was granted the option to purchase a 100% interest in 149 quartz claims located in the Moosehorn Range in Yukon, Canada and the exclusive right to conduct mineral exploration and feasibility study work on the property during the period of the option. On August 4, 2016, the Company and the Company's CEO entered into an assignment agreement whereby the MRPOA was assigned to the Company. Pursuant to the MRPOA, payments totaling \$3,610,000 are required to be made and exploration expenditures totaling \$1,700,000 are required to be incurred as follows:

#### Payments

- \$50,000 within 60 days of the signing of the agreement (paid);
- \$50,000 by June 10, 2017 (paid);
- \$130,000 by June 10, 2018 (paid);
- \$130,000 by June 10, 2019 (amended to March 31, 2020);
- \$250,000 by June 10, 2020 (amended to September 30, 2020); and
- \$3,000,000 by June 10, 2021

These payments will be credited towards the exploration expenditure requirements.

#### Exploration Expenditures

- \$200,000 by June 10, 2017 (completed);
- Cumulative \$500,000 by June 10, 2018 (completed);
- Cumulative \$850,000 by June 10, 2019 (completed);
- Cumulative \$1,200,000 by June 10, 2020; and
- Cumulative \$1,700,000 by June 10, 2021.

Expenditures incurred in excess of the amount required will be applied against any remaining expenditures. As of June 30, 2019, the Company has incurred \$1,025,851 in exploration expenditures.

Pursuant to the MRPOA, the optionee will also pay a 2% net smelter royalty ("NSR") by December 31st of each year that lode gold is recovered from the property. This NSR can be bought out at any time by paying \$2,000,000.

The final payment of \$3,000,000 may be made at any time between June 10, 2016 and June 10, 2021, in which case any remaining payments will no longer be payable (except the NSR unless it has been bought out) and no further exploration expenditures will be required.

If, during the term of the MRPOA, either party acquires any interest in quartz claim fractions within a five kilometer perimeter of the property's claim blocks, these claims will become subject to the terms and conditions of the MRPOA.

## **PROVENANCE GOLD CORP.**

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

As at and for the six months ended June 30, 2019 and 2018

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### **3. EXPLORATION AND EVALUATION ASSETS, (continued)**

#### **Silver Bow Property, Nevada U.S.A.**

On August 29, 2018, the Company entered into the Silver Bow Nevada Property Option Agreement (the “SB Agreement”) to acquire a 100% interest in 102 mineral claims referred to as the Silver Bow property and 10 claims referred to as Golden Ridge Property located in Nevada, USA. Pursuant to a trust agreement entered into between the Company and the CEO of the Company on September 20, 2018, the CEO is holding the Golden Ridge Property claims and Silver Bow claims in trust for the Company until such time as the Company wishes to have them transferred to a subsidiary of the Company.

Payments totaling US \$1,500,000 over a seven year period are required to be made and exploration expenditures are required to be incurred as follows (all amounts are in US dollars):

#### Payments

- \$2,300 for claim and re-staking fees within 60 days of the signing of the agreement (paid);
- \$10,000 by July 18, 2019 (paid subsequent to June 30, 2019);
- \$20,000 by July 18, 2020;
- \$40,000 by July 18, 2021;
- \$50,000 by July 18, 2022;
- \$50,000 by July 18, 2023;
- \$100,000 by July 18, 2024;
- Balance of \$1,500,000 less all option payments received prior to July 18, 2025.

These payments will be credited towards the exploration expenditure requirements.

#### Exploration Expenditures

- \$50,000 by July 18, 2020;
- \$75,000 between July 18, 2020 and July 18, 2021;
- \$100,000 between July 18, 2021 and July 18, 2022;
- \$100,000 between July 18, 2022 and July 18, 2023;
- \$150,000 between July 18, 2023 and July 18, 2024.

Year 7 and beyond - \$250,000 minimum holding cost to be paid by the seventh anniversary of signing (June 18, 2025) and each subsequent anniversary thereafter until the cumulative \$1,500,000.00 is complete to purchase the option outright.

Pursuant to the SB Agreement, the Company will also pay a 2% net smelter royalty (“NSR”) in every year that lode gold or silver is recovered from the property. This NSR can be bought out at any time by paying \$1,000,000.

**PROVENANCE GOLD CORP.**

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the six months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

**3. EXPLORATION AND EVALUATION ASSETS, (continued)**

	Canada	USA	
<b>June 30, 2019</b>	<b>2K Gold</b>	<b>Silver Bow</b>	<b>Total</b>
<b>Acquisition Costs</b>			
<i>Balance, December 31, 2018</i>	\$ 230,000	\$ 3,070	\$ 233,070
Additions	-	-	-
Impairment	-	-	-
<b><i>Acquisition costs, June 30, 2019</i></b>	<b>230,000</b>	<b>3,070</b>	<b>233,070</b>
<b>Exploration Costs</b>			
<i>Balance, December 31, 2018</i>	1,025,231	43,891	1,069,122
Additions	610	9,551	10,161
Impairment	-	-	-
<b><i>Exploration costs, June 30, 2019</i></b>	<b>1,025,841</b>	<b>53,442</b>	<b>1,079,283</b>
<b>Balance, June 30, 2019</b>	<b>\$ 1,255,841</b>	<b>\$ 56,512</b>	<b>\$ 1,312,353</b>
<b>December 31, 2018</b>			
<b>Acquisition Costs</b>			
<i>Balance, December 31, 2017</i>	100,000	-	100,000
Additions	130,000	3,070	133,070
Impairment	-	-	-
<b><i>Acquisition costs, December 31, 2018</i></b>	<b>230,000</b>	<b>3,070</b>	<b>233,070</b>
<b>Exploration Costs</b>			
<i>Balance, December 31, 2017</i>	613,513	-	613,513
Additions	411,718	43,891	455,609
Impairment	-	-	-
<b><i>Exploration costs, December 31, 2018</i></b>	<b>1,025,231</b>	<b>43,891</b>	<b>1,069,122</b>
<b>Balance, December 31, 2018</b>	<b>\$ 1,255,231</b>	<b>\$ 46,961</b>	<b>\$ 1,302,192</b>

**4. 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 (note 5) executed on January 16, 2017. Subsequent to March 1, 2016, the private company advanced \$11,606 to 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 non-interest bearing promissory note in the amount of \$209,467.

On June 13, 2018, the promissory note was assigned and on the same date the balance payable to the assignee was applied against the exercise price for 2,094,670 warrants at \$0.10 per share resulting in 2,094,670 common shares being issued to the assignee (see note 5).

## **PROVENANCE GOLD CORP.**

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

As at and for the six months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

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#### **5. SHARE CAPITAL AND RESERVES**

##### **Authorized**

Unlimited number of common shares, without par value.

Unlimited number of preferred shares, without par value.

##### **Issued**

At June 30, 2019, there were 35,929,134 issued and fully paid common shares outstanding.

Pursuant to an agreement entered into on October 3, 2017 under National Policy 46-201 Escrow for Initial Public Offering as an emerging issuer 6,500,000 of these common shares were deposited into escrow. As at June 30, 2019, 2,925,000 common shares are being held in escrow and will be released in instalments of 975,000 18, 24, 30 and 36 months after the listing date.

##### **2018**

On May 8, 2018, the Company completed a private placement of 2,066,000 units at a price of \$0.25 per unit for gross proceeds of \$516,500. As of December 31, 2017, \$406,398 in advances had been received from subscribers in respect of this private placement. Each unit consists of one common share of the Company and one half of one common share purchase warrant. Each full warrant entitles the holder to purchase an additional common share at a price of \$0.40 per share until May 8, 2020. The Company issued 59,300 common shares valued at \$5,396 as finders' fees and incurred additional share issue costs of \$14,968.

During the year ended December 31, 2018, the Company issued 5,114,670 common shares for the exercise of warrants. Of this amount, 3,020,000 common shares were issued for \$347,000 in cash and 2,094,670 common shares were issued to settle the loan payable (see note 3).

##### **2019**

On February 6, 2019, the 1,600,000 settlement receipts issued in a debt settlement agreement with a creditor (see note 8) were converted into common shares of the Company on a one-for-one basis.

**PROVENANCE GOLD CORP.****NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

**5. SHARE CAPITAL AND RESERVES, (continued)****Warrants**

Details of common share purchase warrants outstanding at June 30, 2019 are as follows:

	<b>Outstanding Warrants</b>	<b>Exercise price</b>	<b>Expiry date</b>	<b>Remaining Life (years)</b>
Share purchase warrants				
Issued in private placement	1,093,867	\$ 0.30	September 7, 2019	0.19
Issued in private placement	750,000	\$ 0.15	January 31, 2020	0.59
Issued in private placement	1,033,000	\$ 0.40	May 8, 2020	0.86
	<b>2,876,867</b>	<b>\$ 0.30</b>		

Common share purchase warrant transactions during the periods ended June 30, 2019 and December 31, 2018 are as follows:

	<b>June 30 2019</b>			<b>December 31 2018</b>		
	<b>Number of Warrants</b>	<b>Weighted average exercise price</b>	<b>Fair Value</b>	<b>Number of Warrants</b>	<b>Weighted average exercise price</b>	<b>Fair Value</b>
Outstanding - beginning of period	2,876,867	\$ 0.30	\$ -	17,343,867	\$ 0.13	\$ -
Expired	-	\$ -	-	(10,385,330)	\$ 0.10	-
Exercised	-	\$ -	-	(4,214,670)	\$ 0.10	-
Exercised	-	\$ -	-	(900,000)	\$ 0.15	-
Issued in private placement	-	\$ -	-	1,033,000	\$ 0.40	-
Outstanding - end of period	<b>2,876,867</b>	<b>\$ 0.30</b>	<b>\$ -</b>	<b>2,876,867</b>	<b>\$ 0.30</b>	<b>\$ -</b>

The weighted average remaining contractual life of the issued and outstanding warrants as at June 30, 2019 was 0.53 years.

**PROVENANCE GOLD CORP.****NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

As at and for the six months ended June 30, 2019 and 2018

(Unaudited - Expressed in Canadian Dollars)

**5. SHARE CAPITAL AND RESERVES, (continued)****Stock Options**

The Company has adopted an incentive stock option plan which provides that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable up to five years from the date of grant, unless the Board establishes more restrictive terms. The fair value of each option grant will be estimated on the date of grant using the Black-Scholes option pricing model.

On September 17, 2018, the Company granted 200,000 share purchase options to a consultant of the Company. The share purchase options are exercisable at \$0.25 per share for a period of one year, expiring September 17, 2019. The estimated fair value was calculated for the options using the Black-Scholes pricing model based on the following assumptions: risk-free interest rate of 2.12%, expected life of 1 year, no annual dividends and expected volatility of 220%. Total compensation relating to this grant is \$24,640. Of this amount, the Company recognized \$13,875 in share-based payments during the year ended December 31, 2018 and \$2,587 during the six months ended June 30, 2019.

Details of stock options outstanding at June 30, 2019 are as follows:

<b>Expiry Date</b>	<b>Number of Options Outstanding</b>	<b>Number of Options Vested</b>	<b>Number of Options Unvested</b>	<b>Exercise Price</b>	<b>Weighted Average Remaining Life</b>
September 17, 2019	200,000	150,000	50,000	\$ 0.25	0.22 year

Because these options were granted to a consultant performing investor relations activities, they vest in stages over a period of 12 months with no more than 25% of the options vesting in any three month period.

**Share-based Payments Reserve**

Share-based payment reserve records items recognized as share-based compensation expense and other share-based payments until such time as the stock options or warrants are exercised, at which time the corresponding amount will be transferred to share capital.

**6. FINANCIAL INSTRUMENTS****Fair Values**

As at June 30, 2019, the Company's financial instruments consist of cash and accounts payable.

In management's opinion, the Company's carrying values of cash and accounts payable approximate their fair values due to the immediate or short term maturity of these instruments.

The Company classifies the fair value of these financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument:

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#### **6. FINANCIAL INSTRUMENTS *(continued)***

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Cash is classified under Level 1.

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). The Company does not have any financial instruments classified under Level 2.

Level 3 – Valuations in the level are those with inputs for the asset or liability that are not based on observable market data. Accounts payable and accrued liabilities are classified under Level 3.

The Company's financial instruments are exposed to the following market risks:

##### **Credit Risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held at a large Canadian financial institution and in lawyers' trust accounts and therefore is not subject to credit risk.

##### **Interest Rate Risk**

Interest rate risk is the risk arising from the effect of changes in prevailing interest rates on the Company's financial instruments. The Company had \$4,514 in cash as at June 30, 2019, on which it earns no interest, and therefore is not subject to interest rate risk.

##### **Liquidity Risk**

Liquidity risk is the risk that the Company will not meet its financial obligations as they fall due. As at June 30, 2019, the Company had a working capital deficit of \$194,929. This included a cash balance of \$4,514 and a GST receivable balance of \$540 which are not sufficient to pay its current liabilities of \$199,983. In order for the Company to perform an exploration program on its properties, and to continue operations, it will need to renegotiate its debt or obtain additional financing.

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#### **7. 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. 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.

#### **8. SETTLEMENT RECEIPTS**

On September 26, 2018, the company entered into a debt settlement agreement (“the “Agreement”) with an unrelated third party creditor to settle \$400,000 in outstanding indebtedness in respect of exploration and evaluation expenditures incurred on the 2K Gold Property. Pursuant to the Agreement, the company issued 1,600,000 settlement receipts (the “receipts”) at a deemed price of \$0.25 (being the Company’s share price on September 24, 2018) per receipt with each receipt automatically converting into one common share of the company on February 26, 2019 and the Company having the option to redeem all or any portion of the receipts by making a cash payment of \$0.25 per receipt to the creditor.

Pursuant to IAS 32, *Financial Instruments: Presentation*, these receipts are required to be presented as equity on the statement of financial position because they do not meet the definition of a liability.

On February 26, 2019, the 1,600,000 settlement receipts were converted to 1,600,000 common shares which were issued to the creditor (see note 5).

#### **9. RELATED PARTY TRANSACTIONS**

Key management personnel comprise the Company’s Board of Directors and executive officers. 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 six months ended June 30, 2019, the Company incurred \$85,781 (2018 - \$98,818) in consulting fees paid as follows: to the Chief Executive Officer (the “CEO”) of the Company \$24,338 (2018 - \$43,500; a company controlled by the Chief Financial Officer (the “CFO”) of the Company \$22,500 (2018 - \$54,000); and a director \$38,943 (2018 - \$1,318).

At June 30, 2019, the Company owed the CEO of the Company \$42,000 (December 31, 2018 - \$27,000) in respect of fees.

In addition to the above, expenses totaling \$29,330 were paid for by a company controlled by the CFO during the six months ended June 30, 2019. As of June 30, 2019, the company controlled by the CFO is owed \$51,830 (December 31, 2018 - \$Nil) in respect of fees and expenses. This amount is unsecured, non-interest bearing and included in current liabilities.

#### **10. LOSS PER SHARE**



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Basic loss per share is calculated using the weighted average number of shares outstanding during the year. The warrants outstanding as at June 30, 2019 have not been included in the calculation of diluted earnings per share as the effect of their inclusion would be anti-dilutive. Loss per share is calculated as follows:

	<b>Six months ended</b>	
	<b>June 30</b>	
	<b>2019</b>	<b>2018</b>
Loss for the period	\$ (163,086)	\$ (142,030)
Weighted average number of shares outstanding	35,602,062	29,679,012
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)

**11. SUPPLEMENTARY DISCLOSURES WITH RESPECT TO CASH FLOWS**

On February 6, 2019, the 1,600,000 settlement receipts issued in a debt settlement agreement with a creditor (see note 8) were converted into common shares of the Company on a one-for-one basis.