PROVENANCE GOLD CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

DeVISSER GRAY LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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Independent Auditor's Report

To the Shareholders Provenance Gold Corp.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Provenance Gold Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has no source of revenue, has incurred operating losses, has a deficit of $2,551,732 as at December 31, 2019 and is dependent upon the future receipt of equity financing to maintain its operations. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in "Management's Discussion and Analysis", but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor’s report is Keith Macdonald.

De Visser Gray LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC, Canada
June 17, 2020

PROVENANCE GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019 and 2018

		2019		2018
ASSETS				
Current assets				
Cash	$	22,715	$	42,963
GST receivable		1,206		2,567
Prepaid expenses (note 3)		90,000		-
		113,921		45,530
Exploration and evaluation assets (note 4)		165,683		1,302,192
	$	279,604	$	1,347,722
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (note 9)	$	221,467	$	73,590
Due to related party (note 9)		34,193		-
Loan payable (note 5)		47,500		-
		303,160		73,590
SHAREHOLDERS' EQUITY				
Share capital (note 6)		2,324,286		1,780,136
Share subscriptions		150,000		-
Settlement receipts (note 6)		-		400,000
Reserves (note 6)		53,890		13,875
Deficit		(2,551,732)		(919,879)
		(23,556)		1,274,132
	$	279,604	$	1,347,722

Nature and continuance of operations (note 1)
Subsequent events (note 14)

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 financial statements

PROVENANCE GOLD CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
YEARS ENDED DECEMBER 31, 2019 and 2018

	2019	2018
EXPENSES		
Consulting and management fees (note 9)	$ 143,943	$ 184,819
General and administrative	7,584	16,094
General exploration	69,353	-
Investor relations	55,985	10,800
Professional fees	43,909	36,097
Regulatory and transfer agent fees	23,482	20,032
Share-based payments (note 6)	10,765	13,875
Travel	20,463	19,460
	(375,484)	(301,177)
OTHER ITEMS		
Write-off exploration and evaluation assets (note 4)	(1,256,369)	-
Net and comprehensive loss	(1,631,853)	(301,177)
Basic and diluted loss per share (note 10)	$ (0.05)	$ (0.01)
Weighted average number of common shares outstanding	36,178,421	30,900,987

PROVENANCE GOLD CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2019 and 2018

	Number of Shares	Share Capital	Share Subscriptions Advanced	Settlement Receipts	Reserves	Deficit	Total Shareholders' Equity
Balance at January 1, 2018	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)	5,114,670	556,468	-	-	-	-	556,468
Share issuance costs	59,300	(14,968)	-	-	-	-	(14,968)
Debt settled pursuant to a settlement agreement (note 6)	-	-	-	400,000	-	-	400,000
Share-based payments	-	-	-	-	13,875	-	13,875
Net and comprehensive loss	-	-	-	-	-	(301,177)	(301,177)
Balance at December 31, 2018	34,329,134	1,780,136	-	400,000	13,875	(919,879)	1,274,132
Settlement receipts exchanged for common shares (note 6)	1,600,000	400,000	-	(400,000)	-	-	-
Shares issued in private placement (note 6)	1,169,997	175,500	-	-	-	-	175,500
Share subscriptions advanced (note 6)	-	-	150,000	-	-	-	150,000
Unit warrants	-	(29,250)	-	-	29,250	-	-
Share issuance costs	-	(2,100)	-	-	-	-	(2,100)
Share-based payments	-	-	-	-	10,765	-	10,765
Net and comprehensive loss	-	-	-	-	-	(1,631,853)	(1,631,853)
Balance at December 31, 2019	37,099,131	$ 2,324,286	$ 150,000	$ -	$ 53,890	$ (2,551,732)	$ (23,556)

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

PROVENANCE GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 and 2018

	2019	2018
Cash provided by (used for):		
Operating activities		
Net loss	$ (1,631,853)	$ (301,177)
Add items not involving cash:		
Share-based payments	10,765	13,875
Write-off of exploration and evaluation assets	1,256,369	-
Change in non-cash working capital:		
GST receivable	1,361	29,440
Prepaid expenses	(90,000)	-
Accounts payable and accrued liabilities	107,512	(19,259)
Due to related party	34,193	-
Cash provided by (used in) operating activities	(311,653)	(277,121)
Investing activities		
Exploration and evaluation assets acquired	(79,495)	(188,678)
Cash (used in) investing activities	(79,495)	(188,678)
Financing activities		
Proceeds from issuance of shares	175,500	110,102
Proceeds from share purchase warrants exercised	-	347,000
Share issuance costs	(2,100)	(14,968)
Share subscriptions advanced	150,000	-
Proceeds from loan payable	47,500	-
Cash provided by financing activities	370,900	442,134
Change in cash during the year	(20,248)	(23,665)
Cash, beginning of the year	42,963	66,628
Cash, end of the year	$ 22,715	$ 42,963

Supplementary cash flow information (note 12)

The accompanying notes are an integral part of these consolidated 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. (now Kiplin Metals Inc. and 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 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, 2019 had a deficit of $2,551,732 (2018 - $919,879). 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 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 7 and 8.

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

These financial statements were authorized for issue on June 15, 2020 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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 applied in preparing 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; and
- the assessment of indications of impairment of each mineral property and related determinations of the net realizable value and write-down of those properties where applicable.

Basis of consolidation

These consolidated 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.

Details of the Company's subsidiary are as follows:

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

Foreign currency transactions

The functional currency is the currency of the primary economic environment in which the entity operates. The functional currency for the Company is the Canadian dollar.

Transactions in currencies other than the Canadian dollar are recorded at exchange rates prevailing on the dates of the transactions. At the end of each reporting period, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date while non-monetary assets and liabilities that are measured at historical costs are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statements of comprehensive loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Recognition, classification and measurement

Financial assets are classified and measured based on the business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. IFRS 9 contains three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit and loss. Financial assets are recognized in the statements of financial position if the Company has a contractual right to receive cash or other financial assets from another entity. Financial assets are derecognized when the rights to receive cash flows from the asset have expired or were transferred and the Company has transferred substantially all risks and rewards of ownership. The Company has classified its cash as a financial asset subsequently measured at amortized cost.

Financial liabilities are initially recognized at fair value, inclusive of any directly attributable transaction costs, on the date at which the Company becomes a party to the contractual provisions of the instruments. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expired. The Company has classified its accounts payable and accrued liabilities, due to related party and loan payable as financial liabilities subsequently measured at amortized cost.

Financial instruments are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Derivatives are carried at fair value and are reported as assets when they have a positive fair value and as liabilities when they have a negative fair value. Changes in the fair values of derivative financial instruments are reported in the consolidated statements of comprehensive loss. As at December 31, 2019 and 2018, the Company had no derivative financial instruments.

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. Loss allowances for accounts receivables are always measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit-impairment on an individual basis. The remaining financial assets are assessed collectively.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets

Losses are recognized in the consolidated statements of comprehensive loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statements of comprehensive loss.

Exploration and evaluation expenditures

Exploration and evaluation assets include the costs of acquiring licenses, costs associated with exploration and evaluation activity, and the fair value (at acquisition date) of exploration and evaluation assets acquired in a business combination. Exploration and evaluation expenditures are capitalized. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation or, alternatively, sale of the respective areas of interest.

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, 2019, 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 the 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.

Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the common shares are issued.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

New accounting standards adopted effective January 1, 2019

On January 1, 2019, the Company adopted *IFRS 16 - Leases*, where virtually all leases are required to be accounted for as finance leases rather than operating leases, where the required lease payments are disclosed as a commitment in the notes to the financial statements. As a result, the Company is required to recognize leased assets (“right-of-use” assets) and the related lease liability on the statement of financial position. The application of IFRS 16 had no impact on the Company’s financial position and results of operations.

New accounting standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2019 reporting period. The Company has not early adopted the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

- Amendment to IFRS 3 (effective January 1, 2020)

Amendment to *IFRS 3 – Business Combinations*: Narrow-scope amendments to IFRS 3 were issued by the IASB in October 2018 to clarify the definition of a business and provide guidance in determining whether an acquisition is a business combination or a combination of a group of assets. The amendments, which are effective for annual periods on or after January 1, 2020, emphasize that the output of a business is to provide goods and services to customers and provides supplementary guidance.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

New accounting standards issued but not yet effective *(continued)*

- Amendment to IAS 1 (effective January 1, 2022)

Amendment to *IAS 1 – Presentation of Financial Statements*: Amendments to IAS 1 were issued by the IASB in January 2020 to clarify the criterion for classifying a liability as non-current relating to the right to defer settlement of a liability for at least 12 months after the reporting period.

3. PREPAID EXPENSES

On December 27, 2019, the Company entered into a 12-month media services agreement (the "Agreement") with a private company located in the British Virgin Islands. The consultant is subject, generally, to the direction of the Company's president and chief executive officer and will perform the services in consultation with them. Pursuant to the Agreement, the consultant was engaged to:

- target the Company's most likely investors;
- develop an advertising campaign;
- track, evaluate and manage the advertising campaign; and
- provide monthly campaign metrics on overall performance and results.

A non-refundable, under any circumstances, consulting fee of $90,000 was paid to the consultant on December 30, 2019 as compensation for these services.

See note 6.

4. 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. On January 31, 2017, the optionor, the Company and the Company's CEO replaced MRPOA in its entirety with MRPOA 2. On September 20, 2019, MRPOA 2 was amended to include an additional 47 quartz claims and, among other items, to defer the scheduled payment of $130,000 due on June 10, 2019 to March 31, 2020. Based on the remaining cash payments to be made and exploration expenditures to be incurred in order to exercise the option, in combination with a corresponding lack of investor interest in the Property, the Company wrote off exploration and evaluation assets of $1,256,369 ($230,000 in cash paid and $1,026,369 in exploration expenditures incurred) as at December 31, 2019.

On May 8, 2020, the Company received written notice of termination from the optionor because the March 31, 2020 payment was not made. Pursuant to MRPOA 2, the Company is required to ensure that the property is in good standing in respect of assessment work for a period of at least two years from the date of termination.

4. EXPLORATION AND EVALUATION ASSETS *(continued)*

Silverbow Property, Nevada, USA

On August 29, 2018, the Company entered into the Silver Bow Nevada Property Option Agreement (the "SB Agreement") to acquire a 100% interest in 73 mineral claims referred to as the Silverbow property and 10 claims referred to as the 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 10 Golden Ridge Property claims in trust for the Company until such time as the Company wishes to have them transferred to its name. The 10 claims were allowed to lapse during the current year.

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):

<u>Payments</u>

- $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)*;
- $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.

<u>Exploration Expenditures</u>

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

The SB Agreement will terminate if either party is in default and within 45 days of receiving written notice of the default, it is not remedied. After termination of the SB Agreement, the Company is required to ensure that the Property is in good standing for a period of at least one year from the date of termination.

On April 24, 2019, the Company entered into a trust agreement (the "Trust Agreement") with the CEO of the Company in respect of an additional 29 lode mining claims on the Silverbow property adjoining the above-noted mineral claims. The CEO is the beneficial owner of an interest in these claims, which are registered in his name. Pursuant to the Trust Agreement, the CEO will (a) hold the claims in trust for and on behalf of the Company; (b) the claims will be held on behalf of the Company until such time as the Company wishes to have the titles transferred to its name, a subsidiary's name or to any other person or corporation as directed by the Company; and (c) the Trust Agreement terminates upon the expiration, surrender or termination of the claims for any reason.

4. EXPLORATION AND EVALUATION ASSETS *(continued)*

	Canada	USA	
December 31, 2019	**2K Gold**	**Silverbow**	**Total**
Acquisition Costs			
Balance,December 31, 2018	$ 230,000	$ 3,070	$ 233,070
Additions	-	13,252	13,252
Impairment	(230,000)	-	(230,000)
Acquisition costs, December 31, 2019	-	16,322	16,322
Exploration Costs			
Balance,December 31, 2018	1,025,231	43,891	1,069,122
Additions	1,138	105,470	106,608
Impairment	(1,026,369)	-	(1,026,369)
Exploration costs, December 31, 2019	-	149,361	149,361
Balance, December 31, 2019	**$ -**	**$ 165,683**	**$ 165,683**

December 31, 2018	**2K Gold**	**Silverbow**	**Total**
Acquisition Costs			
Balance,December 31, 2017	100,000	-	100,000
Additions	130,000	3,070	133,070
Impairment	-	-	-
Acquisition costs, December 31, 2018	230,000	3,070	233,070
Exploration Costs			
Balance,December 31, 2017	613,513	-	613,513
Additions	411,718	43,891	455,609
Impairment	-	-	-
Exploration costs, December 31, 2018	1,025,231	43,891	1,069,122
Balance, December 31, 2018	**$ 1,255,231**	**$ 46,961**	**$ 1,302,192**

5. LOAN PAYABLE

On January 29, 2019, the Company received $47,500 from an individual in respect of a non-brokered private placement. As at December 31, 2019, units had not been issued and, for health reasons, the Company is not able to confirm the purpose of the receipt of funds. Accordingly, this amount has been reclassified as a non-interest bearing loan without specific terms of repayment.

6. SHARE CAPITAL AND RESERVES

Authorized

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

Issued

At December 31, 2019, there were 37,099,131 (2018 - 34,329,134) 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 December 31, 2019, 1,950,000 common shares are being held in escrow and will be released in instalments of $975,000 30 and 36 months after the listing date.

2019

On February 6, 2019, 1,600,000 settlement receipts were converted into common shares of the Company on a one-for-one basis pursuant to a debt settlement agreement (the "Agreement") entered into on September 26, 2018 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 August 27, 2019, the Company completed the first tranche of a non-brokered private placement of 1,169,997 units at a price of $0.15 per unit for gross proceeds of $175,500. 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 of the Company at a price of $0.30 per share until August 27, 2021. The Company paid finders fees of $2,100. The unit warrants were valued at $29,250 using the residual value method.

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

6. SHARE CAPITAL AND RESERVES *(continued)*

2018 *(continued)*

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 a loan payable. 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.

Subscriptions Advanced

On December 30, 2019, pursuant to a subscription agreement for a non-brokered private placement entered into on December 27, 2019 for 1,000,000 units at a price of $0.15 per unit, the Company received gross proceeds of $150,000 from the private company providing media services to the Company. 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 of the Company at a price of $0.30 per share for a period of 24 months from the date of issue. The units were issued on February 10, 2020.

See note 3.

6. SHARE CAPITAL AND RESERVES *(continued)*

Warrants

Details of common share purchase warrants outstanding at December 31, 2019 are as follows:

	Outstanding Warrants	Exercise price		Expiry date	Remaining Life (years)
Share purchase warrants					
Issued in private placement (1)	750,000	$	0.15	January 31, 2020	0.08
Issued in private placement (2)	1,093,867	$	0.30	March 7, 2020	0.18
Issued in private placement (3)	1,033,000	$	0.40	May 8, 2021	1.35
Issued in private placement	584,999	$	0.30	August 27, 2021	1.66
	3,461,866	$	0.30		0.76

(1) On January 18, 2019, the expiry date of these warrants was extended from January 31, 2019 to January 31, 2020. These warrants expired unexercised subsequent to year end.
(2) On September 6, 2019, the expiry date of these warrants was extended from September 7, 2019 to March 7, 2020. These warrants expired unexercised subsequent to year end.
(3) On April 27, 2020, the expiry date of these warrants was extended to May 8, 2021.

The weighted average remaining contractual life of the issued and outstanding warrants as at December 31, 2019 was 0.76 years.

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

	2019				2018			
	Number of Warrants	Weighted average exercise price		Fair Value	Number of Warrants	Weighted average exercise price		Fair Value
Outstanding - beginning of year	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	584,999	$	0.30	-	1,033,000	$	0.40	-
Outstanding - end of year	3,461,866	$	0.30	$ -	2,876,867	$	0.30	$ -

6. 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 of Directors 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 option 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 $10,765 in share-based payments during the current year (2018 - $13,875). These share purchase options expired unexercised on September 17, 2019.

Reserves

Reserves records items recognized as share-based payments expense, other share-based payments and the value attributed to unit warrants until such time as the stock options are exercised, at which time the corresponding amount will be transferred to share capital. Amounts recorded for forfeited or expired unexercised options remain in the reserves account. Amounts recorded for exercised, cancelled or expired warrants remain in the reserves account

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

As at December 31, 2019, the Company's financial instruments consist of cash, accounts payable and accrued liabilities, due to related party and loan payable.

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:

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. The Company does not have any financial instruments 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. The Company does not have any financial instruments classified under Level 3.

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

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

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

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to fulfil an obligation causing the other party to incur a financial loss. The Company is exposed to credit risk arising from its cash holdings. The Company manages credit risk by placing cash with major Canadian financial institutions. Credit risk is assessed as low.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its financial obligations when they are due. To manage liquidity risk, the Company reviews additional sources of capital to continue its operations and discharge its commitments as they become due. Historically, the Company's sole source of funding has been the issuance of equity securities for cash primarily through private placements and loans and advances from lenders and related parties. The Company's access to financing is always uncertain and there can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is not affected by price risk.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in exchanges rates. The Company's property interests in the USA make it subject to foreign currency fluctuations. As at December 31, 2019, the Company's had liabilities of $39,550 denominated in US dollars. The Company does not use any form of derivative or hedging instruments to reduce its foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that a financial instrument's value will change due to a change in the level of interest rates. The Company's exposure to interest rate risk is minimal.

8. 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. There have been no changes in the Company's approach to capital management during the year.

9. RELATED PARTY TRANSACTIONS

Related Party Transactions

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount agreed to by the related parties. 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, 2019, the Company incurred $52,500 (2018 - $84,500) in consulting fees paid or payable to the Chief Executive Officer (the "CEO") of the Company, $52,500 (2018 - $99,000) in consulting fees paid or payable to a company controlled by the Chief Financial Officer (the "CFO") of the Company and $38,943 (2018 - $1,319) in consulting fees paid to a director of the Company.

On April 24, 2019, the Company entered into a Trust Agreement with the CEO of the Company. See note 4.

Related Party Balances

At December 31, 2019, accounts payable and accrued liabilities included $72,000 (2018 – $27,000) payable to the CEO of the Company and $52,500 (2018 - $nil) payable to a company controlled by the CFO of the Company for consulting fees incurred during the current ad prior year.

Amounts advanced by a company controlled by the CFO of the Company include a $26,500 promissory note (the "Note") entered into on September 25, 2019. The Note is non-interest bearing, due within five days of demand by the creditor and may be assigned, transferred, pledged or otherwise disposed of by the creditor without the Company's consent.

10. 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, 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:

	2019	2018
Net loss	$ (1,631,853)	$ (301,177)
Weighted average number of shares outstanding	36,178,421	30,900,987
Basic and diluted loss per share	$ (0.05)	$ (0.01)

11. INCOME TAX

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

	2019	2018
Net loss for the year	$ (1,631,853)	$ (301,177)
Combined federal and provincial income tax rate	27.00%	27.00%
Expected tax recovery	$ 440,600	$ 81,318
Net effect of deductible and non-deductible amounts	(360,684)	1,421
Unrecognized benefit of current non-capital loss	(79,916)	(82,739)
Total income tax recovery	-	$ -

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

	2019	2018
Exploration and evaluation assets	$ 1,173,000	$ 35,000
Non-capital losses carried forward (1)	1,140,000	839,000
Share issue costs	18,000	22,000
	$ 2,331,000	$ 896,000

(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 2039.

12. SUPPLEMENTARY DISCLOSURES WITH RESPECT TO CASH FLOWS

As at December 31, 2019, $40,365 (2018 - $nil) in exploration and evaluation expenditures were included in accounts payable and accrued liabilities.

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

On August 27, 2019, 584,999 unit warrants were valued at $29,250, with a credit to reserves and a corresponding debit to share capital (see note 6).

During the year ended December 31, 2018, $406,398 in share subscriptions advanced was transferred to share capital (see note 6).

On June 13, 2018, the loan payable of $209,467 was settled by issuing 2,094,670 common shares of the company (see note 6).

On September 26, 2018, accounts payable of $400,000 was settled by issuing 1,600,000 settlement receipts (see note 6).

13. SEGMENTED FINANCIAL INFORMATION

The Company's operations are limited to a single industry segment being the acquisition, exploration and development of mineral properties. The Company has mineral properties located in North America (Nevada, USA). Geographic information is as follows:

	December 31, 2019	December 31, 2018
Non-current assets		
Canada	$ -	$ 1,255,231
USA	165,683	46,961
	$ 165,683	$ 1,302,192

14. SUBSEQUENT EVENTS

On January 7, 2020, the Company paid US$10,000 ($13,107) in respect of a lease payment pursuant to the Lease (see below).

On January 31, 2020, 750,000 share purchase warrants expired unexercised.

On February 10, 2020, 1,000,000 units were issued pursuant to share subscriptions advanced on December 30, 2019 (see notes 3 and 6).

On March 7, 2020, 1,093,867 share purchase warrants expired unexercised.

On April 27, 2020, the expiry date of 1,033,000 share purchase warrants was extended from May 8, 2020 to May 8, 2021.

On May 22, 2020, Provenance Gold USA ("PG USA"), a wholly-owned subsidiary of the Company, was incorporated in Reno, Nevada.

On June 11, 2020, the Company, through its subsidiary PG USA, entered into a Mining Lease and Assignment (the "Lease") with a trust (the "Lessor") and two estates in Nevada, USA. The effective date of the Lease is August 20, 2019. Pursuant to the Lease, the Lessor grants, lets and leases to PG USA all of its rights, title and interests in and to the Blue Horse patented mining claim, including the Lessor's interest in all minerals, situated in Nye County, Nevada (the "Property"). The Property is located in the Silverbow mining district.

The Lease is for an initial term of three years and shall continue for so long thereafter as mineral exploration, mine development, mining or mineral processing operations are conducted by PG USA or its successor on any portion of the Property or its overall Silverbow property position. At any time after the third anniversary PG USA may, by providing written notice to the Lessor, extend the primary term for an additional five years, for a total of eight years and so long thereafter as mineral exploration, mine development, mining or mineral processing operations are conducted on any portion of the Property.

Lease payments totaling US$50,000 over a three-year period are required to be made as follows (all amounts are in US dollars):

- $10,000 on signing (paid January 7, 2020);
- $10,000 by August 20, 2020;
- $15,000 by August 20, 2021; and
- $15,000 by August 20, 2022.

14. SUBSEQUENT EVENTS *(continued)*

No other lease payments are required thereafter until royalty or royalty purchase is made.

The Lessor will pay all property taxes annually. PG USA is responsible for making all payments and filings required to maintain the property in good standing before July 1st of each year, including but not limited to, property taxes, federal maintenance fees and any federal or state filings.

PG USA will pay the Lessor a production royalty of 1% of net smelter returns ("NSR") on all minerals produced and sold by PG USA from within the vertical boundaries of the Property. The NSR payments are capped at $250,000 and no other payments are due once this requirement is met.

PG USA may terminate the Lease at any time with respect to all or any part of the Property by giving 60 days written notice to the Lessor. In the event of a material default by PG USA, PG USA will have at least 60 days to cure the default and, if not cured, the Lessor may terminate the Lease by giving written notice to PG USA. Upon termination of the Lease by PG USA, all payments made to the Lessor are retained by the Lessor and all liabilities and obligations of PG USA not due or accrued prior to termination will cease and terminate. Upon expiration or termination of the Lease, PG USA will have no further liability or obligation as to the portion of the Property that is no longer subject to the Lease.

After expiration or termination of the Lease, PG USA is required to promptly reclaim all surface disturbance on the terminated portion of the Property caused by, or on behalf of, PG USA in accordance with applicable legal requirements.

On June 12, 2020, the Company, through its subsidiary PG USA, entered into the Provenance Gold USA Option Agreement (the "Option Agreement") with a wholly-owned Nevada subsidiary ("NSRI") of Ely Gold Royalties Inc. Pursuant to the Option Agreement, NSRI gives and grants to PG USA the sole and exclusive right and option to purchase 100% of NSRI's right, title and interest in and to 30 unpatented mining claims and certain existing data (as defined) (collectively, the "White Rock Property") and any related, additional data, information and records acquired by NSRI during the option period.

The Option will remain in force during the term of the Option Agreement from the effective date to and including the first to occur of (a) the option closing; (b) the termination of the Option Agreement; or (c) four years from the initial closing date.

The total purchase price for the White Rock Property is US$250,000 to be paid as option payments as follows (all amounts are in US dollars):

- $10,000 on signing (paid June 12, 2020);
- $25,000 by June 12, 2021;
- $40,000 by June 12, 2022;
- $50,000 by June 12, 2023; and
- $125,000 by June 12, 2024.

PG USA has the right to exercise the option prior to the termination of Option Agreement by giving NSRI written notice of such exercise or by payment of all payments not yet paid as of the exercise date.

Subject to the termination of the Option Agreement, until all option payments are made and the option is exercised and closed, PG USA is responsible for paying all mining claim maintenance and rental fees required to be paid to keep the claims in good standing.

14. SUBSEQUENT EVENTS *(continued)*

PG USA will pay NSRI a production royalty of 2% of NSR on all mineral production from the unpatented mining claims.

During the option period and following the option exercise if the option closing occurs and unless otherwise agreed by the parties, if either party or its affiliates acquires, directly or indirectly, any additional mining claims located wholly or partly within a distance of two miles from the outermost perimeter of the White Rock Property, the additional claims will be included in and form part of the White Rock Property and be subject to the Option Agreement.

PG USA may terminate the Option Agreement without further liability at any time by giving written notice of termination to NSRI. In the event of a material default by PG USA, PG USA will have at least 30 days to cure the default and, if not cured, NSRI may terminate the Option Agreement by giving written notice to PG USA.

After termination of the Option Agreement, PG USA is required to:

- pay to NSRI any governmental fees due with respect to the property within 60 days or less from the date of termination; and
- complete all required reclamation obligations directly arising as a result of its exploration activities.

15. COMPARATIVE AMOUNTS

Certain of the prior year’s amounts have been reclassified to conform with the current year’s presentation.