

**PROVENANCE GOLD CORP.**  
**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020**  
**(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)

	September 30 2020	December 31 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 76,434	\$ 22,715
Amounts receivable	810	1,206
Prepaid expenses (note 3)	22,500	90,000
	99,744	113,921
<b>Exploration and evaluation assets</b> (note 4)	358,924	165,683
	\$ 458,668	\$ 279,604
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 9)	\$ 229,540	\$ 221,467
Due to related parties (note 9)	25,500	34,193
Loan payable (note 5)	47,500	47,500
	302,540	303,160
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital (note 6)	2,964,196	2,324,286
Share subscriptions	-	150,000
Reserves (note 6)	53,890	53,890
Deficit	(2,861,958)	(2,551,732)
	156,128	(23,556)
	\$ 458,668	\$ 279,604

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 September 30</b>		<b>Nine months ended September 30</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>EXPENSES</b>				
Consulting and management fees (note 9)	\$ 130,500	\$ 30,000	\$ 160,500	\$ 115,781
Corporate communications	34,500	-	105,500	-
General and administrative	(15,493)	14,610	(9,941)	47,515
Interest	9,541	-	9,800	-
Professional fees	10,430	13,130	23,081	25,811
Regulatory and transfer agent fees	6,249	4,921	18,786	19,686
Share-based payments (note 6)	-	4,387	-	10,765
Travel	-	6,091	2,500	16,667
<b>Net and comprehensive loss</b>	<b>\$ (175,727)</b>	<b>\$ (73,139)</b>	<b>\$ (310,226)</b>	<b>\$ (236,225)</b>
<b>Basic and diluted loss per share</b> (note 10)	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	<b>41,353,364</b>	<b>36,351,524</b>	<b>39,042,158</b>	<b>35,857,998</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)

	Number of Shares	Share Capital	Share Subscriptions	Settlement Receipts	Reserves	Deficit	Total Shareholders' Equity
<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 6)	1,600,000	400,000	-	(400,000)	-	-	-
Shares issued in private placement (note 6)	1,169,997	175,500	-	-	-	-	175,500
Unit warrants	-	(29,250)	-	-	29,250	-	-
Share issue costs	-	(2,100)	-	-	-	-	(2,100)
Share-based compensation	-	-	-	-	10,765	-	10,765
Net and comprehensive loss	-	-	-	-	-	(236,225)	(236,225)
<b>Balance at September 30, 2019</b>	37,099,131	2,324,286	-	-	53,890	(1,156,104)	1,222,072
<b>Balance at January 1, 2020</b>	37,099,131	2,324,286	150,000	-	53,890	(2,551,732)	(23,556)
Shares issued in private placement (note 6)	1,000,000	150,000	(150,000)	-	-	-	-
Shares issued in private placement (note 6)	4,443,444	399,910	-	-	-	-	399,910
Shares issued in exchange for consulting services (note 6)	1,000,000	90,000	-	-	-	-	90,000
Net and comprehensive loss	-	-	-	-	-	(310,226)	(310,226)
<b>Balance at September 30, 2020</b>	43,542,575	\$ 2,964,196	\$ -	\$ -	\$ 53,890	\$ (2,861,958)	\$ 156,128

*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>Nine months ended</b>	
	<b>September 30</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash provided by (used for):</b>		
<b>Operating activities</b>		
Net loss	\$ (310,226)	\$ (236,225)
Add items not involving cash:		
Share-based payments	-	10,765
Change in non-cash working capital:		
Amounts receivable	396	1,707
Prepaid expenses	67,500	-
Accounts payable and accrued liabilities	8,073	91,417
<b>Cash used in operating activities</b>	<b>(234,257)</b>	<b>(132,336)</b>
<b>Investing activities</b>		
Deposits	-	(69,353)
Exploration and evaluation assets acquired	(193,241)	(61,273)
<b>Cash used in investing activities</b>	<b>(193,241)</b>	<b>(130,626)</b>
<b>Financing activities</b>		
Repayment of related party loan	(8,693)	-
Proceeds from issuance of shares	489,910	175,500
Share issue costs	-	(2,100)
Share subscriptions	-	47,500
<b>Cash provided by financing activities</b>	<b>481,217</b>	<b>220,900</b>
<b>Change in cash during the period</b>	<b>53,719</b>	<b>(42,062)</b>
<b>Cash, beginning of the period</b>	<b>22,715</b>	<b>42,963</b>
<b>Cash, end of the period</b>	<b>\$ 76,434</b>	<b>\$ 901</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 nine months ended September 30, 2020 and 2019

(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. (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 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 September 30, 2020 had a cumulative deficit of \$2,861,958 and a working capital deficiency of \$202,796. 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 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 consolidated interim financial statements were authorized for issue on November 27, 2020 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, 2019, which have been prepared in accordance with IFRS.

## PROVENANCE GOLD CORP.

### NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

As at and for the nine months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

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

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

##### **Basis of consolidation**

These consolidated interim financial statements include the accounts of the Company, Provenance Gold USA Inc. ("PG USA"), and 1084160 B.C. Ltd. ("1084160"), formerly Provenance Gold Corp. PG USA and 1084160 are wholly owned subsidiaries 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:

<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
Provenance Gold USA Inc.	Nevada, USA	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 nine months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

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

### **Recent accounting pronouncements**

#### *New accounting standards issued but not yet effective*

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

## **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. Consequently, the Corporation has no further interest in this property. 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.



## **PROVENANCE GOLD CORP.**

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

As at and for the nine months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

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

##### **Silverbow Property, Nevada U.S.A.**

On August 29, 2018, the Company entered into the Silverbow 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 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):

##### 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*);
- \$20,000 by July 18, 2020 (*paid*);
- \$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 (*spent*);
- \$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.

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.

## **PROVENANCE GOLD CORP.**

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

As at and for the nine months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

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

##### **Silverbow Property, Nevada U.S.A. continued**

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 with (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.

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*);
- \$10,000 by August 20, 2020 (*paid*);
- \$15,000 by August 20, 2021; and
- \$15,000 by August 20, 2022.

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 1 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.

## **PROVENANCE GOLD CORP.**

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

As at and for the nine months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

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

##### **Silverbow Property, Nevada U.S.A. continued**

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.

##### **White Rock Property, Nevada U.S.A.**

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*);
- \$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.

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

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

As at and for the nine months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

**4. EXPLORATION AND EVALUATION ASSETS, (continued)****White Rock Property, Nevada U.S.A., continued**

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.

<b>September 30, 2020</b>	<b>Canada</b>		<b>USA</b>		<b>Total</b>
	<b>2K Gold</b>		<b>White Rock</b>	<b>Silverbow</b>	
<b>Acquisition Costs</b>					
<i>Balance, December 31, 2019</i>	\$ -	\$ -	\$ 16,322	\$ 16,322	\$ 16,322
Additions	-	-	14,943	53,075	68,018
Impairment	-	-	-	-	-
<b>Acquisition costs, September 30, 2020</b>	-	-	<b>14,943</b>	<b>69,397</b>	<b>84,340</b>
<b>Exploration Costs</b>					
<i>Balance, December 31, 2019</i>	-	-	149,361	149,361	149,361
Additions	-	-	76,284	48,939	125,223
Impairment	-	-	-	-	-
<b>Exploration costs, September 30, 2020</b>	-	-	<b>76,284</b>	<b>198,300</b>	<b>274,584</b>
<b>Balance, September 30, 2020</b>	\$ -	\$ -	<b>91,227</b>	<b>\$ 267,697</b>	<b>\$ 358,924</b>
<b>December 31, 2019</b>					
<b>Acquisition Costs</b>					
<i>Balance, December 31, 2018</i>	\$ 230,000	\$ -	\$ 3,070	\$ 233,070	\$ 233,070
Additions	-	-	13,252	13,252	13,252
Impairment	(230,000)	-	-	(230,000)	(230,000)
<b>Acquisition costs, December 31, 2019</b>	-	-	<b>16,322</b>	<b>16,322</b>	<b>16,322</b>
<b>Exploration Costs</b>					
<i>Balance, December 31, 2018</i>	1,025,231	-	43,891	1,069,122	1,069,122
Additions	1,138	-	105,470	106,608	106,608
Impairment	(1,026,369)	-	-	(1,026,369)	(1,026,369)
<b>Exploration costs, December 31, 2019</b>	-	-	<b>149,361</b>	<b>149,361</b>	<b>149,361</b>
<b>Balance, December 31, 2019</b>	\$ -	\$ -	<b>\$ 165,683</b>	<b>\$ 165,683</b>	<b>\$ 165,683</b>

## **PROVENANCE GOLD CORP.**

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

As at and for the nine months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

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#### **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 September 30, 2020, units have not been issued and accordingly, this amount has been classified 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 September 30, 2020, there were 43,542,575 (December 31, 2019 – 37,099,131) 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 September 30, 2020, 975,000 common shares are being held in escrow and will be released in instalments of 975,000 30 and 36 months after the listing date.

##### **2020**

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 (see note 3). 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.

On August 6, 2020, the Company completed a non-brokered private placement of 4,443,444 units at a price of \$0.09 per unit for gross proceeds of \$399,910. Each unit consists of one common share of the Company and one common share purchase warrant. Each full warrant entitles the holder to purchase an additional common share of the Company at a price of \$0.15 per share until August 6, 2025.

On August 6, 2020, the Company issued 1,000,000 common shares to an arms-length third party in consideration for certain consulting obligations and work associated with the Company's land acquisitions and option agreements in Nevada. These shares have been valued at \$90,000 and expensed during the period ended September 30, 2020 as consulting expense.

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

As at and for the nine months ended September 30, 2020 and 2019

(Unaudited - Expressed in Canadian Dollars)

**6. SHARE CAPITAL AND RESERVES, (continued)****Issued, continued****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.

**Warrants**

Details of common share purchase warrants outstanding at September 30, 2020 are as follows:

	<b>Outstanding Warrants</b>	<b>Exercise price</b>	<b>Expiry date</b>	<b>Remaining Life (years)</b>
<b>Share purchase warrants</b>				
Issued in private placement <sup>(1)</sup>	1,033,000	\$ 0.40	May 8, 2021	0.60
Issued in private placement	584,999	\$ 0.30	August 27, 2021	0.91
Issued in private placement	500,000	\$ 0.30	February 10, 2022	1.36
Issued in private placement	4,443,444	\$ 0.15	August 6, 2025	4.85
	6,561,443	\$ 0.21		3.57

(1) 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 at September 30, 2020 was 3.57 years.

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

Common share purchase warrant transactions during the periods ended September 30, 2020 and December 31, 2019 are as follows:

	Nine months ended September 30, 2020			Year ended December 31, 2019		
	Number of Warrants	Weighted average exercise price	Fair Value	Number of Warrants	Weighted average exercise price	Fair Value
Outstanding - beginning of period	3,461,866	\$ 0.30	\$ -	2,876,867	\$ 0.30	\$ -
Expired	(750,000)	\$ 0.15	-	-	\$ -	-
Expired	(1,093,867)	\$ 0.30	-	-	\$ -	-
Issued in private placement	500,000	\$ 0.30	-	-	\$ -	-
Issued in private placement	4,443,444	\$ 0.15	-	584,999	\$ 0.30	-
Outstanding - end of period	6,561,443	\$ 0.21	\$ -	3,461,866	\$ 0.30	\$ -

**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 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 nine months ended September 30, 2019. 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.

## **PROVENANCE GOLD CORP.**

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

As at and for the nine months ended September 30, 2020 and 2019

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#### **7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

As at September 30, 2020, the Company's financial instruments consist of cash, accounts payable and accrued liabilities, due to related parties 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 parties and loan payable approximate their fair values due to the immediate or short-term maturity of these instruments.

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



## **PROVENANCE GOLD CORP.**

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

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

##### *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 exchange rates. The Company's property interests in the USA make it subject to foreign currency fluctuations. As at September 30, 2020, the Company had liabilities of \$1,210 denominated in US dollars which were translated into Canadian Dollars for financial reporting. 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.

#### **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 nine months ended September 30, 2020, the Company incurred \$70,000 (2019 - \$115,781) in consulting fees paid to the Chief Executive Officer (the "CEO") of the Company \$30,000 (2019 - \$39,338); \$30,000 (2019 - \$37,500) to a company controlled by the Chief Financial Officer (the "CFO") of the Company; and \$10,000 (2019 - \$38,943) to a company controlled by 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 September 30, 2020, accounts payable and accrued liabilities include \$102,000 (December 31, 2019 - \$72,000) payable to the CEO of the Company and \$82,500 (December 31, 2019 - \$52,500) payable to a company controlled by the CFO of the Company for consulting fees incurred during 2020 and prior years.

On April 6, 2020, the Company received a short-term loan of \$25,500 from a director of the Company to aid with working capital requirements. The loan is non-interest bearing without specific terms of repayment.

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

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**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 September 30, 2020 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>Nine months ended</b>	
	<b>September 30</b>	
	<b>2020</b>	<b>2019</b>
Net loss	\$ (310,226)	\$ (236,225)
Weighted average number of shares outstanding	39,042,158	35,857,998
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)

**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 6) were converted into common shares of the Company on a one-for-one basis.

**12. 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:

	<b>September 30</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
Non-current assets:		
USA	\$ 358,924	\$ 165,683
	\$ 358,924	\$ 165,683