# PROVENANCE GOLD CORP.

## CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED DECEMBER 31, 2020

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# Independent Auditor's Report

**To the Shareholders of 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, 2020 and 2019, and the consolidated statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years 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 financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### 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 loses, has a deficit of $2,994,022 as at December 31, 2020 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.

### 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 audits of the consolidated 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.

### 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 audit 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 with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

De Visser Gray LLP

**CHARTERED PROFESSIONAL ACCOUNTANTS**

Vancouver, BC, Canada
April 30, 2021

# PROVENANCE GOLD CORP.
## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
## AS AT DECEMBER 31, 2020 and 2019

| | | 2020 | | 2019 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash | $ | 34,306 | $ | 22,715 |
| GST receivable | | 1,729 | | 1,206 |
| Prepaid expenses (note 3) | | - | | 90,000 |
| | | 36,035 | | 113,921 |
| Exploration and evaluation assets (note 4) | | 380,025 | | 165,683 |
| | $ | 416,060 | $ | 279,604 |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities (note 9) | $ | 324,496 | $ | 221,467 |
| Due to related party (note 9) | | 20,000 | | 34,193 |
| Loan payable (note 5) | | 47,500 | | 47,500 |
| | | 391,996 | | 303,160 |
| **SHAREHOLDERS' EQUITY (DEFICIENCY)** | | | | |
| Share capital (note 6) | | 2,956,696 | | 2,324,286 |
| Share subscriptions (note 6) | | - | | 150,000 |
| Reserves (note 6) | | 61,390 | | 53,890 |
| Deficit | | (2,994,022) | | (2,551,732) |
| | | 24,064 | | (23,556) |
| | $ | 416,060 | $ | 279,604 |

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, 2020 and 2019**

| | | 2020 | | 2019 |
|---|---|---|---|---|
| **EXPENSES** | | | | |
| Claims maintenance and general exploration | $ | - | $ | 69,353 |
| Consulting and management fees (notes 6 and 9) | | 190,000 | | 143,943 |
| Corporate communications | | 142,500 | | 55,985 |
| General and administrative | | 11,198 | | 7,584 |
| Interest (note 12) | | 9,800 | | - |
| Professional fees | | 60,154 | | 43,909 |
| Regulatory and transfer agent fees | | 26,138 | | 23,482 |
| Share-based payments (note 6) | | - | | 10,765 |
| Travel | | 2,500 | | 20,463 |
| | | (442,290) | | (375,484) |
| **OTHER ITEMS** | | | | |
| Write-off exploration and evaluation assets (note 4) | $ | - | $ | (1,256,369) |
| **Net and comprehensive loss** | $ | (442,290) | $ | (1,631,853) |
| **Basic and diluted loss per share** (note 10) | $ | (0.01) | $ | (0.05) |
| **Weighted average number of common shares outstanding** | | 40,173,410 | | 36,178,421 |

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

# PROVENANCE GOLD CORP.
## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)
## YEARS ENDED DECEMBER 31, 2020 and 2019

| ` | Number of Shares | | Share Capital | | Share Subscriptions Advanced | | Settlement Receipts | | Reserves | | Deficit | | Total Shareholders' Equity (Deficiency) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2019** | 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) | | - | | - | | - |
| Share 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) |
| Shares issued in private placement (note 6) | 1,000,000 | | 150,000 | | (150,000) | | - | | - | | - | | - |
| Unit warrants | - | | (7,500) | | - | | - | | 7,500 | | - | | - |
| 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 | - | | - | | - | | - | | - | | (442,290) | | (442,290) |
| **Balance at December 31, 2020** | 43,542,575 | $ | 2,956,696 | $ | - | $ | - | $ | 61,390 | $ | (2,994,022) | $ | 24,064 |

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

# PROVENANCE GOLD CORP.
## CONSOLIDATED STATEMENTS OF CASH FLOWS
## YEARS ENDED DECEMBER 31, 2020 and 2019

| | 2020 | 2019 |
|---|---|---|
| **Cash provided by (used for):** | | |
| **Operating activities** | | |
| Net loss | $ (442,290) | $ (1,631,853) |
| Add items not involving cash: | | |
| Shares issued in exchange for consulting services | 90,000 | - |
| Share-based payments | - | 10,765 |
| Write-off of exploration and evaluation assets | - | 1,256,369 |
| Change in non-cash working capital: | | |
| GST receivable | (523) | 1,361 |
| Prepaid expenses | 90,000 | (90,000) |
| Accounts payable and accrued liabilities | 98,160 | 107,512 |
| Due to related party | (8,693) | 34,193 |
| **Cash (used in) operating activities** | (173,346) | (311,653) |
| **Investing activities** | | |
| Exploration and evaluation assets acquired | (214,973) | (79,495) |
| **Cash (used in) investing activities** | (214,973) | (79,495) |
| **Financing activities** | | |
| Proceeds from issuance of shares | 399,910 | 175,500 |
| Share issue costs | - | (2,100) |
| Share subscriptions advanced | - | 150,000 |
| Proceeds from loan payable | 35,000 | 47,500 |
| Repayment of loan payable | (35,000) | - |
| **Cash provided by financing activities** | 399,910 | 370,900 |
| **Change in cash during the year** | 11,591 | (20,248) |
| **Cash, beginning of the year** | 22,715 | 42,963 |
| **Cash, end of year** | $ 34,306 | $ 22,715 |

**Supplementary cash flow information (note 12)**

The accompanying notes are an integral party 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, 2020 had a deficit of $2,994,022 (2019 - $2,551,732). 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.

The outbreak of the Coronavirus Disease 2019, or COVID-19, has spread across the globe and is impacting worldwide economic activity. This global pandemic poses the risk that the Company or its clients, employees, contractors, suppliers, and other partners may be unable to conduct regular business activities for an indefinite period of time. At this point, the impact on the Company has been minimal. The Company continues to monitor the situation and is taking all necessary precautions in order to follow rules and best practices as set out by the federal and provincial governments in the United States and Canada.

These financial statements were authorized for issue on April 30, 2021 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)*

### Use of estimates and assumptions *(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 applying to the Company's financial statements include:

- the assessment of the Company's ability to continue as a going concern and whether there are events or conditions that may give rise to significant uncertainty; 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 its wholly owned subsidiaries 1084160 B.C. Ltd., formerly Provenance Gold Corp. ("PGC"), and Provenance Gold USA ("PG USA"). PGC is incorporated in the Province of British Columbia and PG USA is incorporated in the State of Nevada, U.S.A.

### Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company balances and transactions have been eliminated in preparing the consolidated financial statements.

### 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 and its subsidiaries 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 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.

All 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 loss and comprehensive loss. As at December 31, 2020 and 2019, 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, 2020, the Company did not have any asset retirement or environmental obligations.

### Income taxes

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

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

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

### Income taxes *(continued)*

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

### 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.

### Recent accounting pronouncements

The Company adopted the following new standard 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.

### New accounting standards issued but not yet effective

Amendment to IAS 1 (effective January 1, 2022) – 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. The Company has not early adopted this standard.

## 3. PREPAID EXPENSES

On December 27, 2019, the Company entered into a 12-month media services agreement with a private company located in the British Virgin Islands. The consultant was subject, generally, to the direction of the Company's president and chief executive officer and performed the services in consultation with them. A non-refundable 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.

### Silver Bow 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 2019.

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 *(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.

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

### Silver Bow Property, Nevada U.S.A. *(continued)*

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 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.

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.

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

### Silver Bow Property, Nevada U.S.A. *(continued)*

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.

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.

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

### White Rock Property, Nevada U.S.A. *(continued)*

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 the 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.

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.

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

| | Canada | USA | | |
|---|---|---|---|---|
| | **2K Gold** | **White Rock** | **Silver Bow** | **Total** |
| **Acquisition Costs** | | | | |
| Balance, December 31, 2019 | $ - | $ - | $ 16,322 | $ 16,322 |
| Additions | - | 14,943 | 53,075 | 68,018 |
| Impairment | - | - | - | - |
| **Balance, December 31, 2020** | - | 14,943 | 69,397 | 84,340 |
| | | | | |
| **Exploration Costs** | | | | |
| Balance, December 31, 2019 | - | - | 149,361 | 149,361 |
| Additions | - | 104,606 | 41,718 | 146,324 |
| Impairment | - | - | - | - |
| **Balance, December 31, 2020** | - | 104,606 | 191,079 | 295,685 |
| **Total, December 31, 2020** | $ - | 119,549 | 260,476 | 380,025 |

| | Canada | USA | | |
|---|---|---|---|---|
| | **2K Gold** | **White Rock** | **Silver Bow** | **Total** |
| **Acquisition Costs** | | | | |
| Balance, December 31, 2018 | $ 230,000 | $ - | $ 3,070 | $ 233,070 |
| Additions | - | - | 13,252 | 13,252 |
| Impairment | (230,000) | - | - | (230,000) |
| **Balance, 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) |
| **Balance, December 31, 2019** | - | - | 149,361 | 149,361 |
| **Total, December 31, 2019** | $ - | $ - | $ 165,683 | $ 165,683 |

## 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, 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

On December 31, 2020, there were 43,542,575 (2019 - 37,099,131) issued and fully paid common shares outstanding.

## 6. SHARE CAPITAL AND RESERVES *(continued)*

***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 year ended December 31, 2020 as consulting expense.

***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.

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.

## 6. SHARE CAPITAL AND RESERVES *(continued)*

### Warrants

Details of common share purchase warrants outstanding on December 31, 2020 are as follows:

| | Outstanding Warrants | Exercise Price ($) | Expiry Date | Remaining Life (Year) |
|---|---|---|---|---|
| Share purchase warrants | | | | |
| Issued in private placement (1) | 1,033,000 | 0.40 | May 8, 2021 | 0.35 |
| Issued in private placement | 584,999 | 0.30 | August 27, 2021 | 0.65 |
| Issued in private placement | 500,000 | 0.30 | February 10, 2022 | 1.11 |
| Issued in private placement | 4,443,444 | 0.15 | August 6, 2025 | 4.59 |
| | 6,561,443 | 0.21 | | 3.30 |

(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 as at December 31, 2020 was 3.30 years.

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

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Outstanding Warrants | Weighted Average Exercise Price ($) | Outstanding Warrants | Weighted Average Exercise Price ($) |
| **Balance, January 1, 2020** | 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 |
| **Balance, December 31, 2020** | 6,561,443 | 0.21 | 3,461,866 | 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 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 estimated fair value was calculated for the options using the Black-Scholes pricing model based on the following assumptions: risk-free interest rate of 2.12%, expected life of 1 year, no annual dividends and expected volatility of 220%. Total compensation relating to this grant was $24,640. Of this amount, the Company recognized $10,765 in share-based payments during 2019. The 200,000 share purchase options expired unexercised on September 17, 2019.

### Share-based Payments Reserve

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, 2020, 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, 2020, the Company had liabilities of $31,208 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 their fair value as determined by management. Unless otherwise indicated, the balances are unsecured, non-interest bearing, without specific terms of repayment and have arisen from advances or the provision of services and fees described.

During the year ended December 31, 2020, the Company incurred: $45,000 (2019 - $52,500) in consulting fees paid or payable to the Chief Executive Officer (the "CEO") of the Company; $45,000 (2019 - $52,500) in consulting fees paid or payable to a company controlled by the Chief Financial Officer (the "CFO") of the Company; and $10,000 (2019 – $38,943) in consulting fees paid 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 December 31, 2020, accounts payable and accrued liabilities included $112,000 (2019 – $72,000) payable to the CEO of the Company and $87,779 (2019 - $52,500) payable to a company controlled by the CFO of the Company for consulting fees incurred during the current and prior year. As at December 31, 2020 the total accounts payable due to related parties is $199,779 (2019 – $124,500). See Note 14.

Amounts advanced by a director of the Company totaled $20,000 (2019 – $34,193 advanced by an entity controlled by the CFO of the Company) and were made to aid with working capital requirements. Of the $25,500 advanced by the director, $5,500 was transferred to accounts payable and accrued liabilities during the year and is included in the $87,779 noted above. The advances are non-interest bearing without specific terms of repayment.

## 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, 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:

| | | **2020** | | **2019** |
|---|---|---|---|---|
| Net loss | $ | (442,290) | $ | (1,631,853) |
| Weighted average number of shares outstanding | | 40,173,410 | | 36,178,421 |
| Basic and diluted loss per share | $ | (0.01) | $ | (0.05) |

## 11. INCOME TAX

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

| | | **2020** | | **2019** |
|---|---|---|---|---|
| Net loss for the year | $ | (442,290) | $ | (1,631,853) |
| Combined federal and provincial income tax rate | | 27.00% | | 27.00% |
| Expected tax recovery | | 119,418 | | 440,600 |
| Net effect of deductible and non-deductible amounts | | 346 | | (360,684) |
| Unrecognized benefit of current non-capital loss | | (119,764) | | (79,916) |
| Total income tax recovery | | - | | - |

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

| | | **2020** | | **2019** |
|---|---|---|---|---|
| Exploration and evaluation assets | $ | 1,338,000 | $ | 1,173,000 |
| Non-capital losses carried forward (1) | | 1,589,000 | | 1,140,000 |
| Share issue costs | | 12,000 | | 18,000 |
| | | 2,939,000 | | 2,331,000 |

(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 2040.

## 12. SUPPLEMENTARY DISCLOSURES WITH RESPECT TO CASH FLOWS

As at December 31, 2020, $39,734 (2019 - $40,365) in exploration and evaluation expenditures were included in accounts payable and accrued liabilities.

On February 6, 2019, the 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 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, 2020, $5,500 was transferred from due to related party to accounts payable and accrued liabilities.

During the year ended December 31, 2020, the Company paid $9,800 (2019 - $Nil) in interest on a short-term loan of $35,000 received from an unrelated individual.

## 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, U.S.A.). Geographic information is as follows:

| | | **2020** | | **2019** |
|---|---|---|---|---|
| Non-current assets: | | | | |
| USA | $ | 380,025 | $ | 165,683 |

## 14. SUBSEQUENT EVENTS

On January 13, 2021, the Company entered into a joint venture agreement (the "JVA") with an arm's length company to drill and explore its Silver Bow property. On March 22, 2021, the JVA was terminated for reasons unrelated to exploration.

On February 12, 2021, the Company completed a non-brokered private placement by issuing 9,615,000 units at a price of $0.10 per unit for gross proceeds of $961,500. 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 at a price of $0.15 per share until February 12, 2026. The Company paid $28,105 in share issue costs related to this private placement.

On April 19, 2021, the Company entered into a share purchase agreement (the "SPA") with a private company ("CGPI") in Alberta, Canada and the shareholders of CGPI, whereby the Company will acquire 100% of the right, title and interest in and to all of the shares of CGPI from CGPI's shareholders. Pursuant to the SPA, the Company will issue an aggregate of three million common shares of the Company at a deemed value of $0.10 per share and pay $20,000 in cash at the closing of the transaction. On January 15, 2021, CGPI entered into a mining lease and assignment (the "MLA"), being the sole asset of CGPI, whereby the lessor granted, let and leased all of its right, title and interest in and to 20 unpatented mining claims, two homestead sites and eight patented mining claims situated in Eureka County, Nevada (the "Property") to CGPI.

The MLA is for an initial term of 20 years and will continue for so long thereafter as mineral exploration, mine development, mining or mineral processing operations are conducted by CGPI or its successors on any portion of the Property or any properties within one mile of the exterior boundaries of the Property. At any time before the 20$^{th}$ anniversary of the effective date of the MLA, and every 20$^{th}$ anniversary thereafter, CGPI may, by providing written notice to the lessor, extend the term of the MLA for additional increments of 20 years from the effective date, and so long thereafter as mineral exploration, mine development, mining or mineral processing operations are conducted on any portion of the Property or any properties within one mile of the exterior boundaries of the Property.

Advance minimum royalty payments totaling US $229,000 over a six-year period are required to be made and exploration expenditures of US $2,450,000 over an eight-year period are required to be incurred as follows (all amounts are in US dollars):

<u>Payments</u>

- $14,000 by April 6, 2021;
- $20,000 by April 1, 2022;
- $25,000 by April 1, 2023;
- $30,000 by April 1, 2024;
- $40,000 by April 1, 2025;
- $50,000 by April 1, 2026; and
- $50,000 by April 1, 2027 and thereafter for so long as the MLA remains in effect.

<u>Exploration Expenditures</u>

- $200,000 by April 1, 2023;
- $250,000 by April 1, 2024;
- $250,000 by April 1, 2025;
- $300,000 by April 1, 2026;
- $300,000 by April 1, 2027;
- $400,000 by April 1, 2028; and
- $750,000 by April 1, 2029

## 14. SUBSEQUENT EVENTS *(continued)*

Any expenditures incurred in excess of the required amount for that year will be credited and apply fully to succeeding years.

CGPI is responsible for making all payments and filings required to maintain the Property in good standing including, but not limited to, property taxes, federal maintenance fees and any federal or state filings. CGPI is also responsible for paying all state taxes in connection with its mining operations on the Property.

CGPI will pay the lessor a production royalty of 3% net smelter returns ("NSR") on all minerals produced and sold by CGPI from within the vertical boundaries of the Property and any additional claims located within the area of interest (as defined). The NSR can be bought down by 1.5% for US $1.5 million, with the entire amount required no later than six months after either a bulk test of ore is initiated or a decision to start mining has been reached. The remaining 1.5% of the original 3% is retained by the lessor.

CGPI may terminate the MLA 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 CGPI, CGPI will have at least 20 days to cure the default and, if not cured, the lessor may terminate the MLA by giving written notice to CGPI. Upon termination of the MLA by CGPI, all payments made to the lessor are retained by the lessor and all liabilities and obligations of CGPI not due or accrued prior to termination will cease and terminate. Upon termination of the MLA, CGPI remains responsible for completing any payments, any and all reclamation obligations, or satisfying any other obligations under the MLA that became due prior to termination.

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

On April 21, 2021, the Company entered into debt settlement agreements with the CEO and CFO of the Company to settle outstanding indebtedness totaling $167,000 by issuing 1,670,000 common shares of the Company at a deemed price of $0.10 per share. These debt settlement agreements are subject to exchange approval. See Note 9.

On April 21, 2021, the Company completed a non-brokered private placement of 3,150,000 units at a price of $0.10 per unit for gross proceeds of $315,000. 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 April 21, 2026. The Company paid $13,800 in finders' fees related to this private placement.