

PROVIDENCE GOLD MINES INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the period ended September 30, 2017

Directors and Officers as at November 28, 2017

Directors:

Ronald Allan Coombes
Robert Eadie
Gary Arca
John Kowalchuk

Officers:

President & Chief Executive Officer – Ronald Allan Coombes
Chief Financial Officer & Corporate Secretary – Gary Arca

Contact Name: Ronald Allan Coombes
Contact telephone: 604-602-4935
Contact e-mail: rcoombes@providencegold.com

PROVIDENCE GOLD MINES INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the period ended September 30, 2017

1.1 Date of This Report

This Management's Discussion & Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim financial statements of Providence Gold Mines Inc. ("Providence", or the "Company") for the period ended September 30, 2017. All dollar amounts herein are expressed in Canadian Dollars unless stated otherwise.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls and to ensure that information used internally or disclosed externally, including financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board of Directors' Audit Committee meets with management quarterly to review the financial statements and the MD&A and to discuss other financial, operating and internal control matters. The reader is encouraged to review the Company's statutory filings on www.sedar.com

This MD&A is prepared as of November 28, 2017.

This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

1.2 Overall Performance

Description of Business

The Company was incorporated on February 16, 2010 under the Business Corporations Act of British Columbia as 0874036 BC Ltd. It commenced operations in April, 2011 and, on December 20, 2011, changed its name to Red Hut Metals Inc. and subsequent to the period ended on July 12, 2017, the Company changed its name to Providence Gold Mines. On December 11, 2012, the Company completed its Initial Public Offering ("IPO") and began trading on the TSX Venture Exchange ("TSX-V"). The Company is in the process of exploring and evaluating its mineral property located on California, United States and Vancouver Island, British Columbia, Canada.

1.3 **Selected Annual Information**

The highlights of financial data for the Company's three most recently completed year-ends since inception, which are calculated in accordance with International Financial Reporting Standards ("IFRS"), are as follows:

	December 31, 2016	December 31, 2015	December 31, 2014
	\$	\$	\$
(a) Total revenues	Nil	Nil	Nil
(b) Total expenses	(195,552)	(266,647)	(349,986)
(c) Net loss	(166,871)	(261,458)	(505,253)
(d) Loss per share – basic and diluted	(0.02)	(0.02)	(0.04)
(e) Total current assets	21,658	59,971	1,170,150
(f) Total long-term liabilities	Nil	Nil	Nil
(g) Cash dividends declared per-share	Nil	Nil	Nil

1.4 **Results of Operations**

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the September 30, 2017 unaudited condensed interim financial statements of the Company and notes attached thereto.

1.4.1 **Property Activity**

Tuolumne Property

On March 28, 2017 the Company entered into an agreement (the "Agreement") with 0999940 BC Ltd, a private B.C. company, (collectively the "Assignors") whereby the Company can acquire by way of assignment all of the contractual interests held by the Assignors in various patented and located mineral claims in Tuolumne County, California (the "Property") with a history of gold mineralization in Western California, USA (the "Transaction").

The Property includes six parcels which have been fully patented and are owned in fee simple, and thirteen 20-acre mining claims on Bureau of Land Management and US Forest Service property (260 acres), which include several historic mines and a mill site. The Assignors have also staked a further nine claims contiguous to the existing Providence patented and located claims for a total of 22 mining claims.

The Transaction

The Assignors have negotiated the general terms and provisions whereby they can earn a 50% joint venture interest in the Property, or alternatively buy a 100% interest in the Property. To earn a 50% interest in the Property requires the payment, to the Property owners and Assignors, of US\$175,000 and incurring C\$2,000,000 of expenditures on the Property over the course of three years, and issue 4,500,000 shares of the Company as follows:

- payment of US\$25,000 following regulatory approval (paid);
- payment of US\$25,000 and incurring C\$250,000 of expenditures by March 28, 2018;
- payment of US\$100,000 and incurring an additional C\$750,000 of expenditures by March 28, 2019; and
- incurring an additional C\$1,000,000 of expenditures by March 28, 2020.

Having earned a 50% interest, a joint venture would be formed with the Property owner. Alternatively, a 100% interest in the Property can be acquired for US\$5,000,000, at any time, of which one-half can be paid in shares.

As consideration for the assignment, the Company will assume all obligations of the Assignors to the Property owner and has agreed to pay the following to the Assignors:

- a) Following regulatory approval, the Company will make a cash payment US\$25,000 (paid) and issue 1,500,000 common shares (issued);
- b) After completing the recommended first year work program of at least C\$250,000, the Company will issue an additional 1,500,000 common shares;
- c) After completing the recommended second year work program of at least \$750,000, the Company will issue an additional 1,500,000 common shares;
- d) In the event the Company elects to acquire the Property for US\$5 million the Company will issue an additional 1,500,000 common shares.

One of the Assignors above, accounting for 50% of the cash and share issuances, is a company controlled by an individual who subsequently was appointed director and officer of the Company.

The Property owner will retain a 2.5% net smelter returns royalty (“NSR”), of which 1.5% NSR can be acquired for US\$1,000,000 if the option to acquire a 100% interest in the Property is exercised.

In consideration of their efforts to bring the parties together on the Transaction, Mackie Research Capital Corp. is entitled to a finder’s fee of 5% of the value of the Transaction for years 1 and 2, in the form of the Company’s Shares. An aggregate of 230,000 shares have been issued to date, with a further 465,620 shares to be issued after the Company meets its commitments in year 2.

A Report on the Property was prepared for the Company by John Kowalchuk BSc., P.Geol, who is a qualified person for the purpose of NI 43-101. The Report is available for review under the Company’s profile on the SEDAR database at www.sedar.com. The following summary is from the Report on the Property:

Property Description and Location

The Providence Mines Property is located in the Summerville Mining District, Tuolumne County, California, upon the eastern belt of the “Mother Lode” District. A number of high grade, well known Motherlode gold mines of California are found within this belt, including the Black Oak Mine, the Soulsby Mine, the Dead Horse Mine, the New Albany Mine, the Star King Mine and others from which gold has been mined over the years. The Providence gold mines are located via good all weather roads, three miles from the town of Tuolumne, and about 20 miles east of Sonora, California. The Property being optioned by the Company consists of the Providence Mines, the Consuelo Quartz Mine, the Goodenough Quartz Mine, the Bonita Quartz Mine and Mill Site, as well as a number of patented claims.

History

Historical documentation shows that these mines were for many years profitably worked and were regarded as one of the best mining camps on the eastern belt of the “Mother Lode” occurrences. It is historically reported that owing to differences between the former owners and their then manager, the Property was shut down in the midst of active and profitable operations. At that time, 1916, the lower levels of the mines were allowed to fill with water, and the lower four levels never reopened according to available records. Thus conditions of the mineralized bodies in these lower four levels are potentially in the same condition that they were when the operations ceased, at which time records indicated milling high grade mineralization from the tenth and eleventh levels. At the same time development work had been completed on the twelfth level into bodies of mineralization. ***Caution to reader: These historical results have not been verified by the Company and therefore cannot be relied upon.***

Mineralization

The veins of the Providence Mines are in black slates, lying parallel with each other at an angle of about 45 degrees, pitching toward the east. The strike of the vein is from south east to North West. The formation contains porphyry and limestone, the mineralized material is found in many places on these contacts, as often occurs in many mines. The mineralized material is found in lenses at varying distances along the veins. These lenses or shoots of mineralization have been opened up on various levels of the mine and a large amount of mineralized material extracted therefrom, although in many places in the mine these mineralized materials which have been historically reported have been worked in only one direction.

Development

A double compartment shaft was sunk to a depth of 1470 ft. on the dip of the vein. Twelve drifts were run north and south of the shaft on twelve different levels, the number 12 level being about 1400 feet from the mouth of the shaft. From different levels, crosscuts were run east or west to develop and open up parallel mineralization shoots found in parallel veins. Some of these mineralized material and veins have been stoped out. In others there is said to be potential mineralized material still in place. A significant amount of underground work has been completed, developing and proving the property to be one of permanent formation and to contain well defined mined mineralization bodies of value. The Providence Group of Mines has not only been said to be a producer of mineralization in its historical past, there still remains potential for similar untapped resources. The Providence Group of Mines has been historically identified and described as having identical similarities to many of the great mines within the “Mother Lode” gold district.

Recent Activity

On November 20, 2017 announced that the Company’s efforts continue to yield success in locating both historical and new gold zones.

During the Company’s continued phase one exploration program our geologists have discovered physical evidence of extensions of parallel gold zones. One adit we believe is known as the Goldwin zone, as reported by F. Leland, Mining Engineer, in a report dated April 15, 1935. Recently reported modeling from the Company’s available data identified a soil anomaly which was assumed to represent the Goldwin parallel vein. This has now been verified with the physical discovery of the location of the Goldwin zone. Additionally, two other shafts were discovered along the Providence trend. These

workings are believed to be part of south extensions of the Providence. As previously reported, nearly all historical mine plans and sections for the Providence Mine were consumed in a forest fire that destroyed the mill complex in 1918.

The Company has now completed both hard rock and soil sampling along the known gold trend. Assay results are now pending.

On November 7, 2017 the Company announced results from an underground 3-D Laser Scan Survey. As reported on September 25, 2017 the Company commissioned Aero Geometrics of Vancouver, British Columbia to complete a 3-D Laser Scan Survey of the six hundred level of the historical Providence Mine. Prior to the survey, the Company completed both geological mapping and channel sampling of the 600 level workings. Amongst other details, the survey delineated fine characteristics of the Providence quartz vein system within the drifts, crosscuts and stopes.

Examination of the survey results revealed where the vein diverges from the main 600 level access drift and re-enters on the 600 level at the Consuelo drift 263 metres along strike to the north. The Company previously recognized the diversion; however, it was poorly understood until now. With the assistance of this new technology, the extension to the Providence Vein can be clearly identified. Geological mapping suggests that the Providence Consuelo, Bonita, Mexican and McCarthy veins are all part of the same vein system which we now refer to as the “Providence Vein” system which has a strike length of 2.2 km.

The Company believes that the historical operators, in attempting to follow the vein, lost contact with the mineralization. The Company believes that the vein lies west of the 600 level access drift, a distance varying between less than 10 to 65 metres in the area in question.

This zone represents one of numerous primary drill targets along the known 2.2 kilometre strike length of the vein. In addition, results of the Company’s recently completed soil geochemical survey, suggest that a zone of elevated gold grades represent a portion of the previously unseen vein system that projects to surface along strike.

On November 1, 2017 the Company announced results from underground sampling of the Company’s Providence Gold Mine in central California. The results demonstrate continued success on its Phase I exploration program with the presence of high grade gold mineralization adjacent to former stoped (mined) areas of the mine.

Results from the sampling of the various workings in the South Mineralized Shoot on the 600 foot level property are as follows:

PRELIMINARY ROCK CHIP SAMPLE RESULTS (>3GPT Au): SUMMARY 600 LEVEL SOUTH SHOOT			
Sample #	Location	Width (Metres)	Au (GPT)
2980165	Small drift approx. 7m behind 600 drift 569.5 sample of face of vein in stope	0.70	31.70
298063	Small drift approx. 7 m behind 600 drift, 569.5, sample of face of vein in stope	1.10	6.54
	from 2980165 to 298063	1.80	16.33
2980141	633 back	1.0	4.16
280161	Small drift approx. 7 m behind 600 drift, 569.5, sample of face of vein in stope	2.80	4.41
2980175	552, West Rib	0.80	9.74
2980178	551, West Rib	1.20	4.60
2980182	549, East Rib	0.60	7.05
2980189/90	533, 600 drift, West Rib	1.20	3.16
2809193	533, 600 drift, West Rib	0.40	3.22
Note: of the 52 samples collected to the south of the North Shoot, 25 assayed >1 gpt Au of which 10 assayed >3 gpt Au with two assaying >10 gpt Au			

The above sample results verify the historical results for the Providence Mine South Shoot. The South Shoot is located approximately 70 metres to the south of the North Shoot. The following table summarizes the results of the chip sampling program and reported in the news release dated September 21, 2017.

PROVIDENCE GOLD MINES LTD: PROVIDENCE GOLD MINE-ROCK CHIP SAMPLES RESULTS (>3GPT Au) SUMMARY: 600 LEVEL-NORTH SHOOT			
Sample #	Location	Width (Metres)	Au (GPT)
2980069	Stope back	1.0	8.60
2980074	398	0.9	4.15
2980076	398, West Rib	1.0	3.31
	Or	2.2	3.28
2980077	372 Back, W Rib	1.0	19.58
2980103	426 Slab From Small Stope	0.3	14.55
2980108	435, W Rib	1.3	45.64
2980116	447, East Rib and Back	1.1	4.82

John Kowalchuk BSc., P.Geo is the Company's qualified person on the Providence Mines Property as required under NI 43-101 and has prepared the technical information contained in the Management discussion and analysis.

Conuma Property

On December 15, 2011, the Company acquired a 100% interest in 11 mineral claims located in the Alberni and Nanaimo Mining Divisions of British Columbia, more commonly known as the Conuma Property (the "Property") pursuant to a Letter of Agreement dated May 16, 2011 and as amended December 15, 2011 (the "Agreement"). Under the terms of the Agreement, the Company paid \$5,000 and issued 100,000 common shares with a fair value of \$5,000 to the Vendor. The Company's 100% interest in the Property is subject to a net smelter royalty ("NSR") of 2% of gross revenues from the Property less certain permissible deductions, and is payable to the Vendor.

A Report on the Property was prepared for the Company by Brian Malahoff, P.Geo, who is a qualified person for the purpose of NI 43-101. The Report is available for review under the Company's profile on the SEDAR database at www.sedar.com.

At December 31, 2014, management decided to write down the costs accumulated on the Conuma property to nil as an asset impairment and continues to expense amounts related to this property net of tax refunds. While management still believes that the properties are of merit and warrant continued development, lack of activity due to market conditions warranted a write down at that time under IFRS accounting guidance.

Environmental Protection Practices

The Company is subject to laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in a material liability to the Company.

1.4.2 Results of Operations

The expenses relating to the loss and comprehensive loss for the period ended September 30, 2017 of \$423,235 and for the comparative period ended September 30, 2016 of \$132,326 are as follows:

For the period ended September 30,	2017	2016
Gain on forgiveness of debt	\$ -	\$ (28,457)
Interest revenue	-	(224)
Recovery of property cost	(5,526)	-
Accounting and audit fees	6,497	5,630
Amortization	461	-
Finance cost	484	-
Foreign exchange	7,190	-
Legal and corporate services	36,604	49,526
Marketing activities	140,000	-
Management activities	134,503	45,187
Office, rent and administration	18,343	16,720
Pre-exploration costs	10,000	-
Shareholder communications	45,102	21,037
Transfer agent and filing fees	29,577	22,907
Total loss and comprehensive loss for the period	\$ 423,235	\$ 132,326

During the period ended September 30, 2017 pre-exploration cost increased by \$10,000 compared to the prior year because of work performed on Toulumne property. The Company incurred ongoing corporate overhead expenses such as office, rent and administration of \$18,343, accounting and audit fees of \$6,497 and legal and corporate services of \$36,604, which are comparable to the prior year. During the period management activities increased by \$89,316 due mainly to commencement of management fees to the President of the Company and to non-cash stock based compensation expense of \$54,000. Marketing activities include the payment of fees of \$140,000 to promote the activities of the Company and the acquisition of the Toulumne property. Shareholders communications of \$45,102 increased by \$24,065 over the prior year due to increased activity to promote the company and to non-cash stock based compensation expense of \$15,750.

Financings, Principal Purposes & Milestones

On July 27 and June 1, 2017, the Company completed private placements through the issuance of 9,600,000 units and 1,450,000 units, respectively, (the "Units") at \$0.10 per Unit, for proceeds of \$1,105,000. Each Unit consisted of one common share of the Company and one quarter of one share purchase warrant (a "Warrant") with each whole Warrant entitling the holder to acquire an additional share for one year at \$0.25 per share.

An aggregate of 683,200 common shares and 683,200 warrants containing the same terms as the Warrants attached to the Units were issued as finder's fees for the portion of the financing attributable to this finders' efforts.

1.5 Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarterly periods:

	Q3 <u>30-Sep-17</u>	Q2 <u>30-Jun-17</u>	Q1 <u>31-Mar-17</u>	Q4 <u>31-Dec-16</u>
Total Revenue:	\$ -	\$ -	\$ -	\$ -
Net Loss:				
Total	\$ 314,556	\$ 80,784	\$ 27,895	\$ 34,545
Per share – basic and fully diluted loss	\$ 0.01	\$ 0.00	\$ 0.00	\$ 0.00

	Q3 <u>30-Sep-16</u>	Q2 <u>30-Jun-16</u>	Q1 <u>31-Mar-16</u>	Q4 <u>31-Dec-15</u>
Total Revenue:	\$ -	\$ -	\$ -	\$ -
Net Loss:				
Total	\$ 6,247	\$ 96,155	\$ 29,924	\$ 63,897
Per share – basic and fully diluted loss	\$ 0.01	\$ 0.01	\$ 0.00	\$ 0.00

Discussion

For the discussion of results for the period ended September 30, 2017, see Section 1.4.2 Results of Operations.

1.6 Liquidity and Capital Resources

In management's view, given the nature of the operations, which currently consists of its interest in certain resource properties, the most relevant financial information relates primarily to current liquidity, solvency and planned expenditures. The Company's financial success will be dependent upon the extent to which it can determine whether its resource properties contain reserves, which are economically recoverable.

Such development may take years to complete and the amount of resulting income, if any, is difficult to determine. The Company does not expect to receive significant income in the foreseeable future.

As at September 30, 2017, the Company had \$562,925 in cash, working capital of \$481,140 and no long-term debt. The Company's ability to continue as a going concern is dependent upon its existing working capital and obtaining the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due.

Management has estimated that the Company's existing working capital is adequate to meet corporate, development, administrative and property obligations for the coming year. If required, it is anticipated that any additional funding will be in the form of equity financing from the sale of common shares or through loans made available from related parties, however, there is no guarantee that funding from such financings will be available in amounts sufficient to meet the commitments of the Company. See also Section 1.4.2 – Results of Operations – *Financings, Principal Purposes & Milestones*.

1.7 **Off Balance Sheet Arrangements**

There are no off-balance sheet arrangements to which the Company is committed.

1.8 **Transactions with Related Parties**

The following is a summary of charges incurred by the Company with related parties during the periods ended September 30, 2017 and 2016:

<u>Period ended September 30,</u>	<u>2017</u>	<u>2016</u>
Accounting fees	\$ 4,500	\$ 4,500
Legal and Corporate services	9,000	9,000
Management fees	58,500	45,000
Office, rent and administration	9,000	9,000
Shareholder communications	9,500	19,500
Total	\$ 90,500	\$ 87,000

During the period ended September 30, 2017, the Company incurred operational expenses totalling \$90,500 (September 30, 2016 - \$87,000) from companies controlled by a director, a former director and an officer of the Company and where there are common officers with the Company.

During the period ended September 30, 2017 trade and other payables included \$108,900 (December 31, 2016 - \$42,125) owed to a company controlled by a director and an officer of the Company for operational expenses.

1.9 **Critical Accounting Estimates**

a) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for E&E expenditures requires judgement in determining whether it is likely that future economic benefits will follow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the Company's profit or loss in the period the new information becomes available.

b) Title to Mineral Property Interests

Although the Company takes steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Income Taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

1.10 Changes in Accounting Policies

N/A

1.11 Third Quarter

The third quarter ended September 30, 2017 results are similar to previous Review discussion in *Section 1.4.2 Results of Operations*.

1.12 Financial and Other Instruments

As at September 30, 2017, the Company's financial instruments consist of cash and trade and other payables.

The fair value of the Company's cash and trade and other payables approximate their carrying value, which is the amount on the statement of financial position, due to their short-term maturities or ability of prompt liquidation.

As at September 30, 2017, the Company's financial instruments consist of cash and trade and other payables.

The fair value of the Company's cash and trade and other payables approximate their carrying value, which is the amount on the statement of financial position, due to their short-term maturities or ability of prompt liquidation.

a) Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair values as of September 30, 2017. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's exposure to interest rate fluctuations is minimal.

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash, the balance of which at September 30, 2017 is \$562,925 (December 31, 2016 - \$20,460). As at that date, cash was held at a chartered Canadian financial institution and the Company does not consider the risks to be significant.

c) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company is subject to high liquidity risk due to its current capital deficiency outlined in Note 2 to the financial statements. Additional cash requirements could be met with the issuance of additional share capital, however there is no assurance it will be able to raise funds in this manner in the future. As at September 30, 2017, the Company was holding cash of \$562,925 (December 31, 2016 - \$20,460). The Company's trade and other payables are due in the short term.

1.13 Disclosure of Outstanding Share Capital as at November 28, 2017:

	Number	Book Value
Common Shares	21,836,051	\$ 2,541,653

The Company had the following share purchase options outstanding:

Number of Options Exercisable	Exercise Price	Expiry Date
2,000,000	\$0.16	August 1, 2022

A summary of the Company's outstanding share purchase warrants is presented below:

Number of Shares	Exercise Price	Expiry Date
2,985,200	\$0.25	June 1, 2018
460,500	\$0.25	July 27, 2018
3,445,700	\$0.25	

1.14 Approval

The Board of Directors, upon the recommendation of the Audit Committee, has approved the disclosure contained in this MD&A.