

PROVIDENCE GOLD MINES INC.

MANAGEMENT'S DISCUSSION & ANALYSIS

For the Nine Months ended September 30, 2018

1.1 Date of This Report

This Management's Discussion & Analysis ("MD&A") of Providence Gold Mines Inc. ("Providence", or the "Company") provides analysis of the Company's financial results for the three and nine month period ended September 30, 2018 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto for the three and nine month period ended September 30, 2018 and the audited consolidated financial statements and notes thereto for the year ended December 31, 2017, which are available on SEDAR at www.sedar.com.

The September 30, 2018 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements. The Company's significant accounting policies are the same as those applied in the Company's annual financial statements as at and for the year ended December 31, 2017, except for the adoption of new standards and interpretations as of January 1, 2018. All amounts are expressed in Canadian dollars, unless otherwise stated.

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, 2018.

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 on July 12, 2017, the Company changed its name to Providence Gold Mines Inc. 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 primary mineral properties located in California, United States.

1.3 Selected Annual Information

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

	December 31, 2017	December 31, 2016	December 31, 2015
	\$	\$	\$
(a) Total revenues	Nil	Nil	Nil
(b) Total expenses	(655,268)	(195,552)	(266,647)
(c) Net loss	(649,742)	(166,871)	(261,458)
(d) Loss per share basic and diluted	(0.04)	(0.02)	(0.02)
(e) Total current assets	342,179	21,658	59,971
(f) Total long-term liabilities	Nil	Nil	Nil
(g) Cash dividends declared per share	Nil	Nil	Nil

1.4 Results of Operations

1.4.1 Property Activity

Tuolumne Property

On March 28, 2017 the Company entered into an agreement (the "Agreement") with a group of owners, (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 patented and located claims for a total of 22 mining claims.

As consideration for the assignment, the Company will assume all obligations of the Assignors to the Property owner, enter into a Lease/Purchase Agreement with 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 \$250,000 (incurred), the Company will issue an additional 1,500,000 common shares (issued);
- 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\$5,000,000 the Company will issue an additional 1,500,000 common shares.

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

The Company has negotiated the general terms and provisions whereby it 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, the Company is required to pay the Property owners US\$150,000, incur \$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 (paid) and incurring \$250,000 (incurred) of expenditures by March 28, 2018;

- payment of US\$100,000 and incurring an additional \$750,000 of expenditures by March 28, 2019; and
- incurring an additional \$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 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 at any time up to 90 days following commencement of commercial production on the Property.

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.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. 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. The Providence Gold Mines properties are near the town of Tuolumne, California. Access is by a combination of paved and gravel roads. The two main areas known as the Providence and Consuelo, are on the patented lands under option to the Company. According to a 1931 newspaper clipping, production from the Providence Mine between 1901-1912 yielded ore averaging \$18 per ton (gold at \$20/ounce) to a total of \$3,000,000. 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 1,470 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 1,400 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 May 16, 2018, the Company announced the final results of the soil sampling program completed at its Providence Gold Property located in the Eastern Gold Belt of the California Mother Lode Gold District. The results in the now completed phase one program successfully indicated a 2,200 metre long by up to 900 metre wide area in which the Company's 2017 exploration outlined four past producing, north trending, east dipping, gold bearing veins. From east to west the veins are Starr, Providence Extension, Fairplay and Providence. The veins are all part of the Providence Vein System that extends 10 km from the former producing Buchanan Mine in the south to the Soulsby Mine in the north. Within the sampled area, there are several past producing gold mines including the Providence, Consuelo, McCarthy and Bonita. The results of the soil survey are summarized below.

SOIL SAMPLE RESULTS SUMMARY

**PROVIDENCE GOLD MINES INC: BREAKDOWN OF SOIL SAMPLE –
 PROVIDENCE PROPERTY**

Description	# of Samples
Total # Soil Samples Collected	472
Results Breakdown by Grouping Au PPB	
10-14.9	47
15-24.9	35
25-49.9	14
50-99.9	9
>100	15
Total # Samples considered anomalous	120

Maximum Values are as follows:

149 ppb Au	Bonita (Fairplay Vein)
7290 ppb Au	McCarthy Shaft Area (Consuelo-Fairplay Vein)
2456 ppb Au	McCarthy Shaft Area (Consuelo-Fairplay Vein)
1852 ppb Au	Providence Shaft (Fairplay Vein)
114 ppb Au	Phoenix Shaft (Fairplay Vein S)
159 ppb Au	Providence Ext Vein
258 ppb Au	Providence (North)
1776 ppb Au	Providence (South)

The 10 ppb Au in soil contour outlined all four gold bearing vein systems, and potential high-grade shoots within the veins. The Fairplay Vein is overlain by a 2000 metre long by up to 100 metre wide and open along strike gold in soil anomaly. The anomaly overlies the formerly producing Bonita, Consuelo, Providence and Phoenix Mines. Within the anomaly gold values are generally less than 50 ppb Au with occasional spikes from >250 ppb Au to a maximum

of 7,290 ppb Au. Higher grade soil values tend to cluster in the vicinity of the shafts possibly reflecting ground contamination or gold bearing shoots. The Fairplay soil anomaly is best developed on the property in the northernmost 1,200 metres of the Fairplay Vein. To the south the anomaly is less developed with higher values coinciding with samples taken in the vicinity of the Phoenix Shaft. Soil sampling in the northern portion of the projection of the Providence Vein outlined a 350 metre long by up to 50 metre wide soil anomaly with values ranging to 258 ppb Au. Within the anomaly there are several small adits. Approximately 600 metres to the south of the above, limited sampling has outlined a 100 metre long x 25 metre wide and open along strike gold in soil anomaly. Maximum value is a sample assaying 1,776 ppb Au taken from an area of historical drifting.

Sampling in the vicinity of the Providence Extension showed two sites to contain anomalous gold values with one site assaying 159 ppb Au, the other 30 metres to the north assaying 12 ppb Au.

Soil sampling along strike to the north of the formerly producing Star King Mine located on the properties eastern boundary showed a 400 metre long by up to 75 metre wide long anomaly in which the values range between 10 and 25 ppb Au. The soil anomaly appears to merge with the Fairplay Anomaly in the vicinity of the Consuelo Shaft.

Soil samples were collected on a grid using pre-determined GPS points. The grid was oriented with lines striking at 320. Spacing between lines was 50 metres with stations established at 25 metre intervals along the lines. At each site the station was established and a "B Horizon" soil collected using a mattock or shovel at depths ranging from 15 to 30 cm. The samples were placed into kraft paper sample bags, identified and stored in company residences prior to being sent for analysis. All assaying was completed by Bureau Veritas Inspectorate Labs in either Reno, Nevada or Vancouver, Canada. Bureau Veritas Inspectorate Labs has a worldwide ISO 9001 certification for its labs.

On May 10, 2018 the Company announced that preliminary electron probe analysis has identified free gold and electrum (gold-silver amalgam) in thin sections taken from underground rock samples submitted for analysis to the University of British Columbia, Vancouver, B.C. The Company is pleased that these discoveries further support the presence of high-grade native gold mineralization and reinforce the previously reported historical mining production on the prolific property wide Providence Gold Mines system.

On February 12, 2018 the Company announced it has completed and filed on SEDAR an updated NI 43-101 Technical Report for its high-grade gold Motherlode Providence Gold Mines property located near Sonora, California. The following summarizes the report findings. The complete report can be viewed on the SEDAR site. Ron Coombes, President & CEO states "The Company's 2017 exploration program has verified that the Providence Gold property hosts significant high-grade shoots of orogenic gold mineralization and we are excited about the planned upcoming core drill program."

On January 3, 2018 the Company announced that a soil sampling program completed at its Providence Gold Property has outlined several gold in soil anomalies. The anomalies occur along a 1300 metre strike length between the Bonita workings located at the north end of the property and the past producing Providence Gold Mine located to the south. The Company believes these surface anomalies potentially represent existing and new gold bearing shoots. Within the trend, soil samples returned values of up to 7.33 g/t Au that are coincident with the trace of the vein as determined by recently completed surface and underground mapping. The current surface soil sampling highlights are summarized in the following table:

BREAKDOWN OF SOIL SAMPLE RESULTS TO DATE - PROVIDENCE PROPERTY

Description	# of Samples
Total # Soil Samples Collected	451
Assays Received to Date	451

Results Breakdown by Grouping

15-24 ppb Au	39
25-49 ppb Au	18

50-99 ppb Au	9
100-999 ppb Au	14
>1000 ppb or 1gm/t Au	4
Total # Samples considered anomalous	84

Maximum Values are as follows:

7334 ppb Au	McCarthy Shaft Area
2456 ppb Au	McCarthy Shaft Area
1852 ppb Au	Providence Shaft Area
1776 ppb Au	Goldwin

John Kowalchuk P.Geol., stated, "we are very encouraged with these significant gold in soil anomalies as they are located along strike between known mineralized shoots and can be easily accessed by diamond drilling."

The Providence vein system comprises a series of parallel steeply-dipping gold-bearing quartz veins emplaced in deformed and metamorphosed layered rocks of the Palaeozoic Calaveras Complex. The veins contain several steeply-plunging chutes of higher grade mineralization, at least three of which were the target of underground mining activity that still remain viable targets for renewed exploration.

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

2017 Exploration

In 2017, a program consisting of soil sampling, surface and underground mapping and rock chip sampling was undertaken with the purpose of defining the vein systems and locating areas of gold mineralization. The underground work was confined to the Sixth Level. The Sixth Level extends as a drift from the Providence Mine through the Consuelo Zone ultimately accessing the surface.

Although there are several historical former producing gold mines on the property, the available data is limited and as such the Providence Gold Property is classified as an early stage exploration prospect. Reports state that there are areas in the Bonita-Consuelo and Providence Mines hosting potential resources. The only way to determine whether there are any resources will be through drilling. In the Company's opinion, the Providence Gold Property hosts several vein systems that in the past were producing high-grade gold mines. The 2017 exploration data shows that the vein systems host shoots of high-grade material that, according to the historical records are open at depth. The work completed in 2017 outlined several areas of interest that can only be tested through drilling. In addition, the soil sample survey outlined areas of interest requiring additional mapping and sampling prior to drilling.

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

During the Company's continued phase one exploration program its geologists have discovered physical evidence of extensions of parallel gold zones. One adit is believed to be 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.

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. 7m behind 600 drift, 569.5, sample of face of vein in stope from 2980165 to 298063	1.10	6.54
2980141	633 back	1.0	4.16
280161	Small drift approx. 7m 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

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.

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.

Qualified Person

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

1.4.2 Results of Operations

Three Months Ended September 30, 2018

The Company reported a net loss of \$71,049 for the three-month period ended September 30, 2018, as compared to a net loss of \$314,556 for same period of the prior fiscal year.

General and administrative expenses for the three months ended September 30, 2018 totaled \$71,049 (2017 - \$320,082). Accounting and audit related fees were slightly lower than those of the same period of the prior year at \$1,500 (2017 - \$2,215). Amortization was \$480 (2017 - \$461). Finance costs totalled \$31 (2017 - \$484). The Company recorded a foreign exchange gain of \$1,210 (2017 – loss of \$6,882). Office, rent and administration costs were \$18,743 (2017 - \$11,726). Legal and corporate services fees totalled \$10,912 (2017 - \$16,500). Management activities were down by \$63,490 from the prior year, at \$37,679 (2017 - \$101,169). Similarly, shareholder communications costs were down significantly to \$1,777, from \$36,857 in the prior year. During the quarter, the Company recorded transfer agent and listing fees of \$1,137 (2017 - \$3,788).

Nine Months Ended September 30, 2018

The Company reported a net loss of \$243,302 for the nine months ended September 30, 2018, as compared to a net loss of \$423,235 for same period of the prior fiscal year.

General and administrative expenses for the nine months ended September 30, 2018 totaled \$243,302 (2017 - \$428,761). Accounting and audit related fees were higher than those of the same period of the prior year at \$22,774 (2017 - \$6,497). Amortization was \$1,418 (2017 - \$461). Finance costs totalled \$219 (2017 - \$484). The Company recorded a foreign exchange gain of \$5,948 (2017 – loss of \$7,190). Office, rent and administration costs were \$46,822 (2017 - \$18,343) due to an overall increase in business activities. Legal and corporate services fees were in-line with those of the prior year, totalling \$38,869 (2017 - \$36,604). Management activities increased during Q2 and Q3 of 2018 but remained slightly lower than those of the prior year, at \$112,191 (2017 - \$134,503). Shareholder communications costs were down significantly to \$14,619, from \$45,102 in the prior year. During the quarter, the Company recorded transfer agent and listing fees of \$12,338 (2017 - \$29,577), with the reduction due to fewer filings completed during the period.

Financings, Principal Purposes & Milestones

During the period ended September 30, 2018, the Company announced a non-brokered private placement of up to \$1,200,000 through the issuance of up to 8,000,000 units at a price of \$0.15 per unit. Each unit will be comprised of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the holder to purchase one common share of the Company at a price of \$0.25 per share for a period of 2 years. The Exchange's conditional acceptance for the private placement was allowed to expire.

On October 18, 2018, the Company announced that it has arranged a non-brokered private placement of up to \$1,000,000 through the issuance of up to 8,333,333 units ("Units") at a price of \$0.12 per Unit. Each Unit will be comprised of one common share and one common share purchase warrant ("Warrant"), each Warrant will entitle the holder to purchase one common share of Providence Gold at a price of \$0.15 per share for the first year, \$0.20 per share for the second year, and \$0.25 for the third year from the closing date. The Warrants will expire 36 months from the closing date. Finder's fees may be paid in connection with the offering. (See Section 1.10 - Subsequent Events below)

1.5 Summary of Quarterly Results

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

	Q3 <u>30-Sep-18</u>	Q2 <u>30-Jun-18</u>	Q1 <u>31-Mar-18</u>	Q4 <u>31-Dec-17</u>
Total Revenue:	\$ -	\$ -	\$ -	\$ -
Net Loss:				
Total	\$ 71,049	\$ 92,883	\$ 79,370	\$ 226,507
Per share – basic and fully diluted loss	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.03

	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	\$ 0.01	\$ 0.00	\$ 0.00

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.

During the nine months ended September 30, 2018, the Company experienced cash outflows of \$239,370 (2017 - \$322,916) from operating activities. Investing activities used cash of \$123,719 (2017 - \$233,703), which was spent on the Company's Providence Mines Property. Financing activities realized positive cash flows of \$146,257 (2017 - \$Nil) from unsecured, short-term, interest bearing demand loans.

At September 30, 2018, the Company held cash of \$96,179, had a working capital deficit of \$199,919, has not yet achieved profitable operations, has commitments due in the coming fiscal year, and had an accumulated deficit of \$2,221,828 (December 31, 2017 - \$1,978,526) since inception and expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to advance its mineral property interests, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

The Company does not derive any revenues from operations and does not expect to generate any revenues from operations in the foreseeable future. The Company has no material income from operations.

The Company's financial performance is dependent upon many external factors. The Company expects that any revenues it may earn from its operations in the future will be from the sale of minerals. Both prices and markets for metals and minerals are cyclical, difficult to predict, volatile, and impacted by changes in domestic and international political, social and economic environments. In addition, the availability and cost of funds for exploration, development and production are difficult to predict. Changes in events could materially affect the financial performance of the Company.

The Company's mineral exploration activities have provided the Company with no sources of income and a history of losses and deficit positions. However, given the nature of its business, the results of operations as reflected in the net losses and losses per share do not provide meaningful interpretation of the Company's performance and valuation. The Company is dependent on raising funds through the issuance of shares and/or debt instruments or disposing of interests it has in exploration and evaluation assets in order to finance further acquisitions, undertake exploration and development activities on exploration and evaluation assets and meet general and administrative expenses in the long term.

There is no assurance that additional funding will be available to allow the Company to fully explore its exploration and evaluation assets. Failure to obtain financing could result in the delay or indefinite postponement of further exploration and the possible partial or total loss of the Company's interest in certain properties. The Company may be unable to meet its obligations under agreements to which it is a party and the Company may consequently have its interest in the properties subject to such agreements jeopardized. Refer to Note 2(d) of the September 30, 2018 condensed consolidated interim financial statements.

Other than the short-term demand loans described herein, debt financing has not been used to fund the Company's property acquisitions and exploration activities. The Company, other than as stated herein, has no current plans to use long-term debt financing for such transactions and activities. The Company does not have "standby" credit facilities, or off-balance sheet arrangements and it does not use hedges or other financial derivatives.

1.7 Trends

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.

Volatile market conditions and the availability of financing may affect the Company's planned level of activity and development during Fiscal 2018 and beyond.

The Company's general and administrative expenditures are related to the level of financing and exploration activities that are being conducted, which may in turn depend on the Company's exploration prospects, as well as general market conditions relating to the availability of funding for exploration-stage resource companies. The Company does not acquire properties or conduct exploration work on its properties on a pre-determined basis. Thus, there may not be predictable or observable trends in the Company's business activities and comparisons of financial operating results with prior years may not be meaningful.

The Company's working capital will not meet corporate, development, administrative and property obligations for the coming year. As a result, the Company will require additional financing and, while the Company has been successful in raising equity financing through the issuances of common shares in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms. As such, there remains significant doubt as to the Company's ability to continue as a going concern.

Other than as herein disclosed, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect upon the Company's expenses, income from investing, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

1.8 Off Balance Sheet Arrangements

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

1.9 Transactions with Related Parties

During the nine months ended September 30, 2018, the Company entered into the following transactions with related parties:

- a) paid or accrued accounting fees of \$4,500 (2017 - \$4,500) to a company controlled by Gary Arca, a director and officer of the Company;
- b) paid or accrued legal and corporate services fees of \$14,994 (2017 - \$9,000) to companies controlled by Gary Arca, a director and officer of the Company;
- c) paid or accrued office, rent and administration fees of \$13,500 (2017 - \$9,000) to a company controlled by Gary Arca, a director and officer of the Company;
- d) paid or accrued shareholder communication fees of \$4,500 (2017 - \$9,500) to a company controlled by Gary Arca, a director and officer of the Company;
- e) paid or accrued geological consulting fees of \$3,000 (2017 - \$Nil) to a company controlled by John Kowalchuk, a director of the Company, which were capitalized as exploration costs;

- f) paid or accrued management fees of \$22,500 (2017 - \$22,500) to a company controlled by Robert Eadie, a director and officer of the Company;
- g) paid or accrued management fees of \$22,500 (2017 - \$22,500) to a company controlled by Gary Arca, a director and officer of the Company; and,
- h) paid or accrued management fees of \$63,000 (2017 - \$Nil) to a company controlled by Ron Coombes, a director and officer of the Company.

During the period ended September 30, 2018, trade and other payables included \$186,999 (December 31, 2017 - \$121,775) owing to officers and directors and to a company controlled by a director and an officer of the Company for management activities and operational expenses. The amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment. These transactions were in the normal course of operations.

1.10 Subsequent Event

Subsequent to September 30, 2018, the Company announced that it has arranged a non-brokered private placement of up to \$1,000,000 (the "Financing") through the issuance of up to 8,333,333 units (the "Units") at a price of \$0.12 per Unit. Each Unit will be comprised of one common share and one common share purchase warrant ("Warrant"), each Warrant entitle the holder to purchase one common share of the Company at a price of \$0.15 per share for the first year, \$0.20 per share for the second year, and \$0.25 for the third year from the closing date. The Warrants will expire 36 months from the closing date.

The Company may pay finders' fees equal to 8% in cash or shares and 8% in finder's warrants for subscriptions as may be attributable to such finders. Finders' warrants issued to registered dealers or exempt market dealers will be valid for a period of two year, each warrant exercisable into one common share of the Company at a price of \$0.15 per share.

1.11 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 estimates and 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 year 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, if any, included in the tax liabilities.

c) Functional currency

The Company applied judgement in determining its functional currency and the functional currency of its subsidiary. The functional currency was determined based on the currency in which funds are sourced and the degree of dependence on the Company for financial support.

d) Going concern

Management makes an assessment about the Company's ability to continue as a going concern by taking in to account the consideration of the various factors discussed in Note 2 of the Company's December 31, 2017 audited annual consolidated financial statements.

1.12 New Accounting Pronouncements

IFRS 15, Revenue from Contracts with Customers

IFRS 15 specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative and relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers.

IFRS 15 applies to an annual reporting period beginning on or after January 1, 2018. The Company has concluded that IFRS 15 had no impact to the financial statements.

IFRS 9, Financial Instruments – Classification and Measurement

IFRS 9 is a new standard on financial instruments which replaces IAS 39, Financial Instruments: Recognition and Measurement.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has concluded that IFRS 9 had no impact to the financial statements. All of the company's financial assets are short-term and are measured at amortized cost.

FUTURE ACCOUNTING PRONOUNCEMENTS

IFRS 16, Leases

IFRS 16 specifies how an issuer will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has an insignificant value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019. The Company is in the process of determining the impact that these changes will have on its financial statements.

1.13 Financial and Risk Management

Financial Instruments measured at fair value are classified into one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's financial instruments include cash, receivables, trade and other payables, and the short-term demand loans payable.

a) Fair value

The fair value of the Company's cash, receivables, trade and other payables, and the short-term demand loans 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.

b) 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, 2018. 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.

c) 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, 2018 is \$96,179 (December 31, 2017 - \$313,011). As at that date, cash was held at a chartered Canadian financial institution and the Company does not consider the risks to be significant. Receivables are primarily due from a government agency. The Company's exposure to credit risk has not changed significantly from the prior year.

d) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. Additional cash requirements could be met with the issuance of additional share capital, however there is no assurance the Company will be able to raise funds in this manner in the future. As at September 30, 2018, the Company was holding cash of \$96,179 (December 31, 2017 - \$313,011) and had trade and other payables of \$208,359 (December 31, 2017 - \$176,495) and loans payable of \$148,072 (2017 – \$Nil). The Company's trade and other payables and loans payable are due in the short term.

1.14 Outstanding Share Capital as at November 28, 2018:

(a) Authorized and issued share capital:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	23,336,051

(b) Summary of options outstanding:

Security	Number	Number Exercisable	Exercise Price	Expiry Date
Options	1,980,000	1,980,000	\$ 0.16	August 1, 2022

1.15 Controls and Procedures

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109")), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements and the respective accompanying Management's Discussion and Analysis.