



PROVIDENCE GOLD MINES INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Nine Months ended September 30, 2019

(Stated in Canadian Dollars)

(Unaudited)

**NOTICE TO READER OF THE UNAUDITED CONDENSED
CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

The unaudited condensed consolidated interim financial statements for the nine month period ended September 30, 2019 have been prepared by and are the responsibility of the Company's management. These financial statements have not been reviewed or audited by the Company's auditors.

PROVIDENCE GOLD MINES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Stated in Canadian Dollars)



	September 30, 2019 <i>(Unaudited)</i>	December 31, 2018 <i>(Audited)</i>
<u>ASSETS</u>		
Current assets		
Cash	\$ 172,247	\$ 511,692
Accounts receivable	24,813	1,316
Prepaid expenses and advances	70,971	277,968
Total Current assets	268,031	790,976
Non-Current assets		
Equipment, net	8,162	9,629
Exploration and evaluation assets – Note 3	1,968,181	959,617
Total Non-Current assets	1,976,343	969,246
Total Assets	\$ 2,244,374	\$ 1,760,222
<u>LIABILITIES</u>		
Current liabilities		
Trade and other payables – Note 5	\$ 247,553	\$ 75,858
Total Current liabilities	247,553	75,858
<u>EQUITY</u>		
Share capital – Note 4	4,544,048	3,645,023
Advance subscriptions – Note 9	-	205,040
Equity reserve	387,448	89,800
Accumulated deficit	(2,934,675)	(2,255,499)
Total Equity	1,996,821	1,684,364
Total Liabilities and Equity	\$ 2,244,374	\$ 1,760,222

Going concern of operations – Note 1

Subsequent events – Note 9

APPROVED ON BEHALF OF THE DIRECTORS:

<u>“Ronald Coombes”</u> Ronald Coombes	Director	<u>“Thomas Kennedy”</u> Thomas Kennedy	Director
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The accompanying notes form an integral part of these condensed consolidated interim financial statements.

PROVIDENCE GOLD MINES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
(Stated in Canadian Dollars)
(Unaudited)



	For the three months ended		For the nine months ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Expenses:				
Accounting and audit fees – Note 5	14,000	1,500	53,200	22,774
Amortization	484	480	1,463	1,418
Director’s fees	6,000	-	10,000	-
Finance Cost	-	31	-	219
Foreign exchange loss (gain)	(28,043)	(1,210)	5,920	(5,948)
Legal and corporate services – Note 5	8,925	10,912	30,411	38,869
Management activities – Note 5	17,797	37,679	40,340	112,191
Marketing activities	24,677	-	50,043	-
Office, rent and administration – Note 5	16,785	18,743	53,903	46,822
Shareholder communications – Note 5	74,660	1,777	129,793	14,619
Stock-based compensation – Note 5	15,473	-	293,548	-
Transfer agent and filing fees	1,800	1,137	17,013	12,338
Total expenses	(152,558)	(71,049)	(685,634)	(243,302)
Other Income:				
Gain on debt forgiveness – Note 3	6,458	-	6,458	-
Total Other Income	6,458	-	6,458	-
Total loss and comprehensive loss for the period	\$ (146,100)	\$ (71,049)	\$ (679,176)	\$ (243,302)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted average shares outstanding – basic and diluted – Note 7	37,589,839	(23,336,051)	34,465,433	22,748,139

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

PROVIDENCE GOLD MINES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Stated in Canadian Dollars)
(Unaudited)



For the period ended September 30,	2019	2018
Operating Activities:		
Loss for the period	\$ (679,176)	\$ (243,302)
Item not involving cash:		
Amortization	1,463	1,418
Gain on debt forgiveness	6,458	-
Stock-based compensation	293,548	-
Changes in non-cash working capital items:		
Accounts receivable	(23,497)	(9,862)
Prepaid expenses and advances	206,997	(21,303)
Trade and other payables	165,237	33,679
Cash inflows (outflows) from operating activities	(28,970)	(239,370)
Investing Activity:		
Investment in exploration and evaluation assets	(743,201)	(123,719)
Cash outflows from investing activities	(743,201)	(123,719)
Financing Activities:		
Shares issued for cash	629,144	-
Share issued for debt settlement	24,000	-
Share subscriptions received	(205,040)	-
Share issue costs	(15,378)	-
Short-term loans	-	146,257
Cash inflows from financing activities	432,726	146,257
Total increase in cash during the period	(339,445)	(216,832)
Cash, beginning of the period	511,692	313,011
Cash, end of the period	\$ 172,247	\$ 96,179
Supplemental cash flow information:		
Interest paid	\$ -	\$ 1,815
Income taxes paid	\$ -	\$ -
Non-cash investing and financing activities:		
Shares issued for property acquisition	\$ 202,500	\$ 240,000
Shares and warrants issued for finder's fees	\$ 66,959	\$ -
Fair value of options cancelled and expired	\$ 36,127	\$ 1,800
Fair value of options exercised	\$ -	\$ 58,500

The accompanying notes form an integral part of these condensed consolidated interim financial statements.



PROVIDENCE GOLD MINES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Stated in Canadian Dollars)
(Unaudited)

	Number of Shares Outstanding	Share capital	Equity reserve	Advance share subscriptions received	Accumulated deficit	Total equity
Balance – December 31, 2017	21,836,051	\$ 2,529,950	\$ 193,664	\$ -	\$ (1,978,526)	\$ 745,088
Common share issued pursuant to:						
-Property acquisition – at \$0.16	1,500,000	240,000	-	-	-	240,000
Options cancelled	-	1,800	(1,800)	-	-	(243,302)
Net loss for the period	-	-	-	-	(243,302)	(243,302)
Balance – September 30, 2018	23,336,051	\$ 2,771,750	\$ 191,864	\$ -	\$ (2,221,828)	\$ 741,786
Balance – December 31, 2018	30,216,518	\$ 3,645,023	\$ 89,800	\$ 205,040	\$ (2,255,499)	\$ 1,684,364
Common shares issued pursuant to:						
- debt settlement – at \$0.12	200,000	24,000	-	-	-	24,000
- private placement – at \$0.12	5,242,866	625,044	4,100	(205,040)	-	424,104
- property acquisition – at \$0.135	1,965,620	265,359	-	-	-	265,359
Stock-based compensation	-	-	293,548	-	-	293,548
Share issue costs:						
- filing fees	-	(15,378)	-	-	-	(15,378)
Net loss for the year	-	-	-	-	(679,176)	(679,176)
Balance – September 30, 2019	37,625,004	\$ 4,544,048	\$ 387,448	\$ -	\$ (2,934,675)	\$ 1,996,821

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

PROVIDENCE GOLD MINES INC.

Notes to the Condensed Consolidated Interim Financial Statements
September 30, 2019 and 2018
(Stated in Canadian Dollars)
(Unaudited)

**Note 1 Nature and Continuance of Operations**

Providence Gold Mines Inc. (the “Company”) was incorporated on February 16, 2010 under the Business Corporations Act of British Columbia as 0874036 BC Ltd. It commenced operations on April 18, 2011, 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. The Company is in the process of exploring and evaluating its mineral property located in California, United States.

The Company’s principal business activity is mineral exploration. It is a public company which trades on the TSX Venture Exchange (“TSX-V”) under the trading symbol “PHD” as a Tier 2 issuer. The address of the Company’s corporate office and principal place of business is 501 – 595 Howe Street, Vancouver, British Columbia, Canada.

These condensed consolidated financial statements have been prepared on the assumption that the Company will realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2019, the Company has an accumulated deficit of \$2,934,675 and has generated negative cash flows from operations. Management cannot provide assurance that the Company will achieve profitable operations or become cash flow positive, or raise additional funds via equity issuances or debt instruments. Its ability to continue as a going concern depends upon whether it develops profitable operations and continues to raise adequate financing. These factors cast significant doubt on the Company’s ability to continue as a going concern.

As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures.

There can be no assurance that the Company will be able to raise the funds necessary to continue future operations. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the condensed consolidated interim statements of financial position. The condensed consolidated interim financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

Note 2 Basis of Preparation**a) Statement of Compliance**

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. As a result, certain disclosures included in the annual financial statements prepared in accordance with IFRS have been condensed or omitted. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company’s audited consolidated annual financial statements for the year ended December 31, 2018. In preparation of these condensed consolidated interim financial statements, the Company has consistently applied the same accounting policies as disclosed in note 3 to the audited consolidated annual financial statements for the year ended December 31, 2018, except for the adoption of new standards and interpretations as of January 1, 2019 described below.

These unaudited condensed consolidated interim financial statements were approved by the Board of Directors on November 28, 2019.

PROVIDENCE GOLD MINES INC.

Notes to the Condensed Consolidated Interim Financial Statements
September 30, 2019 and 2018
(Stated in Canadian Dollars) - Page 2
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Note 2 **Basis of Preparation (cont'd)**

b) Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiary, which is any entity controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity; is exposed to variable returns in connection with its interest in the entity; and a linkage exists between this power and exposure to variable returns. Subsidiaries are included in the consolidated financial results of the Company from the effective date of acquisition up to the effective date of disposal or loss of control. The Company has one subsidiary, Providence Gold Mines (US) Inc., which was incorporated in United States of America on to carry out United States operations.

All intra-group transactions, balances, income and expenses are eliminated, in full, on consolidation.

c) Changes in and future accounting standards

New accounting standards adopted effective January 1, 2019:

IFRS 16 Leases

The Company adopted IFRS 16 - Leases ("IFRS 16") on January 1, 2019. The objective of the new standard is to eliminate the classification of leases as either operating or financing leases for a lessee and report all leases on the statement of financial position. The only exemption to this will be for leases that are one year or less in duration or for leases of assets with low values. Under IFRS 16 a lessee is required to recognize a right-of-use asset, representing its right to use the underlying asset, and a lease liability, representing its obligations to make lease payments. IFRS 16 also changes the nature of expenses relating to leases, as lease expenses previously recognized for operating leases are replaced with depreciation expense on capitalized right-of-use assets and finance or interest expense for the corresponding lease liabilities associated with the capitalized right-of-use leased assets.

The Company adopted IFRS 16 using the modified retrospective approach and did not restate comparative amounts for the year prior to first adoption. As the Company has a short term office lease of less than 12 months with no purchase option and no other leases, no lease liability or right to use assets were recognized at January 1, 2019. The Company's accounting for office leases remained substantially unchanged.

The following leases accounting policies have been applied as of January 1, 2019 on adoption of IFRS 16. For comparative periods prior to 2019, the Company applied leases policies in accordance with IAS 17, Leases and IFRS 4, Determining Whether an Arrangement Contains a Lease.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assesses whether the contract involves the use of an identified asset, whether it has the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if it has the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

PROVIDENCE GOLD MINES INC.

Notes to the Condensed Consolidated Interim Financial Statements

September 30, 2019 and 2018

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(Unaudited)



Note 2 **Basis of Preparation** (cont'd)

c) Changes in and future accounting standards (cont'd)

New accounting standards adopted effective January 1, 2019: (cont'd)

IFRS 16 Leases (cont'd)

As a lessee, the Company recognizes a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain measurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, the incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in the Company's estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit.

As part of the initial application of IFRS 16, the Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

The Company adopted IFRS 16 as at January 1, 2019 in accordance with the transitional provisions outlined in the standard, using a cumulative catch-up approach where it has recorded leases from that date forward and have not restated comparative information.

PROVIDENCE GOLD MINES INC.

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**Note 2 Basis of Preparation (cont'd)**c) Changes in and future accounting standards (cont'd)**New accounting standards adopted effective January 1, 2019:** (cont'd)*IFRIC 23 Uncertainty over Income Tax Treatments*

IFRIC 23, Uncertainty over Income Tax Treatments, provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires: (a) an entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution; (b) an entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and (c) if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. The adoption of this standard did not have any impact on the Company's condensed consolidated interim financial statements.

Note 3 Exploration and Evaluation Assets

	Tuolumne Property
Acquisition Costs:	
Balance, December 31, 2017	\$ 240,125
Mineral Lease & Joint Venture Agreement	33,562
1,500,000 common shares at \$0.16	240,000
Balance, December 31, 2018	513,687
Mineral Lease & Joint Venture Agreement	67,280
1,500,000 common shares at \$0.135	202,500
465,620 common shares at \$0.135	62,859
Balance, September 30, 2019	846,326
Exploration Costs:	
Balance, December 31, 2017	\$ 327,756
Geological costs	44,056
Field cost	55,311
Mapping and Reports	429
Permits and taxes	5,067
Sample analysis	13,311
Balance, December 31, 2018	445,930
Geological costs	74,008
Field cost	531,055
Mapping and Reports	55,365
Permits and taxes	5,466
Sample analysis	10,031
Balance, September 30, 2019	1,121,855
Exploration and evaluation assets, December 31, 2018	\$ 959,617
Exploration and evaluation assets, September 30, 2019	\$ 1,968,181

PROVIDENCE GOLD MINES INC.

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Note 3 Exploration and Evaluation Assets (cont'd)

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, USA (the “Property”) with a history of gold mineralization (the “Transaction”).

The Property includes six parcels and thirteen 20-acre mining claims. The Assignors have also staked a further nine claims contiguous to the existing claims for a total of 6 patented and 22 located 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 of 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 (completed), 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 (issued);
- 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 issuances, 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:

- a) payment of US\$25,000 following regulatory approval (paid);
- b) payment of US\$25,000 (paid) and incurring \$250,000 (incurred) of expenditures by March 28, 2018;
- c) payment of US\$100,000 (\$50,000 paid) and incurring an additional \$750,000 of expenditures by March 28, 2019 (incurred); and
- d) 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, the Company issued the finders 230,000 shares as a finder’s fee during the year ended December 31, 2017, with a further 465,620 shares issued during the period ended September 30, 2019.

PROVIDENCE GOLD MINES INC.

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September 30, 2019 and 2018
(Stated in Canadian Dollars) - Page 6
(Unaudited)



Note 3 Exploration and Evaluation Assets (cont'd)

Tuolumne Property (cont'd)

During the period ended September 30, 2019, the Company received letters of extension regarding its year 2 property commitments as follows: (i) exploration expenditures of \$750,000 (incurred) required to be incurred on or before March 28, 2019 are now required to have been incurred by October 31, 2019; (ii) share issuances of 1,500,000 common shares (issued) after completing the recommended second year work program of at least \$750,000 are required on or before October 31, 2019; (iii) the required payment of US\$100,000 to the Property owners has been amended such that US\$50,000 (paid) was paid upon the execution of the extension agreement and the remaining US\$50,000 is due on or before October 15, 2019; and (iv) the issuance of 465,620 finder's fee shares (issued) to be issued after the Company meets its commitments in year 2 were issued on or before May 31, 2019.

During the period ended September 30, 2019, the Company recorded the forgiveness of \$6,458 (2018 - \$nil) of debt associated with property exploration costs.

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 matters related to any of its current or former properties that may result in a material liability to the Company.

Note 4 Share Capital and Equity Reserve

a) Common Shares

The Company is authorized to issue an unlimited number of no par value common shares, issuable in series. The holders of common shares are entitled to one vote per share at meetings of the Company and to receive dividends, which may be declared from time-to-time.

No dividends have been declared by the Company since its inception. All shares are ranked equally with regard to the Company's residual net assets.

Issuances for Cash

On January 3, 2019, the Company closed the second tranche of a non-brokered private placement for proceeds of \$223,040 through the issuance of 1,858,666 Units at a price of \$0.12 per Unit. Each Unit is comprised of one common share and one common share purchase warrant entitling the holder to purchase one common share of the Company for period of three years, at a price of \$0.15 in year one, \$0.20 in year two and \$0.25 in year three. The fair value of the shares was equal to the proceeds raised in the private placement and as a result, no amount was allocated as the fair value of the warrants.

PROVIDENCE GOLD MINES INC.

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**Note 4 Share Capital and Equity Reserve (cont'd)**a) Common Shares (cont'd)

On May 29, 2019, the Company closed a non-brokered private placement for proceeds of \$406,104 through the issuance of 3,384,200 Units at a price of \$0.12 per Unit. Each Unit is comprised of one common share and one common share purchase warrant entitling the holder to purchase one common share of the Company for period of three years, at a price of \$0.15 in year one, \$0.20 in year two and \$0.25 in year three. The fair value of the shares was equal to the proceeds raised in the private placement and as a result, no amount was allocated as the fair value of the warrants. Finder's fees paid in connection with the financing were comprised of cash of \$8,006 and 66,720 finder's warrants entitling the holder to purchase one common share of the Company for period of two years at a price of \$0.15 per common share. Share issue costs include \$4,100 calculated as the fair value of the finder's warrants.

During the period ended September 30, 2019, the Company issued an additional 1,500,000 common shares valued at \$0.135 per share pursuant to the Tuolumne Property acquisition (Note 3). These shares are valued at market value on the date of issue of \$202,500 and have been reflected as non-cash investing and financing activities in the statement of cash flows. Exploration and evaluation assets include \$202,500 of cost for the fair value of the shares. 750,000 of these shares were issued to a company controlled by an individual who is a director and officer of the Company.

An aggregate of 465,620 common shares were issued as a finder's fee to a finder for their efforts to complete the Tuolumne Property acquisition transaction (Note 3). Exploration and evaluation assets include \$62,859 of cost for the fair value of the shares based on the market value on the date of issue.

b) Share Purchase Warrants

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

	For the Period Ended September 30, 2019		For the Year Ended December 31, 2018	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Opening balance	6,276,491	\$ 0.20	3,445,700	\$ 0.25
Issued	5,309,586	0.20	6,276,491	0.20
Expired	-	-	(3,445,700)	0.25
Ending balance	11,586,077	\$ 0.20	6,276,491	\$ 0.20

At September 30, 2019, the following share purchase warrants were outstanding:

	Expiry Date	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life
Finder's warrants	May 29, 2021	66,720	\$ 0.15	1.66 years
Warrants	December 11, 2021	6,056,627	\$ 0.20	2.20 years
Finder's warrants	December 11, 2021	219,864	\$ 0.20	2.20 years
Warrants	January 3, 2022	1,858,666	\$ 0.20	2.26 years
Warrants	May 29, 2022	3,384,200	\$ 0.20	2.66 years

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**Note 4 Share Capital and Equity Reserve (cont'd)**

- c) The Company, in accordance with the policies of the TSX-V, is authorized to grant stock options to directors, officers, employees and service providers to acquire up to 10% of common shares outstanding (the "Plan").

Under the Plan, options may be granted at, not less than the discounted market price of the Company's common shares as defined by the TSX-V on the day preceding the grant for a maximum term of 5 years. No amounts are paid or payable by the recipient upon the grant of options and the options are not dependent on any performance-based criteria. Vesting of stock options is at the discretion of the Board but generally options will vest when granted except where granted for investor relations activities which vest, and may be exercised, in accordance with the Plan's vesting provisions as to 1/4 of the options each 3 months.

Stock option transactions are summarized for the years ended September 30, 2019 and December 31, 2018.

	For the Period Ended September 30, 2019		For the Year Ended December 31, 2018	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	950,000	\$ 0.16	2,000,000	\$ 0.16
Granted	2,900,000	0.15	-	-
Exercised	-	-	(650,000)	0.16
Expired/cancelled	(400,000)	0.15	(400,000)	0.16
Ending balance	3,450,000	\$ 0.15	950,000	\$ 0.16

Weighted Average Exercise Price	Expiry Date	Number Outstanding	Number Exercisable	Weighted Average Remaining Contractual Life
\$0.16	August 1, 2022	950,000	950,000	2.84 years
0.15	February 7, 2024	1,700,000	2,000,000	4.36 years
0.15	May 2, 2024	300,000	300,000	4.59 years
0.15	July 18, 2024	600,000	600,000	4.80 years

During the nine months ended September 30, 2019, the Company recorded stock-based compensation totaling \$293,548 (2018 - \$nil) in relation to the stock options, which was expensed as stock-based compensation in operations.

The weighted average measurement date fair value of stock options granted during the period has been estimated at \$0.12 per option using the Black-Scholes option pricing model based on the following weighted average assumptions:

Stock price	\$0.09-0.13
Exercise price	\$0.15
Dividend rate	0%
Expected life	5 Years
Expected annual volatility	161.1 – 187.2%
Risk-free rate	1.40 - 1.78%

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**Note 5 Related Party Transactions**

The following is a summary of charges incurred by the Company with related parties for the years ended September 30, 2019 and 2018:

Period ended September 30,	2019	2018
Accounting fees	\$ 12,000	\$ 4,500
Director's fees	10,000	-
Legal and corporate services	30,000	14,994
Management fees*	281,411	108,000
Office, rent and administration	-	13,500
Shareholder communications	-	4,500
Geological costs (Note 3)	114,667	3,000
Total	\$ 448,078	\$ 148,494

*Includes stock-based payments expense of \$263,411 (2018 - \$nil) (see Note 4(c)).

During the period ended September 30, 2019, the Company incurred operational expenses totalling \$18,000 (2018 - \$37,494) from companies controlled by a director and officer of the Company.

Key management personnel compensation

During the period ended September 30, 2019, the Company incurred compensation costs of \$70,000 (2018 - \$108,000) and share-based payments of \$263,411 (2018 - \$nil) for its key management personnel. Key management personnel are comprised of the Company's directors and/or officers.

During the period ended September 30, 2019, the Company incurred geological costs of \$114,667 (2018 - \$3,000) capitalized as exploration costs (Note 3). The amount was paid to a director and officers of the Company.

During the period ended September 30, 2019 trade and other payables included \$122,866 (December 31, 2018 - \$50,549) owing to officers and directors and to a company controlled by a director and officer of the Company for management activities and operational expenses.

Note 6 Segmented Reporting

The Company is organized into business units based on exploration and evaluation assets and has two reportable operating segments, being that of acquisition and E&E activities in Canada and in the United States. A summary of the segmented assets as at September 30, 2019 and 2018, and the Company's loss and comprehensive loss for the periods ended September 30, 2019 and 2018 is as follows:

	United States	Canada	September 30, 2019 Total
Loss for the period	\$ (27,191)	\$ (651,985)	\$ (679,175)
Exploration and evaluation assets	1,968,181	-	1,968,181
Segment assets	1,999,773	244,642	2,244,374

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**Note 6 Segmented Reporting (cont'd)**

	United States	Canada	September 30, 2018 Total
Loss for the period	\$ (9,272)	\$ (162,981)	\$ (172,253)
Exploration and evaluation assets	911,042	-	911,042
Segment assets	981,017	\$ 45,721	1,026,738

Note 7 Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholders' equity as capital. 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. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, sell assets to reduce debt or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

There have been no changes in the Company's approach to capital management during the period ended September 30, 2019.

Note 8 Financial Instruments

As at September 30, 2019, the Company's financial instruments consist of cash and trade and other payables.

a) Fair Value

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 — Fair value measurements are derived from quoted prices in active markets or identical assets or liabilities;

Level 2 - Fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Fair value measurements are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data

The fair value of the Company's trade and other payables approximate their carrying value, which is the amount on the statements of financial position, due to their short-term maturities. The Company's cash is measured at its fair value in accordance with level 1 of the fair value hierarchy.

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Note 8 **Financial Instruments (cont'd)**

b) Interest Rate Risk

The Company's cash earns interest at a variable interest rate. Because of the nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of September 30, 2019. 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, 2019 is \$172,247 (December 31, 2018 - \$511,692). As at that date, cash was held at a chartered Canadian financial institution and the Company does not consider the risks to be significant. 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. 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, 2019, the Company was holding cash of \$172,247 (December 31, 2018 - \$511,692) and had trade and other payables of \$247,553 (December 31, 2018 - \$75,858). The Company's trade and other payables are due within twelve months of period end.

Note 9 **Subsequent events**

Subsequent to September 30, 2019, the Company:

- a) had a total of 100,000 incentive stock options priced at \$0.15 expire unexercised; and,
- b) entered into an agreement permitting the re-processing of stockpiles on its Providence Mines, located in Tuolumne County, California. The Company will pay a net profit interest (NPI) of 10% to the Ellers Family Trust for such processing or reprocessing of stockpiles.