



PROVIDENCE GOLD MINES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 2021 and 2020

(Stated in Canadian Dollars)

Unaudited – Prepared by Management

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

PROVIDENCE GOLD MINES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
 Unaudited – Prepared by Management
 (Stated in Canadian Dollars)



	September 30, 2021	December 31, 2020
<u>ASSETS</u>		
Current assets		
Cash	\$ 155,090	\$ 514,455
Accounts receivable	3,701	4,340
Prepaid expenses and advances	38,291	54,287
Total current assets	197,082	573,082
Non-current assets		
Equipment, net	4,342	5,720
Right-of-use asset – Note 6	11,292	36,708
Exploration and evaluation assets – Note 5	2,560,598	2,323,383
Total non-current assets	2,576,232	2,365,811
Total Assets	\$ 2,773,314	\$ 2,938,893
<u>LIABILITIES</u>		
Current liabilities		
Trade and other payables – Note 8	\$ 37,630	\$ 35,704
Lease liability – Note 6	11,561	34,450
Total current liabilities	49,191	70,154
Non-current liabilities		
Lease liability – Note 6	-	2,934
Total liabilities	49,191	73,088
<u>EQUITY</u>		
Share capital – Note 7	6,099,940	5,834,604
Equity reserves – Note 7	781,508	748,224
Accumulated deficit	(4,157,325)	(3,717,023)
Total Equity	2,724,123	2,865,805
Total Liabilities and Equity	\$ 2,773,314	\$ 2,938,893

Nature of Operations and Going Concern – Note 1

Subsequent Event – Note 12

APPROVED ON BEHALF OF THE DIRECTORS:

 “*Ronald Coombes*” Director
 Ronald Coombes

 “*Thomas Kennedy*” Director
 Thomas Kennedy

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
Unaudited – Prepared by Management
(Stated in Canadian Dollars)



	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Expenses:				
Accounting and audit fees – Note 8	\$ 15,000	\$ 18,183	\$ 49,545	\$ 46,454
Amortization – Note 6	8,934	489	26,794	1,489
Consulting fees – Note 8	37,828	29,000	84,408	73,000
Foreign exchange	5	(1,371)	4,595	(1,133)
Legal and corporate services – Note 8	5,396	13,069	19,329	28,802
Management fees – Note 8	12,000	12,000	36,000	36,000
Marketing	25,000	6,000	51,000	6,000
Office, rent and administration	12,555	15,474	69,974	31,357
Shareholder communications	625	39,620	37,517	84,380
Stock-based payments – Notes 7 and 8	-	243,800	32,300	243,800
Transfer agent and filing fees	12,166	5,098	28,054	11,721
Total expenses	(129,509)	(381,362)	(439,516)	(561,870)
Other Items:				
Interest on lease liabilities	(176)	-	(786)	-
Total other items	(176)	-	(786)	-
Net loss and comprehensive loss for the period	\$ (129,685)	\$ (381,362)	\$ (440,302)	\$ (561,870)
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average shares outstanding – basic and diluted	57,965,960	51,521,091	56,037,312	42,842,303

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
Unaudited – Prepared by Management
(Stated in Canadian Dollars)



	Nine Months Ended	
	September 30,	
	2021	2020
Operating Activities:		
Net loss for the period	\$ (440,302)	\$ (561,870)
Items not involving cash:		
Amortization	26,794	1,489
Interest on lease liabilities	786	-
Stock-based payments	32,300	243,800
Changes in non-cash working capital items:		
Accounts receivable	639	17,922
Prepaid expenses and advances	15,996	(37,043)
Trade and other payables	1,925	(160,375)
Cash outflows from operating activities	(361,862)	(496,077)
Investing Activity:		
Investment in exploration and evaluation assets	(237,215)	(107,445)
Cash outflows from investing activities	(237,215)	(107,445)
Financing Activities:		
Shares issued for cash	270,520	1,321,560
Share issue costs	(4,200)	(35,028)
Payments on lease liability	(26,608)	-
Cash inflows from financing activities	239,712	1,286,532
Change in cash	(359,365)	683,010
Cash, beginning	514,455	27,829
Cash, end	\$ 155,090	\$ 710,839
Supplemental cash flow information:		
Interest paid	\$ -	\$ -
Non-cash investing and financing activities:		
Allocated from share capital to equity reserves relating to unit warrants from a private placement	\$ -	\$ 4,250
Exploration and evaluation assets additions in accounts payable	\$ -	\$ 882
Shares issued for property acquisition	\$ -	\$ 120,000
Shares and warrants issued for finder's fees	\$ 984	\$ 20,200

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
 Unaudited – Prepared by Management
 (Stated in Canadian Dollars)

	Number of Shares Outstanding	Share capital	Equity reserves	Advance share subscriptions received	Accumulated deficit	Total equity
Balance – December 31, 2019	37,625,004	\$ 4,442,522	\$ 479,974	\$ 10,000	\$ (2,973,821)	\$ 1,958,675
Common shares issued pursuant to:						
- private placements	16,432,000	1,327,310	4,250	(10,000)	-	1,321,560
- property acquisition	1,000,000	120,000	-	-	-	120,000
Stock-based payments	-	-	243,800	-	-	243,800
Share issue costs	-	(55,228)	20,200	-	-	(35,028)
Net loss for the period	-	-	-	-	(561,870)	(561,870)
Balance – September 30, 2020	55,057,004	\$ 5,834,604	\$ 748,224	\$ -	\$ (3,535,691)	\$ 3,047,137
Balance – December 31, 2020	55,057,004	\$ 5,834,604	\$ 748,224	\$ -	\$ (3,717,023)	\$ 2,865,805
Common shares issued pursuant to:						
- private placement	3,864,571	270,520	-	-	-	270,520
Stock-based payments	-	-	32,300	-	-	32,300
Share issue costs	-	(5,184)	984	-	-	(4,200)
Net loss for the period	-	-	-	-	(440,302)	(440,302)
Balance – September 30, 2021	58,921,575	\$ 6,099,940	\$ 781,508	\$ -	\$ (4,157,325)	\$ 2,724,123

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, 2021 and 2020
(Stated in Canadian Dollars)



Note 1 **Nature of Operations and Going Concern**

Providence Gold Mines Inc. (the “Company”) was incorporated on February 16, 2010 under the Business Corporations Act of British Columbia. It commenced operations on April 18, 2011. 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 and trades on the OTCQB market under the trading symbol “PRRVF”. 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 interim 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, 2021, the Company has an accumulated deficit of \$4,157,325 and has experienced 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.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. To date, the potential economic effects within the Company’s environment and in the global markets, possible disruption in supply chains, and measures introduced and being introduced at various levels of government to curtail the spread of the virus (such as travel restrictions, closures of non-essential municipal and private operations, imposition of quarantines and physical distancing) have not had a material impact on the Company’s operations. Nevertheless, going forward these measures could have a material impact on the Company or the Company’s suppliers. The extent of the impact of this outbreak and related containment measures on the Company’s future operations cannot be reliably estimated at the date of these condensed consolidated interim financial statements.

These events and conditions create a material uncertainty that may 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.

PROVIDENCE GOLD MINES INC.

Notes to the Condensed Consolidated Interim Financial Statements
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(Stated in Canadian Dollars)



Note 2 **Basis of Preparation**

a) Statement of Compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. These condensed consolidated interim financial statements were approved for issue by the Board of Directors on November 12, 2021.

These condensed interim consolidated financial statements do not include all the information required for full annual financial statements and, accordingly, should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2020.

These condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiary. The Company’s subsidiary is Providence Gold Mines (US) Inc., which was incorporated in the United States of America. A subsidiary 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 condensed consolidated interim financial results of the Company from the effective date of acquisition up to the effective date of disposal or loss of control.

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

b) Basis of presentation

The Company and its subsidiary each have a functional currency of Canadian dollars, which is also the presentation currency for the condensed consolidated interim financial statements.

These condensed consolidated interim financial statements have been prepared using the historic cost convention, except for financial instruments measured at fair value. These condensed consolidated interim financial statements are also prepared using the accrual basis of accounting, except for cash flow information.

Note 3 **Summary of Significant Accounting Policies**

In preparation of these condensed consolidated interim financial statements, the Company has consistently applied the same accounting policies as disclosed in the audited consolidated annual financial statements for the year ended December 31, 2020.

New standards, interpretations and amendments adopted during the period

A number of new standards, amendments to standards and interpretations are not yet effective as of September 30, 2021 and have therefore not been applied in preparing these condensed consolidated interim financial statements. None are expected to have a material effect on the financial statements of the Company.

PROVIDENCE GOLD MINES INC.

Notes to the Condensed Consolidated Interim Financial Statements
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Note 4 Critical Accounting Estimates and Judgments

The Company makes estimates and judgments about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgments.

The effect of a change in accounting estimate is recognized prospectively by including it in the Company's profit or loss in the period of the change, if it affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical estimates and judgments made in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed consolidated interim financial statements within the next financial year are discussed below:

a) Exploration and Evaluation Expenditures

The application of the Company's accounting policy for E&E expenditures requires judgment in determining whether indicators of impairment exist. Judgments and assumptions made may change if 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) Functional Currency

The Company applied judgment 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, by the subsidiary, for financial support.

d) Going Concern

Management makes a judgment about the Company's ability to continue as a going concern by taking into account the consideration of the various factors discussed in Note 1.

PROVIDENCE GOLD MINES INC.

Notes to the Condensed Consolidated Interim Financial Statements
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(Stated in Canadian Dollars)

**Note 5 Exploration and Evaluation Assets**

	Tuolumne Property
Acquisition Costs:	
Balance, December 31, 2019	850,955
1,000,000 common shares at \$0.12	120,000
Balance, December 31, 2020 and September 30, 2021	970,955
Exploration Costs:	
Balance, December 31, 2019	1,177,392
Claims maintenance	4,742
Geological costs – Note 8	119,359
Field costs	48,096
Sample analysis	2,839
Balance, December 31, 2020	1,352,428
Claims maintenance	4,570
Equipment rental	15,580
Geological costs – Note 8	129,722
Field costs	54,531
Sample analysis	32,812
Balance, September 30, 2021	1,589,643
Exploration and evaluation assets, December 31, 2020	\$ 2,323,383
Exploration and evaluation assets, September 30, 2021	\$ 2,560,598

Tuolumne Property

On March 28, 2017, the Company entered into an agreement (the “Agreement”) with Richard Ellers Family Trust, (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 9 claims contiguous to the existing claims for a total of 6 patented and 22 located mining claims.

PROVIDENCE GOLD MINES INC.

Notes to the Condensed Consolidated Interim Financial Statements
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Note 5 **Exploration and Evaluation Assets (cont'd)**

Tuolumne Property (cont'd)

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 (completed), the Company will issue an additional 1,500,000 common shares (issued); and
- 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.

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 (US\$53,500 paid – amended below) 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 (amended below).

During the year ended December 31, 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 to be issued 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 US\$53,500) was paid upon the execution of the extension agreement and the remaining US\$50,000 is due on or before October 15, 2019 (amended below); and (iv) the issuance of 465,620 finder's fee shares (issued) to be issued after the Company meets its commitments in year 2 on or before May 31, 2019.

During the year ended December 31, 2020, the Company entered into a second amended agreement whereby the Company will issue 1,000,000 common shares for all past due lease payments (issued at a fair value of \$120,000) and will issue a further 200,000 common shares upon the commencement of the Company's planned 3,900m drill program on the property. The Company will also be committed to incur \$500,000 each year for 5 years beginning in 2021. If the Company does not incur the committed expenditures in any such one-year period, the Company can pay US\$25,000 in lieu of the committed expenditures.

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Notes to the Condensed Consolidated Interim Financial Statements
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**Note 5 Exploration and Evaluation Assets (cont'd)****Tuolumne Property (cont'd)**

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.

During the year ended December 31, 2019, the Company entered into an agreement permitting the re-processing of stockpiles on its Providence Mines. The Company will pay a net profit interest (NPI) of 10% to the Ellers Family Trust for such processing or reprocessing of stockpiles.

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 disturbances 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 6 Lease**Lease**

The Company leases office space on a term of 24 months, which commenced on February 1, 2020. The leased office has been recorded as a right-of-use asset (“ROU asset”) with a corresponding lease liability as follows:

ROU Asset

ROU asset is presented in the condensed consolidated statements of interim financial position under non-current assets.

		Office Lease
Balance at December 31, 2019	\$	-
Additions		67,768
Amortization		(31,060)
Balance at December 31, 2020		36,708
Amortization		(25,416)
Balance at September 30, 2021	\$	11,292

PROVIDENCE GOLD MINES INC.

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**Note 6** **Lease (cont'd)****Lease Liability**

Lease liability is presented in the statement of financial position as follows:

		Office Lease
Balance at December 31, 2019	\$	-
Additions		67,768
Lease payments		(30,384)
Balance at December 31, 2020		37,384
Lease payments		(25,823)
Balance at September 30, 2021	\$	11,561

During the period ended September 30, 2021, \$464 of interest expense is included in the lease payments, and classified as interest expense in profit and loss.

		2021
Current liabilities	\$	11,561
	\$	11,561

Note 7 **Share Capital and Equity Reserves**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.

During the period ended September 30, 2021, the Company closed a non-brokered private placement for 3,864,571 common shares at \$0.07 per share for gross proceeds of \$270,520. Finder's fees paid in connection with the financing were comprised of cash of \$4,200 and 60,000 finder's warrants entitling the holder to purchase one common share of the Company for a period of one year at a price of \$0.15 per common share. Share issue costs include \$984 calculated as the fair value of the finder's warrants.

The fair value of finder's warrants above was determined to be \$0.02 per warrant using the Black-Scholes option pricing model with the following assumptions:

Stock price	\$0.07
Exercise price	\$0.15
Dividend rate	0%
Expected life	1 Year
Expected annual volatility	114.89%
Risk-free rate	0.39%

PROVIDENCE GOLD MINES INC.

Notes to the Condensed Consolidated Interim Financial Statements
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**Note 7 Share Capital and Equity Reserves (cont'd)**a) Share Purchase Warrants

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

	For the Period Ended September 30, 2021		For the Year Ended December 31, 2020	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Opening balance	28,453,163	\$ 0.17	11,586,077	\$ 0.20
Issued	60,000	-	16,909,750	0.15
Expired	(16,976,470)	0.15	(42,664)	0.15
Ending balance	11,536,693	\$ 0.25	28,453,163	\$ 0.17

At September 30, 2021, the following share purchase warrants were outstanding:

	Expiry Date	Number of Warrants	Exercise Price (\$)
Warrants	December 11, 2021	6,056,627	0.25
Finder's warrants	December 11, 2021	177,200	0.25
Warrants	January 3, 2022	1,858,666	0.25
Warrants	May 29, 2022	3,384,200	0.25
Finder's warrants	September 3, 2022	60,000	0.15
Total		11,536,693	

b) Stock Options

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 ¼ of the options each 3 months.

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**Note 7 Share Capital and Equity Reserves (cont'd)**c) Stock Options (cont'd)

Stock option transactions are summarized below:

	For the Period Ended September 30, 2021		For the Year Ended December 31, 2020	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Opening balance	5,175,000	\$ 0.15	3,350,000	\$ 0.15
Granted	475,000	0.12	2,625,000	0.13
Expired/cancelled	(825,000)	0.14	(800,000)	0.15
Ending balance	4,825,000	\$ 0.14	5,175,000	\$ 0.14

Exercise Price (\$)	Expiry Date	Number Outstanding	Number Exercisable
0.16	August 1, 2022	600,000	600,000
0.12	July 13, 2023	1,300,000	1,300,000
0.14	August 6, 2023	1,075,000	1,075,000
0.12	February 2, 2024	400,000	400,000
0.15	February 7, 2024	1,150,000	1,150,000
0.15	May 2, 2024	300,000	300,000
		4,825,000	4,825,000

During the period ended September 30, 2021 the Company granted 475,000 (year ended December 31, 2020 - 1,400,000 and 1,225,000) stock options to directors, officers and consultants exercisable at \$0.12 (year ended December 31, 2020 - \$0.12 and \$0.14) for a period of three years. During the period ended September 30, 2021, the Company recorded stock-based payments totaling \$32,300 (year ended December 31, 2020 - \$243,800) in relation to the stock options, which was expensed as stock-based payments in operations.

The weighted average measurement date fair value of stock options granted during the period ended September 30, 2021 has been estimated at \$0.07 (year ended December 31, 2020 - \$0.09) per option using the Black-Scholes option pricing model based on the following weighted average assumptions:

	Period ended September 30, 2021	Year ended December 31, 2020
Dividend rate	0%	0%
Expected life	3 Years	3 Years
Expected annual volatility	131.35%	133.85%
Risk-free rate	0.20%	0.28%

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**Note 8 Related Party Transactions**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers and members of the Board of Directors.

These transactions were agreed upon by the Board of Directors and were measured at the consideration established and agreed to by the related parties.

During the period ended September 30, 2021 and 2020, the Company incurred:

- accounting fees of \$45,000 (2020 - \$43,750) and corporate services of \$9,405 (2020 - \$10,023) to an accounting firm of which an officer of the Company is a partner.
- consulting fees of \$63,000 (2020 - \$65,000) to a director of the Company.
- management fees of \$36,000 (2020 - \$36,000) to a director of the Company.
- geological costs of \$72,000 (2020 - \$76,340) capitalized as exploration costs. The amounts were paid to directors and officers of the Company.
- share-based payments of \$10,200 (2020 - \$99,246) for its key management personnel.

As at September 30, 2021, trade and other payables included \$9,945 (December 31, 2020 - \$12,269) owing to officers and directors and to a company controlled by a director and officer for management activities and operational expenses.

Note 9 Segmented Reporting

The Company is organized into business units based on exploration and evaluation assets and has one reportable operating segment spread across two geographic locations, being that of acquisition and exploration and evaluation in Canada and in the United States. A summary of the segmented assets as at September 30, 2021 and December 31, 2020, and the Company's loss and comprehensive loss for the nine months ended September 30, 2021 and year ended December 31, 2020 is as follows:

			September 30, 2021
	United States	Canada	Total
Net loss for the period	\$ (3,871)	\$ (436,431)	\$ (440,302)
Exploration and evaluation assets	2,560,598	-	2,560,598
Total segment assets	2,572,981	200,333	2,773,314

			December 31, 2020
	United States	Canada	Total
Net loss for the period	\$ (2,640)	\$ (740,562)	\$ (743,202)
Exploration and evaluation assets	2,323,383	-	2,323,383
Total segment assets	2,340,824	598,069	2,938,893

PROVIDENCE GOLD MINES INC.

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Note 10 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, 2021.

Note 11 Financial Instruments

As at September 30, 2021, 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 amount, which is the amount on the consolidated 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.

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, 2021. 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.

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Note 11 Financial Instruments (cont'd)

(ii) To the extent that changes in prevailing market interest rates differ from the interest rates on the Company's monetary assets and liabilities, the Company is exposed to interest rate fair value 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, 2021 is \$155,090 (December 31, 2020 - \$514,455). 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, 2021, the Company was holding cash of \$155,090 (December 31, 2020 - \$514,455) and had trade and other payables of \$37,630 (December 31, 2020 - \$35,704). The Company's trade and other payables are due within twelve months of year end.

Note 12 Subsequent Event

Subsequent to September 30, 2021 the Company granted 100,000 stock options to a consultant exercisable at \$0.12 for a period of three years.