

**PROVIDENCE GOLD MINES INC.**  
**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the three months ended March 31, 2018**

(Stated in Canadian Dollars)

(Unaudited)

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

The unaudited condensed interim consolidated financial statements for the period ended March 31, 2018 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 INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Stated in Canadian Dollars)  
(Unaudited)

	<b>March 31, 2018</b>	December 31, 2017
<b><u>ASSETS</u></b>		
<b>Current assets</b>		
Cash	\$ 169,310	\$ 313,011
Accounts receivable	15,524	11,375
Prepaid expenses and advances	8,119	17,793
<b>Total Current Assets</b>	<b>192,953</b>	<b>342,179</b>
<b>Non-Current assets</b>		
Equipment, net	11,059	11,523
Exploration and evaluation assets – Note 3	627,486	567,881
<b>Total Non-Current Assets</b>	<b>638,545</b>	<b>579,404</b>
<b>Total Assets</b>	<b>\$ 831,498</b>	<b>\$ 921,583</b>
<b><u>LIABILITIES</u></b>		
<b>Current liabilities</b>		
Trade and other payables – Note 5	\$ 165,780	\$ 176,495
<b><u>EQUITY</u></b>		
Share capital – Note 4	2,529,950	2,529,950
Equity reserve	193,664	193,664
Accumulated deficit	(2,057,896)	(1,978,526)
<b>Total Equity</b>	<b>665,718</b>	<b>745,088</b>
<b>Total Liabilities and Equity</b>	<b>\$ 831,498</b>	<b>\$ 921,583</b>

Subsequent Event – Note 3, 4 & 10

APPROVED ON BEHALF OF THE DIRECTORS:

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

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

<b>For the period ended March 31,</b>	<b>2018</b>	<b>2017</b>
Expenses:		
Accounting and audit fees – Note 5	\$ 4,780	\$ 2,032
Amortization	464	-
Finance cost	154	-
Foreign exchange (gain)	(2,438)	-
Legal and corporate services – Notes 5	22,032	3,000
Management activities – Notes 5	38,137	15,794
Office, rent and administration – Notes 5	3,378	3,124
Shareholder communications – Notes 5	5,958	1,500
Transfer agent and filing fees	6,905	2,445
<b>Total loss and comprehensive loss for the period</b>	<b>(79,370)</b>	<b>(27,895)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
Weighted average shares outstanding – basic and diluted – Note 7	21,836,051	8,372,851

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

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

<b>For the period ended March 31,</b>	<b>2018</b>	<b>2017</b>
Operating Activities:		
Loss for the period	\$ (79,370)	\$ (27,895)
Item not involving cash:		
Amortization	464	-
Changes in non-cash working capital items:		
Accounts receivable	(4,149)	184
Prepaid expenses and advances	9,675	-
Trade and other payables	(10,716)	22,825
Cash outflows from operating activities	<b>(84,096)</b>	(4,886)
Investing Activities:		
Investment in exploration and evaluation assets	<b>(59,605)</b>	-
Total increase (decrease) in cash during the period	<b>(143,701)</b>	(4,886)
Cash, beginning of the period	<b>313,011</b>	20,460
Cash, end of the period	<b>\$ 169,310</b>	\$ 15,574

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

**PROVIDENCE GOLD MINES INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
For the periods ended March 31, 2018 and 2017  
(Stated in Canadian Dollars)  
(Unaudited)

	Number of Shares Outstanding	Share capital	Equity reserve	Accumulated deficit	Total equity
Balance – December 31, 2016	8,372,851	\$ 1,277,317	\$ -	\$ (1,328,784)	\$ (51,467)
Net loss for the period	-	-	-	(27,895)	(27,895)
Balance – March 31, 2017	8,372,851	1,277,317	-	(1,356,679)	(79,362)
Common shares issued pursuant to:					
- private placement - at \$0.10	1,450,000	145,000	-	-	145,000
- private placement - at \$0.10	9,600,000	960,000	-	-	960,000
- agent cost - at \$0.10	98,000	9,800	-	-	9,800
- agent cost - at \$0.10	585,200	58,520	-	-	58,520
- property acquisition - at \$0.10	1,500,000	150,000	-	-	150,000
- agent cost - at \$0.10	230,000	23,000	-	-	23,000
Share issue cost:					
- finder's fee – warrants	-	(11,760)	1,960	-	(9,800)
- finder's fee – warrants	-	(70,224)	11,704	-	(58,520)
- filing fees	-	(11,703)	-	-	(11,703)
Share-based payments	-	-	180,000	-	180,000
Net loss for the period	-	-	-	(621,847)	(621,847)
Balance – December 31, 2017	21,836,051	2,529,950	193,664	(1,978,526)	745,088
Net loss for the period	-	-	-	(79,370)	(79,370)
<b>Balance – March 31, 2018</b>	<b>21,836,051</b>	<b>\$ 2,529,950</b>	<b>\$ 193,664</b>	<b>\$ (2,057,896)</b>	<b>\$ 665,718</b>

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

**PROVIDENCE GOLD MINES INC.**  
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
March 31, 2018 and 2017  
(Stated in Canadian Dollars)  
(Unaudited)

**Note 1**     **Corporate Information**

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 in April 18, 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. The Company is in the process of exploring and evaluating its mineral properties located in, California, United States and British Columbia, Canada.

The Company 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 750 – 580 Hornby Street, Vancouver, British Columbia, Canada.

**Note 2**     **Basis of Preparation**

a) Statement of Compliance

These unaudited condensed interim consolidated financial statements for the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. These condensed interim consolidated financial statements, for the three month period ended March 31, 2018, have been prepared in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting, however, they do not include all of the information required for full annual financial statements.

These condensed interim consolidated financial statements should be read in conjunction with the Company’s 2017 annual financial statements.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on May 24, 2018.

b) Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the parent Company and its subsidiary.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgement in applying the Company’s accounting policies. The Company’s accounting policies and areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Notes 3 and 4 of the Company’s 2017 annual financial statements.

**PROVIDENCE GOLD MINES INC.**

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2018 and 2017

(Stated in Canadian Dollars)

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

c) Basis of consolidation

These consolidated 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 June 20, 2017, to carry out United States operations.

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

d) Going Concern of Operations

The Company has not generated revenue from operations. The Company incurred a loss of \$79,370 during the period ended March 31, 2018, and as of that date, the Company's accumulated deficit was \$2,057,896. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The Company does not have sufficient cash resources to meet its obligations for at least twelve months from the end of the reporting period. While the Company has been successful in obtaining the necessary financing through the issuance of common shares in the past, there is no assurance it will be able to raise funds in this manner in the future and there is significant doubt as to the Company's ability to continue as a going concern. As at March 31, 2018, the Company had \$169,310 in cash, working capital of \$27,173 and no long-term debt.

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.

These consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of operations, and at amounts different from those in the accompanying financial statements.



**PROVIDENCE GOLD MINES INC.**

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2018 and 2017

(Stated in Canadian Dollars)

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**Note 3      Exploration and Evaluation Assets**

	<b>Tuolumne Property</b>
<b>Acquisition Costs:</b>	
Balance, December 31, 2016	\$ -
Cash payments	67,125
1,500,000 common shares at \$0.10	150,000
230,000 finder's fees common shares at \$0.10	23,000
Balance, December 31, 2017 & March 31, 2018	240,125
<b>Exploration Costs:</b>	
Balance, December 31, 2016	-
Geological costs	128,258
Claim maintenance	4,803
Mapping and reports	62,161
Field cost	87,330
Permits and taxes	2,522
Sample analysis	26,288
Staking costs	16,394
Balance, December 31, 2017	327,756
Geological costs (Note 5)	29,964
Field cost	16,330
Sample analysis	13,311
Balance, March 31, 2018	387,361
Exploration and evaluation assets, December 31, 2016	\$ -
<b>Exploration and evaluation assets, December 31, 2017</b>	<b>\$ 567,881</b>
<b>Exploration and evaluation assets, March 31, 2018</b>	<b>\$ 627,486</b>

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.

**PROVIDENCE GOLD MINES INC.**

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2018 and 2017

(Stated in Canadian Dollars)

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**Note 3 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 subsequent to March 31, 2018);
- 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 cash and 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:

- payment of US\$25,000 following regulatory approval (paid);
- payment of US\$25,000 (paid subsequent to March 31, 2018) 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, the Company issued the finders 230,000 shares as a finder’s fee (Note 4), with a further 465,620 shares to be issued after the Company meets its commitments in year 2.

**PROVIDENCE GOLD MINES INC.**

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2018 and 2017

(Stated in Canadian Dollars)

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**Note 3 Exploration and Evaluation Assets - (cont'd)**

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 NSR of 2% of gross revenues from the Property less certain permissible deductions, payable to the Vendor.

During the year ended December 31, 2013, the Company acquired by staking, mineral tenure covering the Norgate prospect, which is adjacent to and contiguous with its Conuma property. The addition of the Norgate claim increases total claims held by the Company to 12 and total hectares to 6,098.

Management previously wrote 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 under its accounting policy for exploration and evaluation expenditures.

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 maybe 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.

**PROVIDENCE GOLD MINES INC.**

Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2018 and 2017

(Stated in Canadian Dollars)

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

a) Common Shares – (cont'd)

*Issuances for Cash*

On June 1, 2017 and July 27, 2017, the Company completed two private placements, for proceeds of \$1,105,000 through the issuance of 11,050,000 Units at a price of \$0.10 per Unit. Each Unit is comprised of one common share and one quarter 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 one year. 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. 50,000 Units were purchased by a director of the Company.

An aggregate of 683,200 common shares and 683,200 warrants containing the same terms as the Warrants attached to the Units were issued as finder's fees and \$11,703 were paid for filing fees pursuant to the private placement. Share issue costs include \$68,320 calculated as the fair value of the shares and \$13,664 calculated as the fair value of the warrants.

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

Stock price	\$0.10
Exercise price	\$0.25
Dividend rate	0%
Expected life	1 Year
Expected annual volatility	110.75%
Risk-free rate	1.24%

*Issued Pursuant to Mineral Property Acquisition*

On June 15, 2017, the Company issued 1,500,000 common shares valued at \$0.10 per share pursuant to the Tuolumne Property acquisition (Note 3). These shares are valued at market value on the date of issue of \$150,000 and have been reflected as non-cash investing and financing activities in the statement of cash flows. Exploration and evaluation assets include \$150,000 of cost for the fair value of the shares. 750,000 of these shares were issued to a company controlled by an individual who subsequently was appointed as a director and officer of the Company.

An aggregate of 230,000 common shares were issued as a finder's fee to a finder for their efforts to complete this transaction. Exploration and evaluation assets include \$23,000 of cost for the fair value of the shares based on the market value on the date of issue.

Subsequent to the period ended March 31, 2018 the Company issued additional 1,500,000 common shares pursuant to the Tuolumne Property acquisition (Note 3)

**PROVIDENCE GOLD MINES INC.**

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March 31, 2018 and 2017

(Stated in Canadian Dollars)

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**Note 4     Share Capital and Equity Reserve - (cont'd)**b) Share Purchase Warrants

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

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life
Outstanding at December 31, 2016	-	-	-
Issued	3,445,700	\$0.25	0.44
<b>Outstanding at December 31, 2017 &amp; March 31, 2018</b>	<b>3,445,700</b>	<b>\$0.25</b>	<b>0.44</b>

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

Number of Warrants	Exercise Price	Expiry Date
2,985,200	\$0.25	June 1, 2018
460,500	\$0.25	July 27, 2018
<b>3,445,700</b>	<b>\$0.25</b>	

c) 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.

**PROVIDENCE GOLD MINES INC.**

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March 31, 2018 and 2017

(Stated in Canadian Dollars)

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**Note 4 Share Capital and Equity Reserve - (cont'd)**c) Stock options – (cont'd)

The following is a summary of outstanding equity-settled options as at March 31, 2018:

Grant Date mm/dd/yy	Expiry Date mm/dd/yy	Exercise Price	Opening Balance	During the period		Total & Vested
				Granted	Exercised	
08/01/17	08/01/22	\$0.16	2,000,000	-	-	2,000,000
Weighted Average Exercise Price			\$ 0.16	\$ -	\$ -	\$ 0.16

No stock options were granted during the period ended March 31, 2018

**Note 5 Related Party Transactions**

The following is a summary of charges incurred by the Company with related parties for the periods ended March 31, 2018 and 2017:

<b>Period ended March 31,</b>	<b>2018</b>	<b>2017</b>
Accounting fees	\$ 1,500	\$ 1,500
Legal and corporate services	10,871	3,000
Management fees	36,000	15,000
Office, rent and administration	3,000	3,000
Shareholder communications	1,500	1,500
Geological costs (Note 3)	3,000	-
<b>Total</b>	<b>\$ 55,871</b>	<b>\$ 24,000</b>

During the period ended March 31, 2018, the Company incurred operational expenses totalling \$16,871 (March 31, 2017 - \$9,000) from companies controlled by a director and an officer of the Company and where there are common officers with the Company.

During the period ended March 31, 2018, the Company incurred compensation costs of \$36,000 (2017 - \$15,000) included in management activities for its key management personnel. Key management personnel are comprised of the Company's directors and officers.

During the period ended March 31, 2018, the Company incurred geological costs of \$3,000 capitalized as exploration costs (Note 3). The amount was paid to a director of the Company.

During the period ended March 31, 2018 trade and other payables included \$137,150 (December 31, 2017 - \$121,775) owed to a company controlled by a director and an officer of the Company for management activities and operational expenses.

**PROVIDENCE GOLD MINES INC.**

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**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 March 31, 2018 and December 31, 2017, and the Company's loss and comprehensive loss for the periods ended March 31, 2018 and 2017 is as follows:

	United States	Canada	March 31, 2018 Total
Loss for the period	\$ (479)	\$ (78,891)	\$ (79,370)
Exploration and evaluation assets	627,486	-	627,486
Segment assets	\$ 745,928	\$ 85,569	\$ 831,497

**Note 7****Loss Per Share**

	United States	Canada	March 31, 2017 Total
Loss for the period	\$ -	\$ (27,895)	\$ (27,895)
	United States	Canada	December 31, 2017 Total
Loss for the year	\$ (3,258)	\$ (646,484)	\$ (649,742)
Exploration and evaluation assets	567,881	-	567,881
Segment assets	\$ 714,257	\$ 207,326	\$ 921,583

ominator for the calculation of loss per share, being the weighted average number of common shares for the period ended March 31, 2018 and 2017, is calculated as follows:

<b>Period ended March 31,</b>	<b>2018</b>	2017
Issued and outstanding shares at the beginning of the period	<b>21,836,051</b>	8,372,851
Weighted average shares issued during the period	-	-
Weighted average number of common shares (basic and diluted)	<b>21,836,051</b>	8,372,851

The Company's share purchase warrants and stock options have not been included in the calculation of diluted loss per share for the periods presented because their effect would have been antidilutive.

**PROVIDENCE GOLD MINES INC.**

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**Note 8**      **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 March 31, 2018.

**Note 9**      **Financial Instruments**

As at March 31, 2018, the Company's financial instruments consist of cash and trade and other payables.

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

a)      **Interest Rate Risk**

The Company's cash earns interest at a variable interest rate. Because of the nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of March 31, 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.



**PROVIDENCE GOLD MINES INC.**

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**Note 9      Financial Instruments - (cont'd)**

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash, the balance of which at March 31, 2018 is \$169,310 (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.

c) 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 March 31, 2018, the Company was holding cash of \$169,310 (December 31, 2017 - \$313,011) and had trade and other payables of \$165,780 (December 31, 2017 - \$176,495). The Company's trade and other payables are due in the short term.

**Note 10      Subsequent Event**

Private placement

Subsequent to March 31, 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 Company may pay finders' fees equal to 7% in cash and 10% in 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 years, with each warrant exercisable into one common share of the Company at a price of \$0.25 per share. The financing is subject to TSX-V acceptance.