

## 1.1 Date of This Report

This Management Discussion & Analysis (“MD&A”) of Providence Gold Mines Inc. (“Providence”, or the “Company”) provides analysis of the Company’s financial results for the year ended December 31, 2019 and should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2019, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

The December 31, 2019 financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All amounts are expressed in Canadian dollars, unless otherwise stated.

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

This MD&A is prepared as of April 28, 2020.

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

## 1.2 Overall Performance

### *Description of Business*

The Company was incorporated on February 16, 2010 under the Business Corporations Act of British Columbia. 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.

### *2019 Highlights*

- *Discovery and Assessment of Stockpiles.*
  - In July 2019, the Company announced the discovery and sampling of a stockpile at a depth of 0.5 metre on a grid, with sampling stations approximately every three metres.
  - Initial assay results were very encouraging with the highest assay returning 18.7 g/t gold - the Company is now confident that historically mined and milled material has not been reprocessed, and that the stockpile represents a significant potential cash flow opportunity for the project -- especially given the current rising price of gold. Several additional stockpiles remain to be tested.
  - To delineate the area covered by the stockpile, the Company commissioned and completed an airborne lidar survey along with a high-resolution (0.5 m) surface image. The previously calculated area of the stockpile was 2,683 square metres. As a result of the newly conducted work, the area is now measured

to be 8,200 square metres with a depth on the southeast side of approximately 15 m and an approximate depth of 25 m on the southwest side. To accurately project the volume of the stockpile material, ground-penetrating radar is being planned.

- *Additions to the Team.* In July 2019, the Company announced the appointments of Brian Ray, Master of Science, Professional Geoscientist, as head of exploration and development and Joseph A. Carrabba as strategic advisor. In October 2019, the Company announced the appointments of Mr. Rodger Young as Chairman and Vice President of the Company, and the appointment of Mr. Brian Ray MSc., P.Geo. as a Director of the Company.

### 1.3 **Selected Annual Information**

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

	December 31, 2019	December 31, 2018	December 31, 2017
	\$	\$	\$
(a) Total revenues	Nil	Nil	Nil
(b) Total expenses	(724,780)	(351,834)	(655,268)
(c) Net loss	(718,322)	(326,637)	(649,742)
(d) Loss per share basic and diluted	(0.02)	(0.01)	(0.04)
(e) Total current assets	112,314	790,976	342,179
(f) Total long-term liabilities	Nil	Nil	Nil
(g) Cash dividends declared per share	Nil	Nil	Nil

### 1.4 **Results of Operations**

#### 1.4.1 **Property Activity**

##### **Tuolumne Property**

On March 28, 2017 the Company entered into an agreement (the “Agreement”) with a group of owners, (collectively the “Assignors”) whereby the Company can acquire by way of assignment all of the contractual interests held by the Assignors in various patented and located mineral claims in Tuolumne County, California (the “Property”) with a history of gold mineralization in Western California, USA (the “Transaction”).

The Property includes six parcels which have been fully patented and are owned in fee simple, and thirteen 20-acre mining claims on Bureau of Land Management and US Forest Service property (260 acres), which include several historic mines and a mill site. The Assignors have also staked a further 9 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:

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

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

The Company has negotiated the general terms and provisions whereby it can earn a 50% joint venture interest in the Property, or alternatively buy a 100% interest in the Property. To earn a 50% interest in the Property, the Company is required to pay the Property owners US\$150,000, incur \$2,000,000 of expenditures on the Property over the course of three years, and issue 4,500,000 shares of the Company as follows:

- 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) and incurring an additional \$750,000 (incurred) of expenditures by March 28, 2019; and
- d) incurring an additional \$1,000,000 of expenditures by March 28, 2020.

The Company is currently in negotiations to extend the remaining payment of US\$50,000 and additional expenditures of \$1,000,000 in (c) and (d) above.

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

The Property owner will retain a 2.5% net smelter returns royalty (“NSR”), of which 1.5% NSR can be acquired for US\$1,000,000 at any time up to 90 days following commencement of commercial production on the Property.

In consideration of their efforts to bring the parties together on the Transaction, Mackie Research Capital Corp. was entitled to a finder’s fee of 5% of the value of the Transaction for years 1 and 2, in the form of the Company’s Shares. An aggregate of 695,620 shares were issued in payment of the finder’s fee.

Due to unusually severe weather conditions at Property during Winter 2019 and Spring 2019, planned exploration expenditures were substantially delayed. In Q2 2019, the Company sought and received letters of extension regarding its year 2 property commitments as follows: (i) exploration expenditures of \$750,000 required to be incurred on or before March 28, 2019 were required to have been incurred by October 31, 2019 (incurred); (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 31, 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 to be issued on or before October 31, 2019.

On October 24, 2019, the Company announced that it has entered into a net profit interest agreement in respect of stockpile reprocessing. Under the agreement with the Ellers Family Trust, the Company has agreed to pay a net profit interest (NPI) of 10% for such processing/reprocessing of stockpiles. The evaluation costs associated with analyzing the potential of such stockpiles shall be allocated towards the required exploration expenditures under the property lease agreement.

A report on the Property was prepared for the Company by John Kowalchuk BSc., P.Geol., who is a qualified person for the purpose of NI 43-101. The report is available for review under the Company’s profile on the SEDAR database at [www.sedar.com](http://www.sedar.com).

#### *Property Description and Location*

The Providence Mines Property is located in the Summerville Mining District, Tuolumne County, California, upon the eastern belt of the “Mother Lode” District. A number of high-grade, well known Motherlode gold mines of California are found within this belt, including the Black Oak Mine, the Soulsby Mine, the Dead Horse Mine, the New Albany Mine, the Star King Mine and others from which gold has been mined over the years. The Providence

gold mines are located via good all-weather roads, three miles from the town of Tuolumne, and about 20 miles east of Sonora, California. The Property being optioned by the Company consists of the Providence Mines, the Consuelo Quartz Mine, the Goodenough Quartz Mine, the Bonita Quartz Mine and Mill Site, as well as a number of patented claims.

### *History*

Historical documentation shows that these mines were for many years profitably worked and were regarded as one of the best mining camps on the eastern belt of the “Mother Lode” occurrences. The Providence Gold Mines properties are near the town of Tuolumne, California. Access is by a combination of paved and gravel roads. The two main areas known as the Providence and Consuelo, are on the patented lands under option to the Company. According to a 1931 newspaper clipping, production from the Providence Mine between 1901-1912 yielded ore averaging \$18 per ton (gold at \$20/ounce) to a total of \$3,000,000. It is historically reported that owing to differences between the former owners and their then manager, the Property was shut down in the midst of active and profitable operations. At that time, 1916, the lower levels of the mines were allowed to fill with water, and the lower four levels never reopened according to available records. Thus, conditions of the mineralized bodies in these lower four levels are potentially in the same condition that they were when the operations ceased, at which time records indicated milling high-grade mineralization from the tenth and eleventh levels. At the same time development work had been completed on the twelfth level into bodies of mineralization. ***[Caution to reader: These historical results have not been verified by the Company and therefore cannot be relied upon.]***

### *Mineralization*

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

### *Development*

A double compartment shaft was sunk to a depth of 1,470 feet on the dip of the vein. Twelve drifts were run north and south of the shaft on twelve different levels, the number 12 level being about 1,400 feet from the mouth of the shaft. From different levels, crosscuts were run east or west to develop and open up parallel mineralization shoots found in parallel veins. Some of these mineralized material and veins have been stoped out. In others there is said to be potential mineralized material still in place. A significant amount of underground work has been completed, developing and proving the property to be one of permanent formation and to contain well defined mined mineralization bodies of value. The Providence Group of Mines has not only been said to be a producer of mineralization in its historical past, there still remains potential for similar untapped resources. The Providence Group of Mines has been historically identified and described as having identical similarities to many of the great mines within the “Mother Lode” gold district.

### *Recent Activity*

On May 16, 2018, the Company announced the final results of the soil sampling program completed at its Providence Gold Property located in the Eastern Gold Belt of the California Mother Lode Gold District. The results in the now completed phase one program successfully indicated a 2,200 metre long by up to 900 metre wide area in which the Company’s 2017 exploration outlined four past producing, north trending, east dipping, gold bearing veins. The soil sampling program, in conjunction with historical records, served as a basis for the planning and design for the initial drill program.

In late 2018, the Company began preparations for a drill program at its Providence Gold Property. Roadwork to provide access for the drill program began in mid-December. Due to weather stoppages, the access road was not

completed until April 2019. However, road construction revealed surface mineralization that has been sampled and submitted for analysis.

Weather delays allowed sufficient time to commission Ray Geo Consulting of Vancouver, B.C. to complete a 3-D model of the historical, mined long section using the previously completed 3-D laser imaging of the access adit, surface geology, geochemistry, and surface and underground sampling. The refinement of the existing geological model, using the new 3-D geological model, provided greater confidence in the selection of drill site locations and targets.

In April 2019, the Company announced completion of the access road and commencement of the near-surface drill program. It was the first drill program ever performed on this past historical high-grade producer. The first phase of a planned two-phase drilling program was designed to intersect the Providence vein system near surface and along strike. Comprising 13 diamond drill holes, phase 1 drilling has extended the zone to the north for a distance of 300 metres (1,000 feet), leaving an additional 1,000 metres (3,280 feet) strike length to the north end of the property where the Bonita adit is located. Over all, the first-phase drill program results are very encouraging, having confirmed the location of the Fairplay vein system at surface and enabling the company to focus on the structural controls of the mineralized shoots.

Additional work was completed to gain road access to several high-priority targets - including the Mexican and McCarthy veins - during its second phase of drilling. The Mexican and McCarthy mines reported historical recoveries of four ounces of gold per ton and five ounces of gold per ton, respectively, and have only been mined to a 100-foot depth (30 metres). Underground drifts from the Providence workings had been planned, but not completed, prior to shut down in 1916. ***[Caution to reader: These historical results have not been verified by the Company and therefore cannot be relied upon.]***

In August 2019, the Company announced that it had completed detailed mapping and trenching of the first of several potential gold stockpiles. Two trenches within the gold stockpile discovered very valuable information with regard to strong alteration within this part of the property. Over 100 samples were collected and sent to the Sparks Nevada laboratory, and for thin-section whole rock analysis to the University of British Columbia.

The initial results are extremely encouraging, as there is a potentially significant volume of material containing good gold values. Given these recent assay results the Company is now confident that historically mined and milled material has not been reprocessed, and that the stockpile represents a significant potential cash flow opportunity for the project -- especially given the current rising price of gold

To delineate the area covered by the stockpiles, the Company commissioned and completed an airborne lidar survey along with a high-resolution (0.5 m) surface image. The previously calculated area of the stockpile was 2,683 square metres. As a result of the newly conducted work, the area is now measured to be 8,200 square metres with a depth on the southeast side of approximately 15 m and an approximate depth of 25 m on the southwest side. To accurately project the volume of the stockpile material, ground-penetrating radar is being planned.

Drill hole PM19-05 and the surrounding area was excavated at surface to expose the vein which was then systematically chip sampled by continuous channel samples along strike for 7.5 metres. The assay results were very encouraging, as follows:

Sample #	Type	From (m)	To (m)	Wgt (Kg)	Au (g/t)
2981458	Qtz vein PM19-05	0.00	0.50	3.70	1.115
2981459	Qtz vein PM19-05	0.50	1.00	2.02	17.40
2981460	Qtz vein PM19-05	1.00	1.50	5.44	0.484
2981462	Qtz vein PM19-05	1.50	2.00	2.73	1.129
2981463	Qtz vein PM19-05	2.00	2.50	4.40	0.612
2981464	Qtz vein PM19-05	2.50	3.00	3.50	0.322
2981466	Qtz vein PM19-05	3.00	3.50	5.68	1.332

2981467	Qtz vein PM19-05	3.50	4.00	3.58	0.811
2981468	Qtz vein PM19-05	4.00	4.50	3.03	0.467
2981469	Qtz vein PM19-05	4.50	5.00	4.93	5.061
2981470	Qtz vein PM19-05	5.00	5.50	4.34	1.818
2981471	Qtz vein PM19-05	5.50	6.00	7.51	4.557
2981472	Qtz vein PM19-05	6.00	6.50	5.90	2.183
2981473	Qtz vein PM19-05	6.50	7.00	3.61	0.665
2981474	Qtz vein PM19-05	7.00	7.50	5.43	1.509

Planning is now under way to excavate the thin layer of overburden and examine the exposure to determine the true thickness of the zone.

Further drilling of the zone is now planned as part of the upcoming 2,900-metre drill program.

#### **Environmental Protection Practices**

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

#### ***Appointment of Head of Exploration & Development***

On July 16, 2019, the Company announced the appointment of Brian Ray, Master of Science (MSc), Professional Geoscientist (P.Geo), as Head of Exploration and Development. Mr. Ray has over 38 years of exploration experience in North America and South America, as well as in Europe. These include over 20 years as a consulting geologist working with a variety of clients and focusing on field exploration work. He also played a key role in the discovery and the advancement of several deposits, including Hope Bay (12.3 million ounces) gold deposit in the Nunavut, Canada, and the Toruparu gold deposit in western Guyana where he was responsible for preparing the first mineral resource.

### **1.4.2 Results of Operations**

#### ***Three Months Ended December 31, 2019***

The Company reported a net loss of \$39,146 for the three-month period ended December 31, 2019, as compared to a net loss of \$221,246 for same period of the prior fiscal year.

General and administrative expenses for the three months ended December 31, 2019 totaled \$39,146 (2018 - \$108,532). Accounting and audit related fees decreased over those of the same period of the prior year at a recovery of (\$29,950) (2018 - expense of \$7,848). Amortization was consistent with the prior year at \$488 (2018 - \$486). Finance costs totalled \$nil (2018 - \$72). The Company recorded a foreign exchange gain of \$45 (2018 - loss of \$4,659). Legal and corporate services fees totalled \$18,999 (2018 - \$20,501), a decrease of \$1,502 over those of the prior year. Management activities were down by \$13,518 from the prior year, at \$13,482 (2018 - \$27,000). Marketing activities undertaken during the quarter cost \$1,326 (2018 - \$nil). Office, rent and administration costs decreased by \$44,554 over those of the prior year at a recovery of (\$12,351) (2018 - expense of \$18,685). Shareholder communications costs increased during the period to \$49,891, from \$1,375 in the prior year, as the Company sought to raise awareness of its activities. Stock-based compensation recovery of (\$9,000) (2018 - \$nil) was recorded upon the grant of incentive stock options to directors, officers and consultants. During the quarter, the Company recorded transfer agent and listing fees of \$306 (2018 - \$2,016).

***Year Ended December 31, 2019***

The Company reported a net loss of \$718,322 for the year ended December 31, 2019, as compared to a net loss of \$326,637 for the prior fiscal year.

General and administrative expenses for the year ended December 31, 2019 totalled \$724,780 (2018 - \$351,834). Accounting and audit related fees decreased from those of the prior year at \$23,250 (2018 - \$30,622). Amortization was consistent with the prior year at \$1,951 (2018 - \$1,904). Finance costs totalled \$nil (2018 - \$291). The Company recorded a foreign exchange loss of \$5,875 (2018 – gain of \$1,289). Legal and corporate services fees totalled \$49,410 (2018 - \$59,370), a decrease of \$9,960 over those of the prior year. Management activities were down by \$85,369 from the prior year, at \$53,822 (2018 - \$139,191). Marketing activities undertaken during the year cost \$51,369 (2018 - \$nil). Office, rent and administration costs decreased by \$14,138 from those of the prior year at \$41,552 (2018 - \$65,507). Shareholder communications costs increased during the year to \$179,684, from \$15,994 in the prior year, as the Company sought to raise awareness of its activities. Stock-based compensation of \$284,548 (2018 - \$nil) was recorded upon the grant of incentive stock options to directors, officers and consultants. During the year, the Company recorded transfer agent and listing fees of \$17,319 (2018 - \$14,354).

During the year ended December 31, 2019, the Company reported a settlement of debt of \$6,458 (2018 - \$25,000).

***Financings, Principal Purposes & Milestones***

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.

On May 29, 2019, the Company completed 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. A fair value of \$101,526 was allocated from share capital to equity reserves relating to the unit warrants of the private placement.

Proceeds from these financings, and any future capital raises, are planned to further exploration work and drilling at the Company’s flagship Tuolumne Property near Sonora, California, and for general working capital purposes.

**1.5 Summary of Quarterly Results**

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

	<b>Revenue (\$)</b>	<b>Net income (loss) (\$)</b>	<b>Basic and diluted income (loss) per share (\$)</b>
Q4 2019	-	(39,146)	(0.00)
Q3 2019	-	(146,100)	(0.00)
Q2 2019	-	(187,771)	(0.01)
Q1 2019	-	(345,305)	(0.01)
Q4 2018	-	(83,335)	(0.00)
Q3 2018	-	(71,049)	(0.00)
Q2 2018	-	(92,883)	(0.01)
Q1 2018	-	(79,370)	(0.00)

## 1.6 Liquidity and Capital Resources

In management's view, given the nature of the operations, which currently consists of its interest in certain resource properties, the most relevant financial information relates primarily to current liquidity, solvency and planned expenditures.

During the year ended December 31, 2019, the Company experienced cash outflows of \$105,343 (2018 – \$675,496) from operating activities. Investing activities used cash of \$797,246 (2018 - \$151,736), which was spent on the Company's Tuolumne Property. Financing activities realized positive cash flows of \$418,726 (2018 - \$1,025,913) from the issuance of common shares for \$424,104 (2018 - \$830,795), less share issue costs of \$15,378 (2018 – 9,922) and net advance share subscriptions received of \$10,000 (2018 - \$205,040). In addition, debt of \$24,000 was settled via the issuance of 200,000 common shares.

At December 31, 2019, the Company held cash of \$27,829 (2018 - \$511,692), had a working capital deficit of \$77,350 (2018 – working capital of \$715,118), has not yet achieved profitable operations, has commitments due in the fiscal year, and had an accumulated deficit of \$2,973,821 (2018 - \$2,255,499). The Company has incurred losses since inception and expects to incur further losses in the development of its business, all of which indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

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

The Company's mineral exploration activities have provided the Company with no sources of income and a history of losses and deficit positions. However, given the nature of its business, the results of operations as reflected in the net losses and losses per share do not provide meaningful interpretation of the Company's performance and valuation.

The Company is dependent on raising funds through the issuance of shares and/or debt instruments or disposing of interests it has in exploration and evaluation assets in order to finance further acquisitions, undertake exploration and development activities on exploration and evaluation assets and meet general and administrative expenses in the long term.

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. The potential economic effects within the Company's environment and in the global markets, possible disruption in supply chains, and measures 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 social distancing) could have a material impact on the Company's operations. The extent of the impact of this outbreak and related containment measures on the Company's operations cannot be reliably estimated at the date of these consolidated financial statements.

There is no assurance that additional funding will be available to allow the Company to fully explore its exploration and evaluation assets. Failure to obtain financing could result in the delay or indefinite postponement of further exploration and the possible partial or total loss of the Company's interest in certain properties. The Company may be unable to meet its obligations under agreements to which it is a party and the Company may consequently have its interest in the properties subject to such agreements jeopardized. Refer to Note 1 of the December 31, 2019 consolidated financial statements.

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

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

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

### 1.7 **Trends**

The Company's financial success will be dependent upon the extent to which it can determine whether its resource properties contain reserves, which are economically recoverable. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine. The Company does not expect to receive significant income in the foreseeable future.

Volatile market conditions and the availability of financing may affect the Company's planned level of activity and development during Fiscal 2020 and beyond.

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

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

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

### 1.8 **Off Balance Sheet Arrangements**

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

### 1.9 **Transactions with Related Parties**

During the year ended December 31, 2019, the Company entered into the following transactions with related parties:

- a) paid or accrued management fees of \$120,000 (2018 - \$90,000), of which \$24,000 (2018 - \$63,000) was expensed to operations and \$96,000 (2018 - \$nil) was capitalized as mineral property expenditures, to Ron Coombes or a company controlled by Ron Coombes, a director and officer of the Company;

- b) paid or accrued accounting fees of \$18,000 (2018 - \$4,500) and legal and corporate services costs of \$6,000 (2018 - \$nil) to Kim Evans, an officer of the Company;
- c) paid or accrued geological consulting fees of \$11,000 (2018 - \$8,000) to a company controlled by John Kowalchuk, a director of the Company, which were capitalized as exploration costs;
- d) aggregate stock-based compensation of \$263,411 (2018 - \$nil) was recorded upon the grant of incentive stock options to directors and officers of the Company.

During the year ended December 31, 2019, trade and other payables included \$80,393 (2018 - \$50,549) owing to officers and directors and to a company controlled by a director and an officer of the Company for management activities and operational expenses.

The amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment. These transactions were in the normal course of operations.

### 1.10 Subsequent Events

Subsequent to December 31, 2019, the Company:

- a) closed a non-brokered private placement of 850,000 units at \$0.10 per unit for gross proceeds of \$85,000. Each unit consists of one common share and one non-transferable share purchase warrant which entitles the holder to purchase one additional common share for a period of twelve months at a price of \$0.15.
- b) announced that Mr. Scott Davis, CPA, CGA, has been appointed Chief Financial Officer of the Company, effective January 7, 2020 replacing Ms. Kim Evans who has resigned both as director and Chief Financial Officer of the Company.

### 1.11 New Accounting Pronouncements

Please refer to the December 31, 2019 financial statements on [www.sedar.com](http://www.sedar.com).

### 1.12 Financial and Risk Management

Please refer to the December 31, 2019 financial statements on [www.sedar.com](http://www.sedar.com).

### 1.13 Outstanding Share Capital as at the date of this MD&A:

- (a) Authorized and issued share capital:

Class	Par Value	Authorized	Issued Number
Common	No par value	Unlimited	38,475,004

- (b) Summary of warrants outstanding:

Security	Number	Exercise Price	Expiry Date
Finder's warrants	42,664	\$ 0.15	December 11, 2020
Warrants	850,000	\$ 0.15	March 6, 2021
Finder's warrants	66,720	\$ 0.15	May 29, 2021
Warrants	6,056,627	\$ 0.20	December 11, 2021
Finder's warrants	177,200	\$ 0.20	December 11, 2021
Warrants	1,858,666	\$ 0.20	January 3, 2022
Warrants	3,384,200	\$ 0.20	May 29, 2022

(c) Summary of options outstanding:

<b>Security</b>	<b>Number</b>	<b>Number Exercisable</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
Options	750,000	750,000	\$ 0.16	August 1, 2022
Options	1,700,000	1,700,000	\$ 0.15	February 7, 2024
Options	300,000	300,000	\$ 0.15	May 2, 2024
Options	600,000	600,000	\$ 0.15	July 18, 2024

**1.14 Controls and Procedures**

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