



## PROTECTIVE ELECTIVE FILING

### Important Tax Notice to US Shareholders of Pure Gold Mining Inc.

This statement is provided for Investors who are United States (“US”) shareholders of Pure Gold Mining Inc. (“PGM” or the “Company”)<sup>1</sup> who are US citizens, US residents, and other persons classified as “US persons” (hereinafter referred to as the “US Investor”) under the applicable US tax rules. It is not relevant for non-US shareholders of the Company.

Although not free from doubt, PGM may not be classified as a Passive Foreign Investment Company (“PFIC”), as defined in IRC § 1297(a)<sup>2</sup>, for the taxable year ended December 31, 2020. Nevertheless, we are offering this PFIC Annual Information Statement (the “AIS”) pursuant to Treas. Reg. § 1.1295-1(g)(1) for US Investors who may wish to file IRS Form 8621, on a protective basis, in connection with their ownership of PGM shares for US federal income tax purposes.

In order to avoid certain adverse US federal income tax consequences resulting from a deemed PFIC classification of a corporation, a US Investor of PGM shares may choose to have PGM treated, with respect to such US Investor, as a “Qualified Electing Fund” or a QEF (an “Electing Shareholder”). The QEF election applies to all ordinary shares that the Electing Shareholder held or subsequently acquired and can only be revoked with consent of the IRS. The QEF election must be made on or before the due date (after taking into account extensions) for the Electing Shareholder’s US federal income tax return for the taxable year for which the election is made and, once made, will be effective for all subsequent taxable years of such person unless revoked.

The Electing Shareholder will generally be required to include in its current gross income the pro rata share of such shareholder’s PGM’s annual ordinary earnings and net capital gains (the “Current Income Inclusion”), if any, in any taxable year for which PGM is a PFIC, regardless of whether or not distributions were received thereof. In addition, the current income inclusion is notwithstanding whether or not the PGM shares were held by the Electing Shareholder for an entire taxable year or merely at the end of PGM’s current taxable year. The Current Income Inclusion also does not take into account PGM’s prior year losses. Tax would need to be paid currently on such income, unless an election is made to defer such payment (interest charges would apply as a result, however). The Electing Shareholder’s adjusted tax basis in PGM shares should be increased to reflect such taxes paid on undistributed earnings and profits. Any subsequent distributions of PGM’s earnings and profits that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in the ordinary shares held by the Electing Shareholder and will not be taxed again once distributed.

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<sup>1</sup> The common shares of the Company are currently listed on the Toronto Stock Exchange under the symbol “PGM” and the London Stock Exchange under the symbol “PUR.”

<sup>2</sup> Unless otherwise indicated, all “IRC §” references are to the Internal Revenue Code of 1986, as amended (the “IRC”), and all “Treas. Reg. §” references are to the Treasury Regulations issued thereunder, both as amended as of the date of this document.

A primary advantage of a QEF election pertains to the treatment of gain upon disposition of such shares. So long as the Electing Shareholder's QEF election is in effect with respect to the entire holding period of the PGM shares, any gain or loss realized by such shareholder on the sale or exchange of such shares, held as capital assets, ordinarily would be a capital gain or loss and taxable to such shareholder in the same manner as if the shares were not shares in a PFIC.

In certain circumstances, US Investors are permitted to make retroactive elections, including if the US Investor had a reasonable belief that the Company was not a PFIC and filed a protective election. US Investors should consult their own tax advisors to establish the consequences of making a protective QEF election or other consequences associated with making a QEF election.

Even if it is not made in a timely fashion, a QEF election can still be made together with a deemed sale election or "purging election" for the same taxable year. If a purging election is made, the US Investor will be treated as if the US Investor had sold PGM's ordinary shares at its fair market value on the last day of PGM's taxable year and will recognize gain, but not loss, on such deemed sale in accordance with the general PFIC rules, including the interest charge provisions described above. Thereafter, the US Investor's interest will be treated as an interest in a QEF.

We recommend that US Investors consult their own tax advisor to ascertain the overall tax consequences from the ownership of the Company and such US Investor's US federal income tax reporting requirements. You can also find information on US tax rules applicable to investments in a PFIC on the IRS website, [irs.gov](http://www.irs.gov), by searching for "Form 8621 Instructions." (<http://www.irs.gov/pub/irs-pdf/i8621.pdf>)

The information included in the AIS below should enable US Investors to treat the Company as a QEF. US Investors should consult their own tax advisors to determine the appropriate US federal income tax treatment of their investment in PGM shares.

The AIS is intended to help US Investors make a QEF election for their investment in the shares of PGM, should such US Investors decide to do so. Neither the AIS nor this letter constitutes tax advice. US Investors should seek the advice of their own tax advisor to determine the appropriate US federal income tax treatment of their investment in PGM shares.

If you have any questions regarding this matter, please contact your US tax advisor. Thank you for investing in Pure Gold Mining Inc.

US HOLDERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS ABOUT THE POSSIBLE APPLICABILITY OF THE PFIC RULES AND THE AVAILABILITY OF MAKING QEF ELECTIONS TO MITIGATE ADVERSE US TAX CONSEQUENCES FROM THE INVESTMENT IN THE SHARES OF PGM.

## Pure Gold Mining Inc.

### PFIC Annual Information Statement Pursuant to Treas. Reg. §1.1295-1(g)(1)

#### PROTECTIVE ELECTIVE FILING

For the Year Ending December 31, 2020

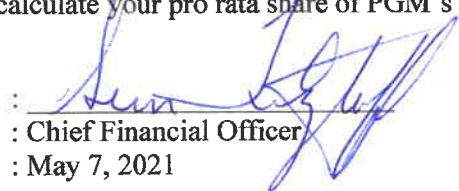
- 1) This Information Statement applies to the taxable year of the Company commencing on January 1, 2020 and ending on December 31, 2020.
- 2) The pro rata share amounts of ordinary earnings and net capital gain (as defined in Treas. Reg. § 1.1293-1(a)(2)) of Pure Gold Mining Inc. (“PGM”)<sup>1</sup> for the period specified in paragraph (1) are as follows:

	Ordinary Earnings (US\$)	Net Capital Gains (US\$)
PGM Shares	0.00000	0.00000

- 3) The pro rata portions per share of the distributions for each share of Pure Gold Mining Inc. for the period specified in paragraph (1) are as follows:

	Property Distributions (US\$)	Cash Distributions (US\$)
PGM Shares	0.00000	0.00000

- 4) Pursuant to Treas. Reg. § 1.1295-1(g)(1)(ii)(C), PGM will, upon request, permit you to examine PGM’s books of account, records, and other such documents to calculate PGM’s ordinary earnings and net capital gains in accordance with US federal income tax accounting principles and to calculate your pro rata share of PGM’s ordinary earnings and net capital gains.

By :   
Title : Chief Financial Officer  
Date : May 7, 2021

THIS INFORMATION CONTAINED HEREIN IS TAKEN FROM THE ACCOUNTING RECORDS AND AUDITED FINANCIAL STATEMENT OF PURE GOLD MINING INC. AND IS PROVIDED IN ORDER TO ASSIST INVESTORS IN MAKING CALCULATIONS AND DOES NOT CONSTITUTE TAX ADVICE. INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE APPROPRIATE US FEDERAL, STATE, LOCAL OR FOREIGN LAW INCOME AND NON-INCOME TAX TREATMENT OF THEIR INVESTMENT IN PGM SHARES.

THIS DOCUMENT IS NOT TO BE CONSTRUED AS AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES.

<sup>1</sup> The common shares of the Company are currently listed on the Toronto Stock Exchange under the symbol “PGM” and the London Stock Exchange under the symbol “PUR.”