



Pure Gold Mining Inc.

Condensed Interim Financial Statements

For the three months ended March 31, 2021 and 2020

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

Pure Gold Mining Inc.

Condensed Interim Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Notes	March 31, 2021	December 31, 2020
ASSETS			
Current Assets			
Cash		\$ 11,566,712	\$ 44,906,055
Amounts receivable	5	2,751,460	4,638,850
Inventories	6	6,259,122	3,166,925
Prepaid expenses		1,806,995	986,153
Short-term investments and deposits		169,913	1,492,712
		22,554,202	55,190,695
Non-current Assets			
Mineral properties, plant and equipment	8	221,642,757	192,884,141
Deposits	15	396,280	396,280
Total Assets		\$ 244,593,239	\$ 248,471,116
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 20,080,379	\$ 21,380,053
Lease liabilities	12	2,414,574	5,040,685
Gold stream derivative liability	10	5,183,039	5,359,000
Loans and borrowings	9	865,160	849,300
Flow-through premium liability	13b,17	-	3,256,579
		28,543,152	35,885,617
Non-current Liabilities			
Loans and borrowings	9	91,053,311	91,282,750
Gold stream derivative liability	10	39,555,144	38,833,489
Provision for closure and reclamation	11	19,538,809	21,715,055
Lease liabilities	12	2,121,331	291,334
Flow-through premium liability	13b,17	1,229,173	-
Total Liabilities		182,040,920	188,008,245
Equity			
Share capital	13a	196,074,366	192,881,924
Equity reserves	13c,d,e	17,589,636	17,492,027
Accumulated deficit		(151,111,683)	(149,911,080)
Total Equity		62,552,319	60,462,871
Total Liabilities and Equity		\$ 244,593,239	\$ 248,471,116

Commitments & Contingencies (Note 17)

Subsequent Events (Note 9a, 20)

Approved by the Audit Committee on behalf of the Board on May 14, 2021:

"Lenard Boggio" , Audit Committee Chair

"Graeme Currie" , Director

- See Accompanying Notes to the Condensed Interim Financial Statements -

Pure Gold Mining Inc.

Condensed Interim Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

For the three months ended March 31,	Notes	2021	2020
Cost of Operations			
Exploration and evaluation	7	(3,100,609)	(91,695)
General and administrative	14	(1,541,051)	(1,362,261)
Share-based compensation	13	(494,534)	(239,208)
Depreciation	8	(42,402)	(38,510)
Operating loss for the period		(5,178,596)	(1,731,674)
Financial income and Expenses			
Foreign exchange gain (loss)		1,246,059	(1,157,106)
Change in fair value of derivative liabilities		704,716	10,464,250
Finance income		44,663	312,594
Accretion expense	11	(36,282)	(69,720)
Finance expense	12	(8,569)	(11,219)
Net loss before taxes		(3,228,009)	7,807,125
Income tax recovery	13b	2,027,406	849,637
Net income (loss) and comprehensive income (loss) for the period		\$ (1,200,603)	\$ 8,656,762
Weighted Average Number of Common Shares Outstanding		399,324,491	358,740,126
Basic and Diluted Income (Loss) per Common Share		\$ (0.00)	\$ 0.02

- See Accompanying Notes to the Condensed Interim Financial Statements -

Pure Gold Mining Inc.

Condensed Interim Statements of Changes in Equity

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Notes	Number of Common Shares	Share Capital	Equity Reserves	Accumulated Deficit	Total
Balance – December 31, 2019		358,466,692	\$ 156,770,937	\$ 15,777,081	\$ (122,957,482)	\$ 49,590,536
Flow-through common share issuance	13b	9,868,421	15,000,000	-	-	15,000,000
Flow-through premium liability	13b		(3,256,579)	-	-	(3,256,579)
Share issue costs – cash	13b		(1,017,226)	-	-	(1,017,226)
Exercised warrants	13c	22,794,000	19,374,885	-	-	19,374,885
Fair value of exercised warrants	13c	-	2,624,035	(2,624,035)	-	-
Exercised stock options	13d	6,351,664	2,026,065	-	-	2,026,065
Fair value of exercised stock options	13d	-	1,359,807	(1,359,807)	-	-
Share-based compensation	13d	-	-	1,927,134	-	1,927,134
Deferred Share Unit compensation	13e	-	-	3,771,654	-	3,771,654
Net loss for the year		-	-	-	(26,953,598)	(26,953,598)
Balance – December 31, 2020		397,480,777	\$ 192,881,924	\$ 17,492,027	\$ (149,911,080)	\$ 60,462,871
Exercised warrants	13c	2,485,000	2,112,250	-	-	2,112,250
Fair value of exercised warrants	13c	-	280,742	(280,742)	-	-
Exercised stock options	13d	800,000	395,000	-	-	395,000
Fair value of exercised stock options	13d	-	272,450	(272,450)	-	-
Exercised restricted share units	13e	46,479	-	-	-	-
Fair value of exercised restricted share units	13e	-	132,000	(132,000)	-	-
Share-based compensation	13d	-	-	400,979	-	400,979
Restricted share unit compensation	13e	-	-	381,822	-	381,822
Net loss for the period		-	-	-	(1,200,603)	(1,200,603)
Balance – March 31, 2021		400,812,256	\$ 196,074,366	\$ 17,589,636	\$ (151,111,683)	\$ 62,552,319

- See Accompanying Notes to the Condensed Interim Financial Statements -

Pure Gold Mining Inc.

Condensed Interim Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

For the three months ended March 31,	Notes	2021	2020
Operating Activities			
Net income (loss) for the period		\$ (1,200,603)	\$ 8,656,762
Items not affecting cash:			
Deferred income tax recovery		(2,027,406)	(849,637)
Unrealized foreign exchange (gain) loss		(1,246,059)	1,157,106
Change in fair value of derivative liabilities		(704,716)	(10,464,250)
Share-based compensation	13d	555,673	239,208
Depreciation	8	64,166	60,273
Finance income		(44,663)	(312,594)
Accretion expense	11	36,282	69,720
Finance expense	12	8,569	11,219
Changes in non-cash working capital:			
Inventory		(3,092,197)	-
Accounts payable and accrued liabilities		290,450	248,305
Amounts receivable		116,210	33,739
Prepaid expenses		(52,199)	(87,766)
Net cash used in operating activities		(7,296,493)	(1,237,915)
Investing Activities			
Mineral properties, plant, and equipment	10	(29,057,818)	(10,431,634)
Return of surety bond deposit		1,322,799	-
Interest received		44,663	312,594
Short-term investment		-	(34,500)
Net cash used in investing activities		(27,690,356)	(10,153,540)
Financing Activities			
Proceeds from exercised warrants	13c	2,730,625	-
Payment of lease liabilities	12	(1,021,797)	(42,384)
Proceeds from exercised stock options	13d	395,000	192,334
Gold stream payments	10	(160,107)	-
Production Payments	9	(25,161)	-
Net cash provided by financing activities		1,918,560	149,950
Effect of foreign exchange on cash		(271,054)	3,111,310
Net (Decrease) Increase in Cash		(33,339,343)	(8,130,195)
Cash - Beginning of the period		44,906,055	70,277,719
Cash - End of the period		\$ 11,566,712	\$ 62,147,524

Supplemental Cash Flow Information (Note 23)

- See Accompanying Notes to the Condensed Interim Financial Statements -

Pure Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

1. GENERAL INFORMATION

Pure Gold Mining Inc. (“Pure Gold” or the “Company”), is a publicly listed company incorporated and domiciled in Canada. The Company is listed on the TSX Venture Exchange (“TSX-V”) under the symbol “PGM.” and the London Stock Exchange under the symbol “PUR”. The Company’s head office and principal address is located at Suite 1900 – 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9. The Company’s records and registered office address is c/o McMillan LLP, 1500 Royal Centre PO Box 1117, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

Pure Gold is in the business of the acquisition, exploration and development of gold and other precious and base metal properties in Canada. Currently, the Company’s principal mineral property is the PureGold Mine Project (“PureGold Mine”) located near Red Lake, Ontario. In March 2019, Pure Gold filed a technical report for a feasibility-study on the PureGold Mine, and in August 2019 the Company announced the Board of Directors approval of a decision to construct at the PureGold Mine.

The continued operations of the Company and the recoverability of the amounts capitalized for mineral 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 such properties and upon future profitable production or proceeds from the disposition of the properties.

2. BASIS OF PREPARATION

Statement of Compliance

The Company prepares its annual financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”). These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS 34”).

These condensed interim financial statements do not include all of the information required for full IFRS financial statements and therefore should be read in conjunction with the Company’s most recent annual financial statements as at and for the year ended December 31, 2020.

The accounting policies and methods of application applied by the Company in these condensed interim financial statements are the same as those applied in the Company’s audited financial statements for the year ended December 31, 2020.

3. ACCOUNTING STANDARDS RECENTLY ADOPTED

Interest Rate Benchmark Reform – Phase 2 Amendments

The Company adopted Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 16 (the “Phase 2 Amendments”) effective on January 1, 2021. Interest rate benchmark reform (“Reform”) refers to a global reform of interest rate benchmarks, which includes the replacement of some interbank offered rates (“IBOR”) with alternative benchmark rates. The Phase 2 Amendments provide a practical expedient requiring the effective interest rate be adjusted when accounting for changes in the basis for determining the contractual cash flow of financial assets and liabilities that relate directly to the Reform rather than applying modification accounting which might have resulted in a gain or loss. In addition, the Phase 2 Amendments require disclosures to assist users in understanding the effect of the Reform on the Company’s financial instruments and risk management strategy.

Pure Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

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3. ACCOUNTING STANDARDS RECENTLY ADOPTED (Continued)

Interest Rate Benchmark Reform – Phase 2 Amendments (continued)

The Company's Credit Facility (Note 9) accrues interest at a floating rate equal to a base rate plus the greater of i) the London interbank offered rates ("LIBOR") and ii) 2.50% per annum, and has not yet transitioned to alternative benchmark rates at the end of the current reporting period. The Company is working with the lenders to assess the potential alternatives to the use of the LIBOR.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In preparing its financial statements, the Company makes judgments in applying its accounting policies. In addition, the preparation of financial statements in conformity with IFRS requires the use of estimates that may affect the amounts reported and disclosed in the consolidated financial statements and related notes in future periods. These estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the financial statements. The critical estimates and judgements that the Company's management has made in the process of applying the Company's accounting policies for the three months ended March 31, 2021, are consistent with those applied and disclosed in the Company's annual audited financial statements for the year ended December 31, 2020.

5. AMOUNTS RECEIVABLE

Amounts receivable are comprised of the following:

	March 31, 2021	December 31, 2020
Refundable goods and services tax/ harmonized sales tax	\$ 2,732,426	\$ 4,016,933
Other receivables	19,034	621,917
Total	\$ 2,751,460	\$ 4,638,850

6. INVENTORY

Inventory is comprised of the following:

	March 31, 2021	December 31, 2020
Ore in stockpile	\$ 146,845	\$ 1,550,311
In circuit metals	3,048,350	662,814
Finished goods	1,033,756	-
Total metals inventory	4,228,951	2,213,125
Materials and supplies	2,030,171	953,800
Total	\$ 6,259,122	\$ 3,166,925

Pure Gold Mining Inc.
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7. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

Details of the Company's exploration and evaluation expenditures, which have been expensed in the statement of income (loss) and comprehensive income (loss), are as follows:

For the three months ended March 31, 2021	PureGold Mine ⁽¹⁾
Drilling	\$ 2,303,835
Geophysics and geology	566,298
Salaries, wages and benefits	129,796
Geographic modelling	69,430
Depreciation	21,764
Administrative and other	9,486
Expenditures for the period	\$ 3,100,609

For the three months ended March 31, 2020	PureGold Mine
Salaries, wages and benefits	\$ 30,722
Depreciation	21,764
Administration and other	39,209
Expenditures for the period	\$ 91,695

⁽¹⁾ Subsequent to August 7, 2019, exploration expenditures at the PureGold Mine relate to expenditures on satellite deposits that were not part of the original PureGold Mine feasibility study and for which the technical feasibility and commercial viability have not yet been determined.

⁽²⁾ Other properties include Van Horne and generative projects.

Van Horne Property, Ontario

The Company has an option agreement with KG Exploration Canada Inc. ("Kinross") a subsidiary of Kinross Gold Corp. whereby Kinross has the option to acquire up to a 70% interest in the Company's Van Horne property. To earn its 70% interest Kinross must spend a total of \$4,000,000 on Van Horne over a four year period, commencing March 2018, with a committed minimum of \$750,000 in year one (completed), and pay the Company \$100,000 (completed). Kinross may also satisfy the expenditures by making a cash payment to the Company. During the three months ended March 31, 2021, Kinross provided notice to the Company that it had completed its earn-in to 70% of the project.

Pure Gold Mining Inc.
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8. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Three months ended March 31, 2021					
	Mineral				
	Properties and				
	Mine	Construction	Plant and	Land	Total
Cost	Development	in Progress	Equipment		
	(\$)	(\$)	(\$)	(\$)	(\$)
December 31, 2020	90,209,745	82,070,012	19,232,544	5,048,767	196,561,068
Additions	22,846,600	5,986,573	210,216	-	29,043,389
Capitalized borrowing costs	2,956,336	-	-	-	2,956,336
Reclamation provision	(2,212,528)	-	-	-	(2,212,528)
Transfers	(129,541)	-	129,541	-	-
March 31, 2021	113,670,612	88,056,585	19,572,301	5,048,767	226,348,265
Accumulated Depreciation					
December 31, 2020	-	-	(3,676,924)	-	(3,676,924)
Depreciation	-	-	(1,028,584)	-	(1,028,584)
March 31, 2021	-	-	(4,705,508)	-	(4,705,508)
Carrying Amounts					
December 31, 2020	90,209,745	82,070,012	15,555,620	5,048,767	192,884,144
March 31, 2021	113,670,612	88,056,585	14,866,793	5,048,767	221,642,757
Year Ended December 31, 2020					
	Mineral				
	Properties and				
	Mine	Construction	Plant and	Land	Total
Cost	Development	in Progress	Equipment		
	(\$)	(\$)	(\$)	(\$)	(\$)
December 31, 2019	29,329,481	7,662,959	7,868,636	5,048,767	49,909,843
Capitalized borrowing costs	5,735,955	-	-	-	5,735,955
Reclamation provision	5,043,716	-	-	-	5,043,716
Additions	50,100,593	74,597,053	11,173,907	-	135,871,553
Transfers	-	(190,000)	190,000	-	-
December 31, 2020	90,209,745	82,070,012	19,232,544	5,048,767	196,561,066
Accumulated Depreciation					
December 31, 2019	-	-	(1,095,279)	-	(1,095,279)
Depreciation	-	-	(2,581,645)	-	(2,581,645)
December 31, 2020	-	-	(3,676,924)	-	(3,676,924)
Carrying Amounts					
December 31, 2019	29,329,481	7,662,959	6,773,357	5,048,767	48,814,564
December 31, 2020	90,209,745	82,070,012	15,555,619	5,048,767	192,884,141

Depreciation on assets used in the development of the PureGold Mine of \$964,418 has been capitalized and included in the carrying value of mineral properties (March 31, 2020 - \$440,685).

Mineral properties

Mineral properties consist solely of the 100% owned PureGold Mine. The PureGold Mine is located in the Red Lake gold camp of Northwestern Ontario. In June 2014, the Company acquired a 100% interest in the Newman-Madsen Property. The Newman-Madsen Property is considered part of the PureGold Mine.

Certain of the Newman-Madsen claims acquired are subject to royalty arrangements based on Net Smelter Returns (“NSRs”) ranging from 0.5% to 3%. Of the known resources on the PureGold Mine, only the Russet South resources are subject to a 2% NSR which is capped at \$2,000,000.

Pure Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

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(Expressed in Canadian Dollars Unless Noted Otherwise)

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT (continued)

In March 2017, the Company acquired a 100% interest in the Derlak Gold Property. The Derlak Gold Property is considered part of the PureGold Mine. The 11 claims acquired are subject to a royalty arrangement based on a Net Smelter Return (“NSR”) of 3%.

The Company has a project agreement (the "Agreement") with Wabauskang First Nation and Lac Seul First Nation (together the “First Nations”) with respect to the PureGold Mine. The Agreement provides for communication, cooperation, and collaboration between the First Nations and the Company, and establishes a framework for support for current and future operations of the PureGold Mine and defines the long-term benefits for the First Nations. Under the terms of the Agreement, the Company issued 500,000 common shares to each First Nation on August 19, 2019. At the time of issuance, the 1,000,000 common shares had a fair value of \$630,000.

9. LOANS AND BORROWINGS

	Credity Facility (a)	Interest rate floor derivative (b)	Production Payment Agreement (c)	Total
Loans and borrowings at January 1, 2020	14,212,653	703,675	4,097,229	19,013,557
Advance on Credit Facility	72,900,000	-	-	72,900,000
Deferred charges	(9,935,994)	-	-	(9,935,994)
Interest and accretion	4,358,940	-	513,936	4,872,875
Loss on change in fair value of derivative	-	8,128,569	-	8,128,569
Amortization of deferred charges	769,001	-	-	769,001
Foreign exchange gain	(2,954,163)	(557,011)	(104,785)	(3,615,959)
Loans and borrowings at December 31, 2020	79,350,437	8,275,233	4,506,380	92,132,050
Interest and accretion	2,137,050	-	130,715	2,267,765
Production payment	-	-	(25,161)	(25,161)
Gain on change in fair value of derivative	-	(1,808,971)	-	(1,808,971)
Amortization of deferred charges	471,457	-	-	471,457
Foreign exchange gain	(983,362)	(79,736)	(55,571)	(1,118,669)
Loans and borrowings at March 31, 2021	80,975,582	6,386,526	4,556,363	91,918,471
Current	-	-	(865,160)	(865,160)
Loans and borrowing non-current	80,975,582	6,386,526	3,691,203	91,053,311

a. Credit Facility

On March 30, 2021, the Company amended its credit agreement (the “Amendment”) with Sprott Resource Lending Corp. (“Sprott”) to amend the terms of the Credit Facility to increase the amount available to the Company by a further US\$20 million, with US\$12.5 million received by the Company on closing subsequent to the period end and the remainder available upon satisfaction of certain conditions (detailed below). The Amendment also provided for the deferral of cash interest payments until June 30, 2021 and minor changes to certain working capital covenants. All other key terms and conditions of the Credit Facility remained unchanged. In consideration of the Amendment, the Company will pay to Sprott an amount equal to 4% of the additional debt amount payable either in shares or added to the principal if the share issuance is disallowed by the TSX Venture Exchange.

An additional amount up to US\$7.5 million (for total additional debt of up to US\$20 million) will be available to the Company for a period of three months from closing of the Amendment subject to the following conditions:

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9. LOANS AND BORROWINGS (continued)

a. Credit Facility (continued)

- The Lender will make available an additional US\$0.50 of aggregate principal amount, up to a maximum of US\$7.5 million, for every US\$1.00 raised by the Company through the combination of equity offerings, the exercise of existing share purchase warrants, and/or the exercise of existing stock options;
- The Company is in compliance with all covenants, all representations and warranties remain true in all respects, and no default or event of default exists.

As at March 31, 2021, the Company was in compliance with all covenants.

b. Interest rate floor derivative

The fair value of the interest rate floor derivative liability as at March 31, 2021 was \$6,386,526 (December 31, 2020 - \$8,275,233). During the three months ended March 31, 2021, the Company recognized a \$1,808,971 gain on the change in fair value of the derivative (March 31, 2020 - \$795,565 loss).

c. Production Payment Agreement

During the three months ended March 31, 2021 the Company paid \$25,261 in production payments.

10. GOLD STREAM DERIVATIVE LIABILITY

	Gold Stream derivative liability
Balance at January 1, 2020	37,613,935
Loss on change in fair value	8,555,753
Foreign exchange gain	(1,977,199)
Balance at December 31, 2020	\$ 44,192,489
Loss on change in fair value	1,104,255
Gold stream payments	(160,107)
Foreign exchange gain	(398,454)
Balance at March 31, 2021	\$ 44,738,183
Current	(5,183,039)
Gold stream derivative non-current	\$ 39,555,144

As at March 31, 2021, the fair value of the Gold Stream was \$44,738,183 (December 31, 2020 - \$44,192,489), with a loss on change in fair value during the three months ended March 31, 2021 of \$1,104,255 (March 31, 2020 - \$8,826,909 gain).

Pure Gold Mining Inc.

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11. PROVISION FOR CLOSURE AND RECLAMATION

The Company has recognized a liability relating to its PureGold Mine and has determined that no significant closure and reclamation liabilities exist in connection with the activities on its other properties. The Company has calculated the present value of the closure and reclamation provision at March 31, 2021 using a pre-tax discount rate of 1.55% and inflation rate of 2.00% (December 31, 2020 – 0.67% and 2.00%, respectively). The estimated total future undiscounted, but inflation-adjusted, cash flows to settle the provision for closure and reclamation at March 31, 2021 is \$23,528,031 (December 31, 2019 - \$23,528,031). The Company has estimated that payments will be made in 2032 (December 31, 2020 – 2032).

	March 31, 2021	December 31, 2020
Balance, beginning of the period	\$ 21,715,055	\$ 16,508,920
New estimated cash flows and changes in estimates	-	5,240,602
Effect of changes in discount rate	(2,212,528)	(196,886)
Accretion on discounted obligation	36,282	162,419
Balance, end of the period	\$ 19,538,809	\$ 21,715,055

12. LEASES

a. Right-of-use assets

The Company leases assets such as office space, mobile equipment and equipment. These assets are classified as property, plant and equipment in the statement of financial position.

Balance – January 1, 2020	\$ 573,166
Additions	5,565,129
Depreciation	(284,047)
Balance – December 31, 2020	5,824,248
Depreciation	(315,518)
Balance – March 31, 2021	\$ 5,538,730

The Company's lease with respect to its head office premises is held and paid by Oxygen (Note 15) pursuant to the Oxygen Agreement (Note 15).

b. Lease liabilities

The following table relates to all leases identified under IFRS 16:

Balance – December 31, 2019	\$ 571,289
Additions	5,565,129
Principal payments	(963,119)
Finance charge	158,720
Balance – December 31, 2020	5,332,019
Principal payments	(1,021,797)
Finance charge	225,683
Balance – March 31, 2021	4,535,905
Less: current portion	(2,414,574)
Long term lease liability – March 31, 2021	\$ 2,121,331

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12. LEASES (continued)

Minimum lease payments in respect of the above lease liabilities and the effects of discounting are as follows:

	Up to 1 year	1 to 5 years	Total
Minimum lease payments	\$ 2,732,488	\$ 2,217,114	\$ 4,949,602
Finance charge	(317,914)	(95,783)	(413,697)
Total principal payments	\$ 2,414,574	\$ 2,121,331	\$ 4,535,905

Total undiscounted lease payments excludes leases that are classified as short-term and leases for low-value assets, which are not recognized as lease liabilities.

For the three months ended March 31, 2021, the Company recognized \$225,683, in interest expense on lease liabilities (March 31, 2020 - \$11,218) of which \$8,569 was recognized in the statement of loss and comprehensive loss (March 31, 2020 - \$8,569) and \$217,114 was capitalized to mine development within mineral properties, plant and equipment (March 31, 2020 – nil).

The Company's lease with respect to its head office premises includes variable payments that do not depend on an index or rate. As such, these payments have been excluded from the lease liability. The Company expensed \$28,680 of variable lease payments during the three months ended March 31, 2021 (March 31, 2020 - \$27,580).

13. EQUITY

a. Share Capital

The Company's authorized share capital consists of an unlimited number of common shares without par value.

b. Private Placements

On June 17, 2020, the Company completed a non-brokered private placement of 9,868,421 Charity Flow Through Shares (the "Charity FT Shares") at a price of \$1.52 per Charity FT Share, for gross proceeds of \$15,000,000. In connection with the private placement, the Company paid commissions, legal fees and filing fees totaling \$1,017,226, and recognized a flow-through premium liability of \$3,256,579. In February 2021, the Company filed its renunciation forms for the qualifying expenditures, and as at March 31, 2021 had incurred \$9,356,086 of qualifying expenditures to date. The Company decreased its flow-through premium liability and recognized a deferred tax recovery of \$2,027,406 relating to the proportion of qualifying expenditures that had been incurred to date at March 31, 2021 (Note 17).

c. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the three months ended March 31, 2021 and the year ended December 31, 2020 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding Balance – December 31, 2019	57,672,000	\$0.85
Exercised	(22,794,000)	\$0.85
Outstanding Balance – December 31, 2020	34,878,000	\$0.85
Exercised	(2,485,000)	\$0.85
Outstanding Balance – March 31, 2021	32,393,000	\$0.85

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13. EQUITY (continued)

c. Share Purchase Warrants (continued)

Exercise of warrants

In connection with the warrants exercised during the three months ended March 31, 2021, the related fair value amount of \$280,742 (Year ended December 31, 2020 – \$2,625,510) was transferred from equity reserves to share capital.

d. Stock Options

The Company has established a share purchase option plan (the “Stock Option Plan”) whereby the board of directors may, from time to time, grant options to directors, officers, employees, consultants or technical and administrative company employees. Options granted must be exercised no later than five years from the date of grant or such lesser or greater period as may be determined by the Company’s board of directors and in accordance with the policies of the TSX-V. The exercise price of an option must be determined by the board of directors and in accordance with the Plan and the policies of the TSX-V. Subject to the policies of the TSX-V, the board of directors may determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist. The Company applies the fair value based method of accounting for options.

At March 31, 2021, the following options are outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price Options Outstanding	Number of Options Outstanding	Weighted Average Remaining Life in Years	Number of Options Exercisable
May 26, 2021	\$0.63	200,000	0.15	200,000
November 14, 2021	\$0.72	75,000	0.62	75,000
December 21, 2021	\$0.44	2,230,000	0.73	2,230,000
July 24, 2022	\$0.54	100,000	1.32	100,000
December 15, 2022	\$0.49	4,775,000	1.71	4,775,000
May 6, 2024	\$0.54	133,334	3.10	-
November 18, 2024	\$0.64	250,000	3.64	83,333
December 13, 2024	\$0.74	4,575,001	3.71	3,550,001
February 19, 2025	\$0.77	350,000	3.89	350,000
December 17, 2025	\$2.84	1,880,000	4.72	975,000
January 1, 2026	\$2.60	400,000	4.76	133,333
	\$0.92	14,968,335	2.70	12,471,667

The options exercisable at March 31, 2021 have a weighted average exercise price of \$0.77.

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13. EQUITY (continued)

d. Stock Options (continued)

Details of options granted, exercised, expired and forfeited three months ended March 31, 2021 and the year ended December 31, 2020 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance – December 31, 2019	19,855,000	\$0.49
Granted during the year	2,605,000	\$2.41
Exercised during the year	(6,351,664)	\$0.31
Expired during the year	(350,000)	\$0.28
Forfeited during the year	(115,001)	\$0.65
Balance – December 31, 2020	15,643,335	\$0.86
Granted during the period	400,000	\$2.60
Exercised during the period	(800,000)	\$0.49
Forfeited during the period	(375,000)	\$1.80
Balance – March 31, 2021	14,868,335	\$0.92

Granting of Options

The fair value of newly granted options are calculated using the Black-Scholes option pricing model. For all grants, the assumed dividend yield and forfeiture rate were nil and nil, respectively. Other conditions and assumptions for options granted in the three months ended March 31, 2021 and the year ended December 31, 2020 were as follows:

Issue Date	Expected Life of Options in Years	Exercise Price	Risk-free Interest Rate	Volatility	Weighted Average Black-Scholes Fair Value
Feb 19, 2020	5.0	\$0.77	1.36%	50.94% ¹	\$0.35
June 24, 2020	5.0	\$1.54	0.38%	49.25% ¹	\$0.65
December 17, 2020	4.6	\$2.84	0.45%	41.75% ¹	\$1.01
January 1, 2021	4.6	\$2.60	0.39%	41.33% ¹	\$0.91

¹Volatility was determined using the average historic volatility of the Company, calculated over the same period as the expected life of the option.

Options granted are typically subject to vesting provisions whereby one third vest one year from the grant date, one third vest two years from the grant date, and one third vest three years from the grant date.

During the three months ended March 31, 2021, the Company recognized \$400,979 of share-based compensation (March 31, 2020 - \$316,829), of which \$91,649 (March 31, 2020 - \$77,621) was capitalized to mine development within mineral properties, plant and equipment, and \$309,330 (March 31, 2020 - \$239,209) was expensed to the statement of loss and comprehensive loss.

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13. EQUITY (continued)

d. Stock Options (continued)

Exercise of Options

During the three months ended March 31, 2021, 800,000 stock options were exercised (March 31, 2020 – 766,667) for total proceeds of \$395,000 (March 31, 2020 - \$192,334). The weighted average share price on the date the stock options were exercised during the year was \$1.89 (March 31, 2020 - \$0.63). In connection with these option exercises, the related fair value amount of \$272,450 (March 31, 2020 - \$113,368) was transferred from equity reserves to share capital.

e. Deferred Share Units (“DSU”)

The Company has established a deferred share unit plan (the “DSU Plan”) whereby the board of directors may, from time to time, grant DSUs to non-employee directors of the Company. The DSUs vest immediately and can be redeemed by the holder during the period commencing immediately following a termination of the holders’ position as a director and ending on the 90th day following such termination date. The current maximum number of common shares authorized for issue under the DSU plan is 3,000,000.

A summary of DSU activity during the period is as follows:

	Number of DSUs
Outstanding Balance – December 31, 2019	-
Granted	1,078,306
Outstanding Balance – December 31, 2020 and March 31, 2021	1,078,306

There was no DSU expense recognized during the period ended March 31, 2021 (2020 - \$nil).

d. Restricted Share Units (“RSU”)

The Company has established a restricted share unit plan (the “RSU Plan”) whereby the board of directors may, from time to time, grant RSUs to employees of the Company. The board of directors may determine the time during which the RSUs shall vest and the method of vesting, or that no vesting restriction shall exist. The current maximum number of common shares authorized for issue under the RSU plan is 7,000,000.

A summary of RSU activity during the period is as follows:

	Number of RSUs
Outstanding Balance – December 31, 2019	-
Granted	1,134,930
Outstanding Balance – December 31, 2020	1,134,930
Exercised	(46,479)
Forfeited	(75,000)
Outstanding Balance – March 31, 2021	1,013,451

RSU expense for the three months ended March 31, 2021 was \$381,822 (March 31, 2020 - \$nil) of which \$135,479 was capitalized to mine development within mineral properties, plant and equipment, and \$246,344 was recorded within Share-based payment expense in the Statement of Loss and Comprehensive Loss.

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14. GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs for the three months ended March 31, comprised the following:

	2021	2020
Wages, consulting and director fees	\$ 601,316	\$ 462,298
Professional fees	124,142	354,595
Investor relations	423,652	307,017
Office costs	282,064	155,253
Corporate listing and filing fees	109,877	83,098
Total	\$ 1,541,051	\$1,362,261

15. RELATED PARTY TRANSACTIONS

Oxygen Capital Corp (“Oxygen”).

Oxygen is a private company partially owned by one director and one officer of the Company. Oxygen provides technical and administrative services to the Company under an Amended Technical and Administrative Services Agreement (the “Oxygen Agreement”) at cost, including providing some staff who are seconded to the Company, office facilities and other administrative functions. As at March 31, 2021, Oxygen holds a refundable deposit of \$396,280 on behalf of the Company (December 31, 2020 - \$396,280). During the three months ended March 31, 2021, a total of \$646,518 (March 31, 2020 - \$563,091) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at March 31, 2021, the Company has a payable amount to Oxygen of \$162,540 (December 31, 2020 - \$144,137).

The Oxygen Agreement may be terminated by either party giving at least 180 days’ prior written notice of such termination. Upon termination, by the Company, of the Oxygen Agreement, the Company shall pay to Oxygen an amount equal to the average general and administrative monthly costs incurred under the Agreement for the previous six month period, the Company’s share of committed lease costs, any employee termination fees due under the Agreement as a result of the termination as such term is defined under the Agreement, and the Company’s share of any contractual obligations entered into on its behalf by Oxygen.

Compensation of key management personnel

Key management includes members of the Board, the President and Chief Executive Officer, the VP of Exploration, the VP of Operations, the Chief Financial Officer, and the Corporate Secretary. The total compensation paid or payable to key management for employee services directly or via Oxygen is as follows:

Three months ended March 31,	2021	2020
Salaries and other short-term employee benefits	\$ 406,250	\$ 311,620
Directors fees	133,750	105,000
Share-based compensation	554,006	241,205
Total	\$ 1,094,006	\$ 657,825

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16. SEGMENTED INFORMATION

The Company conducts its business in a single operating segment which is the development of the PG Mine. All of the Company's exploration and evaluation assets are located in Canada. Any investment revenues were earned principally from Canadian sources.

17. COMMITMENTS & CONTINGENCIES

	Total	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years
Loans and borrowings	\$118,351,178	8,923,223	13,502,544	21,455,691	22,250,957	20,780,758	31,438,005
Accounts payable and accrued liabilities	\$20,080,379	20,080,379	-	-	-	-	-
Production linked payments	\$ 6,263,366	865,160	1,217,260	1,134,265	1,639,780	1,406,901	-

As at March 31, 2021, the Company is committed to incur, on a best efforts basis, qualifying resource expenditures pursuant to the June 17, 2020 private placement (Note 13b). The Company must incur the \$15,000,000 of qualifying resource expenditures in relation to the Charity FT Shares before January 1, 2023. If the Company does not spend these funds in compliance with the Government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company filed its renunciation forms for the qualifying expenditures that had been incurred to date as at December 31, 2020 of \$6,344,413, and as at March 31, 2021, the Company had incurred \$9,356,086. The Company intends to fulfil its flow-through commitments within the given time constraints, with the remaining \$5,643,914 to be spent in 2022.

18. FINANCIAL INSTRUMENTS

Fair value measurements

Fair value is based on available public market information or, when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk.

All financial instruments for which fair value is recognized or disclosed are categorized within a fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

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18. FINANCIAL INSTRUMENTS (continued)

Fair value measurements (continued)

At March 31, 2021, the carrying amounts of cash, short-term investments, deposits, accounts payable and accrued liabilities are considered to be a reasonable approximation of their fair values, due to their short-term nature.

	March 31, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Credit Facility	80,975,582	84,423,194	87,625,670	88,936,115
Production Payment Agreement	4,556,363	4,556,363	4,506,380	4,722,075
Interest rate floor derivative	6,386,526	6,386,526	8,275,233	8,275,233
Gold stream derivative liabilities	\$ 44,738,183	\$ 44,738,183	\$ 44,192,489	\$ 44,192,489

At March 31, 2021 the fair values of the embedded derivatives in the Credit Facility and the Gold Stream are determined using Level 3 inputs.

The fair value of the embedded derivatives in the Credit Facility was determined using the Hull-White valuation model. Key inputs include: the US dollar swap curve and the Company's credit spread and the Company's life of mine production profile.

The fair value of the Gold Stream was determined using a discounted cash flow model. Components to fair value at each reporting date include:

- Change in the risk-free interest rate
- Change in the Company's credit spread
- Change in any expected ounces to be delivered
- Change in expected future metal prices
- Life of mine production profile

A 1% change in discount rate would have a \$1.7 million impact on the fair value of the Gold Stream derivative. A 1% change in gold price would have a \$0.45 million impact on the fair value of the Gold Stream derivative.

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between levels in the fair value hierarchy during the three months ended March 31, 2021.

19. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31, 2021	Three months ended March 31, 2020
Non-Cash Investing and Financing Activities		
Change in estimate of provision for closure and reclamation	\$ 2,176,246	\$ 2,065,609

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20. SUBSEQUENT EVENTS

The following items occurred after March 31, 2021:

- i) On May 5, 2021, the Company closed a bought-deal offering for the purchase of 11,348,700 flow-through common shares at a price of \$1.52 per flow-through share, for gross proceeds of \$17,250,024.
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