



Pure Gold Mining Inc.

Condensed Interim Financial Statements

For the three and six months ended June 30, 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	June 30, 2021	December 31, 2020
ASSETS		
Current Assets		
Cash	\$ 20,203,016	\$ 44,906,055
Amounts receivable	5 5,786,202	4,638,850
Inventories	6 4,770,058	3,166,925
Prepaid expenses	2,393,368	986,153
Short-term investments	169,913	1,492,712
	33,322,557	55,190,695
Non-current Assets		
Mineral properties, plant and equipment	7 250,820,685	192,884,141
Deposits	954,476	396,280
Total Assets	\$ 285,097,718	\$ 248,471,116
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 16,497,700	\$ 21,380,053
Lease liabilities	11 3,379,436	5,040,685
Gold stream derivative liability	9 5,809,618	5,359,000
Loans and borrowings	8 975,408	849,300
Flow-through premium liability	12b,17 4,588,369	3,256,579
	31,250,531	35,885,617
Non-current Liabilities		
Loans and borrowings	8 118,410,888	91,282,750
Gold stream derivative liability	9 38,058,871	38,833,489
Provision for closure and reclamation	10 19,874,813	21,715,055
Lease liabilities	11 2,797,908	291,334
Total Liabilities	210,393,011	188,008,245
Equity		
Share capital	12a 210,516,944	192,881,924
Equity reserves	12c,d,e 17,978,125	17,492,027
Accumulated deficit	(153,790,362)	(149,911,080)
Total Equity	74,704,707	60,462,871
Total Liabilities and Equity	\$ 285,097,718	\$ 248,471,116

Commitments & Contingencies (Note 17)

Subsequent Events (20)

Going Concern (1)

Approved by the Audit Committee on behalf of the Board on August 13, 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)

	Notes	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Cost of Operations					
Exploration and evaluation	14	(398,605)	(122,437)	(3,499,214)	(214,132)
General and administrative	13	(1,147,277)	(1,115,085)	(2,688,326)	(2,477,351)
Share-based compensation	12	(360,965)	(118,112)	(855,499)	(357,320)
Depreciation	7	(42,402)	(37,817)	(84,804)	(76,327)
Operating loss for the period		(1,949,249)	(1,393,451)	(7,127,843)	(3,125,127)
Financial income and Expenses					
Foreign exchange gain		1,557,922	2,496,410	2,803,981	1,339,305
Loss on change in fair value of derivative liabilities	8,9	(2,275,702)	(10,855,746)	(1,570,985)	(391,496)
Finance income		26,050	107,506	70,713	420,101
Accretion expense	10	(75,277)	(33,006)	(111,559)	(102,726)
Finance expense	11	(7,841)	(10,590)	(16,409)	(21,809)
Net loss before taxes		(2,724,097)	(9,688,877)	(5,952,102)	(1,881,752)
Income tax recovery	12b	45,414	-	2,072,820	849,637
Net loss and comprehensive loss) for the period		\$ (2,678,683)	\$ (9,688,877)	\$ (3,879,282)	\$ (1,032,115)
Weighted Average Number of Common Shares Outstanding		408,255,091	367,064,182	403,839,405	362,902,159
Basic and Diluted Loss per Common Share		\$ (0.01)	\$ (0.03)	\$ (0.01)	\$ (0.00)

- 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	12b	9,868,421	15,000,000	-	-	15,000,000
Flow-through premium liability	12b		(3,256,579)	-	-	(3,256,579)
Share issue costs – cash	12b		(1,017,226)	-	-	(1,017,226)
Exercised warrants	12c	22,794,000	19,374,885	-	-	19,374,885
Fair value of exercised warrants	12c	-	2,624,035	(2,624,035)	-	-
Exercised stock options	12d	6,351,664	2,026,065	-	-	2,026,065
Fair value of exercised stock options	12d	-	1,359,807	(1,359,807)	-	-
Share-based compensation	12d	-	-	1,927,134	-	1,927,134
Deferred Share Unit compensation	12e	-	-	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
Flow-through common share issuance	12b	11,348,700	17,250,024	-	-	17,250,024
Flow-through premium liability	12b		(3,404,610)	-	-	(3,404,610)
Share issue costs – cash	12b		(1,172,014)	-	-	(1,172,014)
Exercised warrants	12c	2,485,000	2,112,250	-	-	2,112,250
Fair value of exercised warrants	12c	-	280,742	(280,742)	-	-
Exercised stock options	12d	1,600,000	800,000	-	-	800,000
Fair value of exercised stock options	12d	-	551,000	(551,000)	-	-
Common share issuance – Credit Facility	8a	714,229	1,085,628	-	-	1,085,628
Exercised restricted share units	12e	46,479	-	-	-	-
Fair value of exercised restricted share units	12e	-	132,000	(132,000)	-	-
Share-based compensation	12d	-	-	686,196	-	686,196
Restricted share unit compensation	12e	-	-	763,644	-	763,644
Net loss for the period		-	-	-	(3,879,282)	(3,879,282)
Balance – June 30, 2021		413,675,185	\$ 210,516,944	\$ 17,978,125	\$ (153,790,362)	\$ 74,704,707

- 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 six months ended June 30,	Notes	2021	2020
Operating Activities			
Net income (loss) for the period		\$ (3,879,282)	\$ (1,032,115)
Items not affecting cash:			
Deferred income tax recovery		(2,072,820)	(849,637)
Unrealized foreign exchange (gain) loss		(2,655,185)	(1,339,305)
Change in fair value of derivative liabilities		1,570,985	391,496
Share-based compensation	12d	991,353	357,320
Depreciation	7	128,331	119,854
Finance income		(70,713)	(420,101)
Accretion expense	10	111,559	102,726
Finance expense	11	16,409	21,809
Changes in non-cash working capital:			
Inventory		(1,603,133)	-
Accounts payable and accrued liabilities		838,921	1,377,270
Amounts receivable		150,695	(16,981)
Prepaid expenses and deposits		392,619	(352,308)
Net cash used in operating activities		(6,080,261)	(1,639,972)
Investing Activities			
Mineral properties, plant, and equipment	7	(60,795,484)	(35,422,195)
Return of surety bond deposit		1,322,799	-
Interest received		70,714	420,101
Short-term investment		-	(34,500)
Net cash used in investing activities		(59,401,971)	(35,036,594)
Financing Activities			
Proceeds from Credit Facility drawdown	8	24,980,500	27,820,000
Proceeds from equity financings	12b	17,250,024	15,000,000
Proceeds from exercised warrants	12c	2,730,625	12,303,736
Payment of lease liabilities	11	(1,972,928)	(84,768)
Share issue costs	12b	(1,172,014)	(1,017,226)
Proceeds from exercised stock options	12d	800,000	215,400
Gold stream payments	9	(532,783)	-
Issue Discount on Credit Facility Drawdown	8	(499,610)	(562,640)
Credit Facility drawdown transaction costs	8	(90,979)	-
Production Payments	8	(85,741)	-
Net cash provided by financing activities		41,407,094	53,674,502
Effect of foreign exchange on cash		(627,901)	2,672,631
Net (Decrease) Increase in Cash		(24,703,039)	19,670,567
Cash - Beginning of the period		44,906,055	70,277,719
Cash - End of the period		\$ 20,203,016	\$ 89,948,286

Supplemental Cash Flow Information (Note 19)

- 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 AND GOING CONCERN

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.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for a period of at least twelve months from June 30, 2021. During the six month period ended June 30, 2021, the Company incurred a loss of \$9.7 million, used cash of \$6.1 million in operating activities and at period end, the Company had cash of \$20.2 million and a net working capital balance of \$2 million. The Company believes that cash on hand and cash in-flows from future operations, now that the Company has reached commercial production (Note 20), should be sufficient to meet obligations for at least the next 12 months. However, should the mining operations not meet production targets as forecasted, or should changes to external variables such as the gold price or foreign exchange rates negatively affect the forecasted cash flows, the Company could face short-term liquidity issues and will need to raise additional funds in order to meet its current obligations and to finance the continued development and operations of the PureGold Mine.

As a result of the Company’s shortfall in expected gold production and therefore cash generated from gold sales during the first half of 2021, the Company obtained additional sources of funding through an amendment to its Credit Facility with Sprott Resources Lending Corp. (Note 8), as well as a bought-deal financing (Note 12b). While Management believes the Company will be able to secure further funding if required, there can be no assurance that those efforts would be successful. These factors give rise to material uncertainties that may cast substantial doubt on the ability of the Company to continue to meet its obligations as they come due and hence, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

These condensed interim financial statements do not include adjustments or disclosures that may result should the Company not be able to continue as a going concern. If the going concern assumption were not appropriate for these financial statements, then adjustments would be required to the carrying value of assets and liabilities, the expenses, the reported comprehensive loss and balance sheet classifications used that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. These adjustments could be material.

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.

Pure Gold Mining Inc.
Notes to the Condensed Interim Financial Statements
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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.

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 and six months ended June 30, 2021, are consistent with those applied and disclosed in the Company’s annual audited financial statements for the year ended December 31, 2020.

Pure Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

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5. AMOUNTS RECEIVABLE

Amounts receivable are comprised of the following:

	June 30, 2021	December 31, 2020
Refundable goods and services tax/ harmonized sales tax	\$ 5,769,963	\$ 4,016,933
Other receivables	16,239	621,917
Total	\$ 5,786,202	\$ 4,638,850

6. INVENTORY

Inventory is comprised of the following:

	June 30, 2021	December 31, 2020
Ore in stockpile	\$ 132,576	\$ 1,550,311
In circuit metals	1,590,988	662,814
Finished goods	280,776	-
Total metals inventory	2,004,340	2,213,125
Materials and supplies	2,765,718	953,800
Total	\$ 4,770,058	\$ 3,166,925

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

	Six months ended June 30, 2021					Total (\$)
	Mineral Properties and Mine Development (\$)	Construction in Progress (\$)	Plant and Equipment (\$)	Land (\$)		
Cost						
December 31, 2020	90,209,745	82,070,012	19,232,544	5,048,767		196,561,068
Additions	46,089,005	6,618,782	3,030,851	-		55,738,638
Capitalized borrowing costs	6,274,591	-	-	-		6,274,591
Reclamation provision	(1,951,801)	-	-	-		(1,951,801)
Transfers	(495,015)	-	495,015	-		-
June 30, 2021	140,126,525	88,688,794	22,758,410	5,048,767		256,622,496
Accumulated Depreciation						
December 31, 2020	-	-	(3,676,924)	-		(3,676,924)
Depreciation	-	-	(2,124,887)	-		(2,124,887)
June 30, 2021	-	-	(5,801,811)	-		(5,801,811)
Carrying Amounts						
December 31, 2020	90,209,745	82,070,012	15,555,620	5,048,767		192,884,144
June 30, 2021	140,126,525	88,688,794	16,956,599	5,048,767		250,820,685

Pure Gold Mining Inc.
Notes to the Condensed Interim Financial Statements
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7. MINERAL PROPERTIES, PLANT AND EQUIPMENT (continued)

Year Ended December 31, 2020					
	Mineral				
	Properties and				
	Mine	Construction	Plant and		
Cost	Development	in Progress	Equipment	Land	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
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)	-	(2,581,646)
December 31, 2020	-	-	(3,676,924)	-	(3,676,925)
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 \$1,996,556 has been capitalized and included in the carrying value of mineral properties (June 30, 2020 - \$909,856).

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.

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.

Pure Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

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8. 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	4,872,876
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
Advance on Credit Facility	24,980,500	-	-	24,980,500
Deferred charges	(1,676,217)	-	-	(1,676,217)
Interest and accretion	4,729,757	-	257,519	4,987,276
Production payment	-	-	(85,741)	(85,741)
Loss on change in fair value of derivative	-	695,777	-	695,777
Amortization of deferred charges	969,311	-	-	969,311
Foreign exchange gain	(2,287,022)	(207,714)	(121,924)	(2,616,660)
Loans and borrowings at June 30, 2021	106,066,766	8,763,296	4,556,234	119,386,296
Current	-	-	(975,408)	(975,408)
Loans and borrowing non-current	106,066,766	8,763,296	3,580,826	118,410,888

a. Credit Facility

At the end of Q1 2021, the Company amended its credit agreement (the “Amendment”) with Sprott Resource Lending Corp. (“Sprott”) to increase the amount available to the Company by a further US\$20 million. The Company received US\$12.5 million in April 2021, upon closing of the Amendment, with Sprott making 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 within a period of three months from closing of the Amendment. The Amendment also provided for minor changes to certain working capital covenants. All other key terms and conditions of the Credit Facility remained unchanged.

As a result of the equity financing completed during Q2 2021 (Note 12b), the remaining US\$7.5 million became available under the Amendment and was drawn down in June 2021. In consideration of the Amendment, the Company issued 714,229 common shares of the Company to Sprott, which on the date of issue had a fair value of \$1,085,628. These common shares have been accounted for as deferred finance costs, and proportionately included in the amortized cost of the respective drawdowns, and are amortized on an effective interest rate basis over the life of the Credit Facility.

As at June 30, 2021, the Company was in compliance with all covenants.

Pure Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

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9. 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	875,208
Gold stream payments	(532,783)
Foreign exchange gain	(666,425)
Balance at June 30, 2021	\$ 43,868,489
Current	(5,809,618)
Gold stream derivative non-current	\$ 38,058,871

10. 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 June 30, 2021 using a pre-tax discount rate of 1.39% 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 June 30, 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).

	June 30, 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	(1,951,801)	(196,886)
Accretion on discounted obligation	111,559	162,419
Balance, end of the period	\$ 19,874,813	\$ 21,715,055

11. 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
Additions	2,772,718
Depreciation	(673,380)
Balance – June 30, 2021	\$ 7,923,586

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).

Pure Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

11. LEASES (continued)

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
Additions	2,483,839
Principal payments	(1,972,928)
Finance charge	334,414
Balance – June 30, 2021	6,177,344
Less: current portion	(3,379,436)
Long term lease liability – June 30, 2021	\$ 2,797,908

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	\$ 3,742,622	\$ 2,926,790	\$ 6,669,412
Finance charge	(363,186)	(128,882)	(492,068)
Total principal payments	\$ 3,379,436	\$ 2,797,908	\$ 6,177,344

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 and six months ended June 30, 2021, the Company recognized \$108,731 and \$334,414, respectively, in interest expense on lease liabilities (June 30, 2020 - \$10,590 and \$21,809, respectively) of which \$7,841 and \$16,410, respectively, was recognized in the statement of loss and comprehensive loss (June 30, 2020 - \$10,590 and \$21,809, respectively) and \$100,890 and \$318,004, respectively, was capitalized to mine development within mineral properties, plant and equipment (June 30, 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 \$18,996 and \$47,616, respectively, of variable lease payments during the three and six months ended June 30, 2021 (June 30, 2020 - \$28,785 and \$56,365, respectively).

Pure Gold Mining Inc.

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12. 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 May 5, 2021, the Company completed a bought-deal offering of 11,348,700 Flow Through Shares (the "FT Shares") at a price of \$1.52 per FT Share, for gross proceeds of \$17,250,024. In connection with the bought-deal, the Company paid commissions, legal fees and filing fees totaling \$1,172,014, and recognized a flow-through premium liability of \$3,404,610 (Note 17).

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 June 30, 2021 had incurred \$9,547,536 of qualifying expenditures to date. The Company decreased its flow-through premium liability and recognized a deferred tax recovery of \$2,072,820 relating to the proportion of qualifying expenditures that had been incurred to date at June 30, 2021 (Note 17).

c. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the six months ended June 30, 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 – June 30, 2021	32,393,000	\$0.85

Exercise of warrants

In connection with the warrants exercised during the six months ended June 30, 2021, the related fair value amount of \$280,742 (Year ended December 31, 2020 – \$2,624,035) 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.

Pure Gold Mining Inc.

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12. EQUITY (continued)

d. Stock Options (continued)

At June 30, 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
November 14, 2021	\$0.72	75,000	0.38	75,000
December 21, 2021	\$0.44	1,930,000	0.48	1,930,000
July 24, 2022	\$0.54	100,000	1.07	100,000
December 15, 2022	\$0.49	4,375,000	1.46	4,475,000
May 6, 2024	\$0.54	133,334	2.85	-
November 18, 2024	\$0.64	250,000	3.39	83,333
December 13, 2024	\$0.74	4,575,001	3.46	3,550,001
February 19, 2025	\$0.77	350,000	3.64	350,000
December 17, 2025	\$2.84	1,880,000	4.47	975,000
January 1, 2026	\$2.60	400,000	4.51	100,000
May 27, 2026	\$1.60	300,000	4.91	-
	\$0.96	14,368,335	2.61	11,638,334

The options exercisable at June 30, 2021 have a weighted average exercise price of \$0.78.

Details of options granted, exercised, expired and forfeited six months ended June 30, 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	700,000	\$2.17
Exercised during the period	(1,600,000)	\$0.50
Forfeited during the period	(375,000)	\$1.80
Balance – June 30, 2021	14,368,335	\$0.96

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12. EQUITY (continued)

d. Stock Options (continued)

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 six months ended June 30, 2021 and the year ended December 31, 2020 were as follows:

Grant 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
May 27, 2021	4.8	\$1.60	0.90%	33.75% ¹	\$0.49

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 June 30, 2021, the Company recognized \$285,217 of share-based compensation (June 30, 2020 - \$200,208), of which \$95,881 (June 30, 2020 - \$82,096) was capitalized to mine development within mineral properties, plant and equipment, and \$189,336 (June 30, 2020 - \$118,112) was expensed to the statement of loss and comprehensive loss.

During the six months ended June 30, 2021, the Company recognized \$686,196 of share-based compensation (June 30, 2020 - \$517,036), of which \$187,530 (June 30, 2020 - \$159,716) was capitalized to mine development within mineral properties, plant and equipment, and \$498,666 (June 30, 2020 - \$357,320) was expensed to the statement of loss and comprehensive loss.

Exercise of Options

The weighted average share price on the date stock options were exercised during the six months ended June 30, 2021 was \$1.75 (June 30, 2020 - \$0.69). In connection with these option exercises, the related fair value amount of \$551,000 (June 30, 2020 - \$129,573) was transferred from equity reserves to share capital.

d. 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.

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12. EQUITY (continued)

d. Deferred Share Units (“DSU”) (continued)

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 June 30, 2021	1,078,306

There was no DSU expense recognized during the period ended June 30, 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 – June 30, 2021	1,013,451

RSU expense for the three and six months ended June 30, 2021 was \$381,822 and \$763,644, respectively (June 30, 2020 - \$nil) of which \$135,479 and \$270,957, respectively, was capitalized to mine development within mineral properties, plant and equipment, and \$246,344 and \$492,687, respectively, was recorded within Share-based payment expense in the Statement of Loss and Comprehensive Loss.

Pure Gold Mining Inc.

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13. GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs are comprised of the following:

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Wages, consulting and director fees	\$ 643,390	\$ 458,160	\$ 1,244,706	\$ 920,458
Professional fees	88,098	221,054	212,238	575,649
Investor relations	71,933	216,862	495,586	523,881
Office costs	186,714	136,251	468,777	291,503
Corporate listing and filing fees	157,142	82,758	267,019	165,857
Total	\$ 1,147,277	\$ 1,115,085	\$ 2,688,326	\$ 2,477,348

14. 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:

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
PureGold Mine ⁽¹⁾				
Drilling	\$ 84,462	\$ 69,584	\$ 2,388,295	\$ 69,584
Geophysics and geology	128,370	-	694,668	-
Salaries, wages and benefits	102,832	10,026	232,629	40,748
Geographic modelling	44,693	-	114,124	-
Depreciation	21,764	21,764	43,528	43,528
Administrative and other	16,484	21,063	25,970	60,272
Expenditures for the period	\$ 398,605	\$ 122,437	\$ 3,499,214	\$ 214,132

⁽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 first quarter of 2021, Kinross provided notice to the Company that it had completed its earn-in to 70% of the project.

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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 June 30, 2021, Oxygen holds a refundable deposit of \$396,280 on behalf of the Company (December 31, 2020 - \$396,280). During the six months ended June 30, 2021, a total of \$1,089,492 (June 30, 2020 - \$964,245) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at June 30, 2021, the Company has a payable amount to Oxygen of \$140,600 (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 June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Salaries and other short-term employee benefits	\$ 406,250	\$ 311,620	\$ 812,500	\$ 623,240
Directors fees	125,833	117,833	259,583	222,833
Share-based compensation	399,010	118,530	953,016	359,735
Total	\$ 931,093	\$ 547,983	\$ 2,025,099	\$ 1,205,808

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.

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17. COMMITMENTS & CONTINGENCIES

	Total	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years
Loans and borrowings	\$149,168,903	11,719,143	19,934,445	29,808,660	27,987,879	20,578,104	39,142,672
Accounts payable and accrued liabilities	\$16,497,700	16,497,700	-	-	-	-	-
Production linked payments	\$ 6,110,678	975,408	1,257,991	1,073,320	1,738,878	1,065,081	-

As at June 30, 2021, the Company is committed to incur, on a best-efforts basis, qualifying expenditures pursuant to the May 2021 and June 2020 financings (Note 12b). In respect of the May 2021 financing, the Company must incur \$17.3 million of Canadian development expenses (“CDE”). Planned expenditures will be used on development expenses on the PureGold Mine. These costs must be incurred before January 1, 2022. In respect of the June 2020 financing, the Company must incur \$15 million of Canadian exploration expenditures (“CEE”), 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. As at June 30, 2021, the Company had incurred \$13 million in qualifying expenditures in respect to the above noted financings, with \$19.3 million remaining to be spent in 2021/2022.

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 June 30, 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.

	June 30, 2021		December 31, 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Credit Facility	\$ 106,066,766	\$ 107,968,898	87,625,670	88,936,115
Production Payment Agreement	4,556,234	4,556,234	4,506,380	4,722,075
Interest rate floor derivative	8,763,296	8,763,296	8,275,233	8,275,233
Gold stream derivative liabilities	\$ 43,868,489	\$ 43,868,489	\$ 44,192,489	\$ 44,192,489

At June 30, 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 \$1.6 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 six months ended June 30, 2021.

19. SUPPLEMENTAL CASH FLOW INFORMATION

	Six months ended June 30, 2021	Six months ended June 30, 2020
Non-Cash Investing and Financing Activities		
Recognition of lease liability	\$ 2,483,839	\$ -
Change in estimate of provision for closure and reclamation	\$ 1,951,802	\$ 5,451,186
Shares issued in debt financing	\$ 1,085,628	\$ -

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20. SUBSEQUENT EVENTS

The following items occurred after June 30, 2021:

- i) On August 1, 2021, the Company achieved commercial production at the PureGold Mine.
-