



Pure Gold Mining Inc.

Condensed Interim Financial Statements

For the three months ended March 31, 2022 and 2021

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Otherwise Noted)

Pure Gold Mining Inc.

Condensed Interim Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in thousands of Canadian Dollars)

	Notes	March 31, 2022	December 31, 2021 (restated – Note 3)
ASSETS			
Current Assets			
Cash		\$ 6,546	\$ 8,450
Amounts receivable	5	2,719	1,191
Inventories	6	6,182	8,874
Prepaid expenses		1,712	2,612
Short-term investments		170	170
		17,329	21,297
Non-current Assets			
Mineral properties, plant and equipment	7	248,208	245,140
Deposits		396	840
Total Assets		\$ 265,933	\$ 267,277
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 22,425	\$ 22,606
Lease liabilities	11	5,718	5,494
Gold stream derivative liability	9	43,490	2,408
Loans and borrowings	8	119,249	8,181
Flow-through premium liability	18	1,184	4,588
		192,066	43,277
Non-current Liabilities			
Loans and borrowings	8	-	115,204
Gold stream derivative liability	9	-	42,307
Provision for closure and reclamation	10	17,784	19,750
Lease liabilities	11	4,209	4,270
Total Liabilities		214,059	224,808
Equity			
Share capital	12a	266,504	235,355
Equity reserves	12c,d,e	19,884	20,161
Accumulated deficit		(234,514)	(213,047)
Total Equity		51,874	42,469
Total Liabilities and Equity		\$ 265,933	\$ 267,277

Commitments & Contingencies (Note 18)

Subsequent Events (Note 8, 21)

Going Concern (Note 1)

Approved by the Board on May 16, 2022:

“Lenard Boggio”, Audit Committee Chair

“Graeme Currie”, Director

- See Accompanying Notes to the Financial Statements -

Pure Gold Mining Inc.

Condensed Interim Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in thousands of Canadian Dollars, except for per share and share amounts)

For the three months ended March 31,	Notes	2022	2021 (restated – Note 3)
Revenue	13	\$ 18,368	\$ 6,542
Cost of sales	14	(41,763)	(22,127)
Loss from mine operations		(23,395)	(15,585)
Corporate administrative costs	15	(1,124)	(2,078)
Exploration and evaluation		-	(3,101)
Operating loss for the period		(24,519)	(20,764)
Finance income and Expenses			
Interest and finance costs	16	(5,688)	(45)
Foreign exchange gain (loss)		2,229	1,246
Gain (loss) on change in fair value of derivative liabilities	8,9	3,089	705
Interest income		17	45
Income (loss) before taxes		(24,872)	(18,813)
Income tax recovery	12b	3,405	2,027
Net income (loss) and comprehensive income (loss) for the period		\$ (21,467)	\$ (16,786)
Weighted Average Number of Common Shares Outstanding		470,137,753	399,324,491
Basic and Diluted Loss per Common Share		\$ (0.05)	\$ (0.04)

- See Accompanying Notes to the Financial Statements -

Pure Gold Mining Inc.

Condensed Interim Statements of Changes in Equity

(Unaudited – Prepared by Management)

(Expressed in thousands of Canadian Dollars, except for share amounts)

	Notes	Number of Common Shares	Share Capital	Equity Reserves	Accumulated Deficit	Total
Balance – December 31, 2020		397,480,777	\$ 192,882	\$ 17,492	\$ (149,911)	\$ 60,463
Exercised warrants	12c	2,485,000	2,112	-	-	2,112
Fair value of exercised warrants			281	(281)	-	-
Exercised stock options	12d	800,000	395	-	-	395
Fair value of exercised stock options			272	(272)	-	-
Exercised restricted share units	12e	46,479	132	(132)	-	-
Share-based compensation	12d	-	-	401	-	401
Deferred Share Unit compensation	12e	-	-	382	-	382
Net loss for the period		-	-	-	(16,786)	(16,786)
Balance – March 31, 2021 (restated – Note 3)		400,812,256	\$ 196,074	\$ 17,590	\$ (166,697)	\$ 46,967
Balance – January 1, 2022 (restated – Note 3)		441,192,986	\$ 235,355	\$ 20,161	\$ (213,047)	\$ 42,469
Common share issuance – financing	12b	58,948,000	31,242	-	-	31,242
Share issue costs - cash	12b		(949)	-	-	(949)
Exercised stock options	12d	75,000	37	-	-	37
Fair value of exercised stock options			26	(26)	-	-
Exercised restricted share units	12e	372,226	793	(793)	-	-
Share-based compensation	12d	-	-	242	-	242
Deferred Share Unit compensation	12e	-	-	300	-	300
Net loss for the period		-	-	-	(21,467)	(21,467)
Balance – March 31, 2022		500,588,212	\$ 266,504	\$ 19,884	\$ (234,514)	\$ 51,874

- See Accompanying Notes to the Financial Statements -

Pure Gold Mining Inc.

Condensed Interim Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in thousands of Canadian Dollars)

For the three months ended March 31,	Notes	2022	2021 (restated – Note 3)
Operating Activities			
Net income (loss) for the period		\$ (21,467)	\$ (16,786)
Items not affecting cash:			
Deferred income tax recovery		(3,405)	(2,027)
Unrealized foreign exchange (gain) loss		(2,229)	(1,291)
Change in fair value of derivative liabilities		(3,089)	(705)
Share-based compensation	12d	543	782
Depreciation	7	3,102	64
Finance income		(17)	(45)
Accretion expense	10	70	36
Finance expense	16	5,618	9
Changes in non-cash working capital:			
Inventory		2,692	(3,092)
Accounts payable and accrued liabilities		(178)	290
Amounts receivable		(1,528)	116
Prepaid expenses and deposits		1,344	(52)
Net cash used in operating activities		(18,544)	(22,701)
Investing Activities			
Mineral properties, plant and equipment	8	(6,259)	(13,702)
Return of surety bond deposit		-	1,323
Interest received		17	45
Net cash used in investing activities		(6,242)	(12,334)
Financing Activities			
Proceeds from equity financings	12b	31,242	-
Share issue costs	12b	(949)	-
Payment of lease liabilities	11	(1,930)	(1,022)
Credit Facility interest payments	8	(4,615)	-
Gold stream payments	9	(676)	(160)
Production Payments	8	(107)	(25)
Proceeds from exercised stock options	12d	37	395
Proceeds from exercised warrants	12c	-	2,731
Net cash provided by financing activities		23,002	1,919
Effect of foreign exchange on cash		(120)	(223)
Net (Decrease) Increase in Cash		(1,904)	(33,339)
Cash - Beginning of the period		8,450	44,906
Cash - End of the period		\$ 6,546	\$ 11,567

Supplemental Cash Flow Information (Note 20)

- 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 thousands of Canadian Dollars, except for per share and share amounts, unless otherwise noted)

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. Commercial production at the PureGold Mine began on August 1, 2021.

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 March 31, 2022. During the three months ended March 31, 2022, the Company incurred a loss of \$21,467, used cash of \$18,544 in operating activities and at period end, the Company had cash of \$6,546 and a net working capital deficit of \$174,737 (Note 8). As at March 31, 2022, the Company was not in compliance with certain debt covenants, and as such, has classified the entirety of its Credit Facility, Interest Rate Floor derivative and Production Payment Agreement, as current. A waiver was received in respect of the breached covenants subsequent to March 31, 2022.

As a result of the Company’s shortfall in expected gold production and therefore cash generated from gold sales during 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 equity financings (Note 12b). In February 2022, the Company raised an additional \$31,200 through equity financings, and in May 2022, the Company announced a \$30,000 private placement, which is expected to close subsequent to the filing date of these financial statements. However, there is no certainty that the May 2022 private placement will close.

Should the Company be unsuccessful in closing the May 2022 private placement, the Company will need to obtain additional sources of funding in order to meet its current obligations and to finance ongoing operations and development at the Pure Gold Mine for at least the next 12 months. While Management believes the Company will be able to secure further funding, there can be no assurance that those efforts will be successful. These factors give rise to material uncertainties that may cast significant 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 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.

Pure Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in thousands of Canadian Dollars, except for per share and share amounts, unless otherwise noted)

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 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 and for the year ended December 31, 2021.

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, 2021, except for the change as a result of the adoption of new accounting standards (Note 3).

3. ACCOUNTING STANDARDS RECENTLY ADOPTED

On May 14, 2020, the International Accounting Standard Board (IASB) published a narrow scope amendment to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use. The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received will be recognized as sales proceeds and the related costs in profit or loss. The effective date is for annual periods beginning on or after January 1, 2022. As a result of the adoption of the amendments to IAS 16, the Company has restated its comparative period, to reclassify the 2021 proceeds received from gold sales with associated cost of sales from mineral properties, plant and equipment, to mine operating loss on the statement of loss and comprehensive loss (Notes 7, 13 and 14).

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, 2022, are consistent with those applied and disclosed in the Company’s annual audited financial statements for the year ended December 31, 2021.

5. AMOUNTS RECEIVABLE

Amounts receivable are comprised of the following:

	March 31, 2022	December 31, 2021
Refundable goods and services tax/ harmonized sales tax	\$ 2,719	\$ 1,175
Other receivables	-	16
Total	\$ 2,719	\$ 1,191

Pure Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

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6. INVENTORY

Inventory is comprised of the following:

	March 31, 2022	December 31, 2021
Ore in stockpile	\$ 71	\$ 240
In circuit metals	909	1,951
Finished goods	1,082	2,969
Total metals inventory	2,062	5,160
Materials and supplies	4,120	3,714
Total	\$ 6,182	\$ 8,874

During the three months ended March 31, 2022, the Company had an inventory write-down of \$3,635 to adjust its metals inventory to its net realizable value (March 31, 2021 - \$ 8,268). The adjustment was recognized to the Statement of Loss and Comprehensive Loss.

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Three Months Ended March 31, 2022					
Cost	Mineral Properties and				Total
	Mine Development	Construction in Progress	Plant and Equipment	Land	
	(\$)	(\$)	(\$)	(\$)	(\$)
December 31, 2021 - restated	119,521	1,964	129,909	5,049	256,443
Additions	4,274	1,357	2,575	-	8,206
Reclamation provision	(2,036)	-	-	-	(2,036)
March 31, 2022	121,759	3,321	132,484	5,049	262,613
Accumulated Depreciation					
December 31, 2021 - restated	(1,403)	-	(9,900)	-	(11,303)
Depreciation	(753)	-	(2,349)	-	(3,102)
March 31, 2022	(2,156)	-	(12,249)	-	(14,405)
Carrying Amounts					
December 31, 2021 - restated	118,118	1,964	120,009	5,049	245,140
March 31, 2022	119,603	3,321	120,235	5,049	248,208

Pure Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

(Unaudited – Prepared by Management)

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7. MINERAL PROPERTIES, PLANT AND EQUIPMENT (continued)

Year ended December 31, 2021 (restated)					
	Mineral				
	Properties and				
	Mine	Construction in	Plant and		
Cost	Development	Progress	Equipment	Land	Total
	(\$)	(\$)	(\$)	(\$)	(\$)
December 31, 2020	90,210	82,070	19,233	5,049	196,562
Additions - restated	24,569	20,985	9,090	-	54,644
Capitalized borrowing costs	7,455	-	-	-	7,455
Reclamation provision	(2,218)	-	-	-	(2,218)
Transfers	(495)	(101,091)	101,586	-	-
December 31, 2021 - restated	119,521	1,964	129,909	5,049	256,443
Accumulated Depreciation					
December 31, 2020	-	-	(3,677)	-	(3,677)
Depreciation - restated	(1,403)	-	(6,223)	-	(7,626)
December 31, 2021	(1,403)	-	(9,900)	-	(11,303)
Carrying Amounts					
December 31, 2020	90,210	82,070	15,556	5,049	192,885
December 31, 2021 - restated	118,118	1,964	120,009	5,049	245,140

Mineral properties

As discussed in Note 3, on January 1, 2022, the Company adopted an amendment to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use. The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received will be recognized as sales proceeds and the related costs in profit or loss. As a result of the adoption of the amendments to IAS 16, the Company reclassified \$24,564 proceeds from gold sales and \$52,984 associated cost of sales from mineral properties, plant and equipment, to mine operating loss on the statement of loss and comprehensive loss for the year ended December 31, 2021 (\$6,541 and \$21,900, respectively, for the three months ended March 31, 2021 (Note 13 and 14, respectively)). Additionally, depreciation for the year ended December 31, 2021 was reduced by \$428.

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.

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.

Pure Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in thousands of Canadian Dollars, except for per share and share amounts, unless otherwise noted)

8. LOANS AND BORROWINGS

	Credity Facility	Interest rate floor derivative	Production Payment Agreement	Total
Loans and borrowings at January 1, 2021	79,350	8,276	4,506	92,132
Advance on Credit Facility	24,981	-	-	24,981
Deferred charges	(1,676)	-	-	(1,676)
Interest and accretion	10,362	-	468	10,830
Interest payment	(2,751)	-	-	(2,751)
Production payment	-	-	(277)	(277)
Change in fair value of derivative	-	(2,077)	-	(2,077)
Amortization of deferred charges	2,097	-	-	2,097
Foreign exchange (gain) loss	151	(10)	(15)	126
Loans and borrowings at December 31, 2021	112,514	6,189	4,682	123,385
Interest and accretion	4,855	-	67	4,922
Interest payment	(4,615)	-	-	(4,615)
Production payment	-	-	(107)	(107)
Change in fair value of derivative	-	(3,173)	-	(3,173)
Amortization of deferred charges	551	-	-	551
Foreign exchange (gain) loss	(1,604)	(43)	(67)	(1,714)
Loans and borrowings at March 31, 2022	111,701	2,973	4,575	119,249

On April 22, 2022, the Company entered into an agreement (the “Agreement”) with its lenders, Sprott Private Resource Lending Corp. (“Sprott”), whereby Sprott conditionally agreed to:

- i) Provide to the Company an additional, secured, first-priority, non-revolving credit facility (“Additional Credit Facility”) up to a maximum principal amount of US\$6,000; and
- ii) Waive any existing defaults under the Credit Facility Agreement, Gold Stream Agreement (Note 9), and Production Payment Agreement (“Existing Defaults”) for a period of time ending no later than May 15, 2022 (“Waiver Period”), and subsequently amended to May 23, 2022.

The Additional Credit Facility is subject to the satisfaction of certain conditions in Sprott’s sole discretion, including the closing of an additional equity financing by May 23, 2022 (Note 21), and no additional events of defaults other than the Existing Defaults during the Waiver Period, and other conditions. The Additional Credit Facility matures on September 30, 2022 and accrues interest at a rate of 14% per annum.

Although a waiver was received subsequent to March 31, 2022, as at the Statement of Financial Position date, the Company was not in compliance with its covenants, and as such, has classified the entirety of its Credit Facility, Interest Rate Floor derivative and Production Payment Agreement, as current.

Pure Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

(Unaudited – Prepared by Management)

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9. GOLD STREAM DERIVATIVE LIABILITY

	Gold Stream derivative liability
Balance at December 31, 2020	44,192
Loss on change in fair value	2,475
Gold stream payments	(1,732)
Foreign exchange gain	(220)
Balance at December 31, 2021	\$ 44,715
Loss on change in fair value	84
Gold stream payments	(676)
Foreign exchange gain	(633)
Balance at March 31, 2022	\$ 43,490

As discussed above in Note 8, as at March 31, 2022, the Company was not in compliance with its covenants in respect of the Gold Stream Agreement, and as such has classified the Gold Stream derivative liability as current. Refer to Note 8 for discussion of the waiver that was obtained subsequent to March 31, 2022.

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 March 31, 2022 using a pre-tax discount rate of 2.40% and inflation rate of 2.00% (December 31, 2021 – 1.42% 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, 2022 is \$22,954 (December 31, 2021 - \$23,067). The Company has estimated that payments will be made in 2032 (December 31, 2021 – 2032).

	March 31, 2022	December 31, 2021
Balance, beginning of the period	\$ 19,750	\$ 21,715
Effect of changes in discount rate	(2,036)	(2,203)
Accretion on discounted obligation	70	238
Balance, end of the period	\$ 17,784	\$ 19,750

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, 2021	\$ 5,854
Additions	8,591
Depreciation	(1,636)
Balance – December 31, 2021	12,809
Additions	1,950
Depreciation	(677)
Balance – March 31, 2022	\$ 14,082

Pure Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in thousands of Canadian Dollars, except for per share and share amounts, unless otherwise noted)

11. LEASES (continued)

The Company's lease with respect to its head office premises is held and paid by Oxygen (Note 17) pursuant to the Oxygen Agreement (Note 17).

b. Lease liabilities

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

Balance – December 31, 2020	\$	5,332
Additions		8,591
Principal payments		(4,789)
Finance charge		630
Balance – December 31, 2021		9,764
Additions		1,950
Principal payments		(1,930)
Finance charge		143
Balance – Marc 31, 2022		9,927
Less: current portion		(5,718)
Long term lease liability – March 31, 2022	\$	4,209

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	\$ 6,063	\$ 4,314	\$ 10,377
Finance charge	(345)	(105)	(450)
Total principal payments	\$ 5,718	\$ 4,209	\$ 9,927

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.

12. EQUITY

a. Share Capital

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

b. Equity Financings

On February 15, 2022, the Company completed a brokered and non-brokered private placement whereby the Company issued a total of 58,948,000 common shares of the Company at a price of \$0.53 per common share for gross proceeds of \$31,242.

On October 15, 2021, the Company completed a non-brokered private placement whereby the Company issued a total of 3,307,619 units of the Company at a price of \$1.05 per unit for total proceeds of \$3,473. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each warrant is exercisable at a price of \$1.36 per warrant, with an expiry date of April 15, 2023.

Pure Gold Mining Inc.

Notes to the Condensed Interim Financial Statements

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12. EQUITY (continued)

On September 28, 2021, the Company completed a bought-deal offering of 21,905,200 units at a price of \$1.05 per unit for gross proceeds of \$23,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant (each whole common share purchase warrant). Each warrant is transferrable and entitles the holder to acquire one common share of the Company until March 28, 2023 at a price of \$1.36 per warrant. In connection with the bought-deal offering, the Company paid the underwriters a cash commission equal to 5% of the gross proceeds.

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 CAD \$1.52 per FT Share, for gross proceeds of \$17,250. In connection with the bought-deal, the Company paid commissions, legal fees and filing fees totaling \$1,200, and recognized a flow-through premium liability of \$3,405 (Note 22). In February 2022, the Company filed its renunciation forms for the qualifying expenditures, and as at December 31, 2021 had incurred all required qualifying expenditures.

c. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the three months ended March 31, 2022 and the year ended December 31, 2021 are as follows:

	Number of Warrants	Weighted Average Exercise Price (CAD)
Outstanding Balance – December 31, 2020	34,878,000	\$0.85
Issued	12,606,410	\$1.36
Exercised	(3,100,499)	\$0.85
Outstanding Balance – December 31, 2021 and March 31, 2022	44,383,911	\$0.99

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.

Notes to the Condensed Interim Financial Statements

(Unaudited – Prepared by Management)

(Expressed in thousands of Canadian Dollars, except for per share and share amounts, unless otherwise noted)

12. EQUITY (continued)

d. Stock Options (continued)

At March 31, 2022, 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
December 15, 2022	\$0.49	4,250,000	0.71	4,250,000
May 6, 2024	\$0.54	133,334	2.10	66,667
November 18, 2024	\$0.64	250,000	2.64	166,666
December 13, 2024	\$0.74	4,500,001	2.71	4,500,001
February 19, 2025	\$0.77	350,000	2.89	350,000
December 17, 2025	\$2.84	1,860,000	3.72	1,269,999
January 1, 2026	\$2.60	400,000	3.76	266,667
October 27, 2026	\$0.97	350,000	4.58	-
February 17, 2027	\$0.70	4,400,000	4.89	-
March 17, 2027	\$0.75	830,000	4.96	-
	\$0.94	17,323,335	3.05	10,870,000

The options exercisable at March 31, 2022 have a weighted average exercise price of \$0.93.

Details of options granted, exercised, expired and forfeited during the three months ended March 31, 2022 and the year ended December 31, 2021 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance – December 31, 2020	15,643,335	\$0.86
Granted during the year	1,050,000	\$1.77
Exercised during the year	(3,180,000)	\$0.47
Expired during the year	(575,000)	\$0.48
Forfeited during the year	(688,334)	\$1.73
Balance – December 31, 2021	12,250,001	\$1.04
Granted during the period	5,230,000	\$0.71
Exercised during the period	(75,000)	\$0.49
Expired during the period	(81,666)	\$0.91
Balance – March 31, 2022	17,323,335	\$0.94

Pure Gold Mining Inc.

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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 three months ended March 31, 2022 and the year ended December 31, 2021 were as follows:

Grant Date	Expected Life of Options in Years	Exercise Price	Risk-free Interest Rate	Volatility ¹	Weighted Average Black-Scholes Fair Value
January 1, 2021	4.6	\$2.60	0.39%	61.49%	\$0.91
May 27, 2021	4.8	\$1.60	0.90%	53.25%	\$0.72
October 27, 2021	5.0	\$0.97	1.42%	55.71%	\$0.47
February 17, 2022	5.0	\$0.70	1.75%	56.78%	\$0.35
March 17, 2022	5.0	\$0.75	2.02%	56.88%	\$0.38

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, 2022, the Company recognized \$242 of share-based compensation (2021 - \$401).

Exercise of Options

The weighted average share price on the date stock options were exercised during the three months ended March 31, 2022 was \$0.72 (2021 – \$1.89). In connection with these option exercises, the related fair value amount of \$26 (2021 - \$272) 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.

There are a total of 1,078,306 DSUs outstanding as at March 31, 2022 and December 31, 2021. There was no DSU activity during the three months ended March 31, 2022 and the year ended December 31, 2021.

f. 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.

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12. EQUITY (continued)

f. Restricted Share Units (“RSU”) (continued)

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

	Number of RSUs
Outstanding Balance – December 31, 2020	1,134,930
Granted	200,000
Exercised	(155,962)
Forfeited	(188,334)
Outstanding Balance – December 31, 2021	990,634
Granted	3,539,100
Exercised	(372,226)
Forfeited	(250,000)
Outstanding Balance – March 31, 2022	3,907,508

RSU expense for the three months ended March 31, 2022 was \$300 (2021 - \$382).

13. REVENUE

Revenue comprised the following:

	Three months ended March 31, 2022	Three months ended March 31, 2021 (Restated)
Gold revenue – Spot sales	\$ 18,425	\$ 6,562
Less: refining and shipping costs	(57)	(21)
Total	\$ 18,368	\$ 6,541

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14. COST OF SALES

Cost of sales are comprised of the following:

	Three months ended March 31, 2022	Three months ended March 31, 2021 <i>(Restated)</i>
Labour wages and benefits	\$ 12,059	\$ 8,684
Raw materials and consumables	7,127	7,212
Contractors	14,006	5,770
Site administrative costs	2,067	2,250
Depreciation and depletion	3,044	-
Share based payments	396	227
Production costs	38,699	24,143
Change in inventory	(572)	(10,284)
Inventory write-down	3,636	8,268
Total	\$ 41,763	\$ 22,127

15. CORPORATE ADMINISTRATIVE COSTS

Corporate administrative costs are comprised of the following:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Wages, consulting and director fees	\$ 450	\$ 601
Share-based compensation	147	495
Professional fees	216	124
Investor relations	82	424
Office costs	94	282
Corporate listing and filing fees	76	110
Depreciation	59	42
Total	\$ 1,124	\$ 2,078

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16. INTEREST AND FINANCING COSTS

Interest and financing costs are comprised of the following:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Credit Facility interest expense	\$ 5,407	\$ -
Deferred transaction costs amortization	68	-
Financing fees on leases	143	9
Reclamation accretion expense	70	36
Total	\$ 5,688	\$ 45

Prior to the start of commercial production on August 1, 2021, Credit Facility interest expense and deferred transaction costs were capitalized to Mineral Properties, plant and equipment.

17. RELATED PARTY TRANSACTIONS

Oxygen Capital Corp (“Oxygen”).

Oxygen is a private company partially owned by one officer and director 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, 2022, Oxygen holds a refundable deposit of \$396 on behalf of the Company (December 31, 2021 - \$396). During the three months ended March 31, 2022, a total of \$554 (2021 - \$646) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at March 31, 2022, the Company has a payable amount to Oxygen of \$263 (December 31, 2021 - \$293).

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 Business Development and Chief Financial Officer, the VP Finance and Corporate Secretary, and the VP of Exploration and Technical Services. The total compensation paid or payable to key management for employee services directly or via Oxygen is as follows:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Salaries and other short- term employee benefits	\$ 374	\$ 406
Directors fees	100	133
Share-based compensation	633	554
Total	\$ 1,107	\$ 1,093

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(Unaudited – Prepared by Management)

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18. COMMITMENTS & CONTINGENCIES

	Total	Within 1 year
Loans and borrowings	\$148,146	148,146
Accounts payable and accrued liabilities	\$22,425	22,425
Production linked payments	\$5,849	5,849

As at March 31, 2022, the Company was in default of its Credit Facility covenants, and as a result, all balances relating to the Credit Facility have been classified as current. A waiver was obtained from its lenders subsequent to March 31, 2022 to waive all defaults under the Credit Facility (Note 8).

Additionally, as at March 31, 2022, the Company is committed to incur qualifying expenditures pursuant to the June 2020 financing, whereby the Company must incur \$15,000 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 March 31, 2022, the Company had incurred \$9,590 in qualifying expenditures, with \$5,410 remaining to be spent in 2022.

19. 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).

At March 31, 2022, 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.

Pure Gold Mining Inc.

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(Expressed in thousands of Canadian Dollars, except for per share and share amounts, unless otherwise noted)

19. FINANCIAL INSTRUMENTS (continued)

Fair value measurements (continued)

	March 31, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Credit Facility	\$ 111,701	\$ 109,607	\$ 112,516	\$ 113,228
Production Payment Agreement	4,575	4,575	4,682	4,592
Interest rate floor derivative	2,973	2,973	6,188	6,188
Gold stream derivative liabilities	\$ 43,490	\$ 43,490	\$ 44,715	\$ 44,715

At March 31, 2022 the fair values of the embedded derivatives in the Credit Facility and the Gold Stream were 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 \$1,592 impact on the fair value of the Gold Stream derivative. A 1% change in gold price would have a \$44 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 year ended March 31, 2022.

20. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended March 31, 2022	Three months ended March 31, 2021
Non-Cash Investing and Financing Activities		
Change in estimate of provision for closure and reclamation	\$ 2,036	\$ 2,176
Recognition of lease liability	\$ 1,949	\$ -

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21. SUBSEQUENT EVENTS

The following items occurred after March 31, 2022:

- On May 6, 2022, the Company announced a non-brokered private placement of 200,000,000 units of the Company at a price of C\$0.15 per unit for aggregate proceeds of \$30 million. Each unit will consist of one common share and one common share purchase warrant. Each warrant will be transferrable and entitle the holder to acquire one common share of the Company for six months from the closing date of the offering at a price of \$0.18, subject to certain adjustments. The offering is expected to close on or about May 19, 2022.
 - Subsequent to March 31, 2022, a total of 144,700 RSUs have been exercised.
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