



**Pure Gold Mining Inc.**

**Condensed Interim Financial Statements**

**For the three and six months ended June 30, 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	June 30, 2022	December 31, 2021 (restated – Note 3)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 12,689	\$ 8,450
Amounts receivable	5	689	1,191
Inventories	6	6,264	8,874
Prepaid expenses		3,421	2,612
Short-term investments		170	170
		23,233	21,297
<b>Non-current Assets</b>			
Mineral properties, plant and equipment	7	248,066	245,140
Deposits		727	840
<b>Total Assets</b>		<b>\$ 272,026</b>	<b>\$ 267,277</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 20,137	\$ 22,606
Lease liabilities	11	5,435	5,494
Gold stream derivative liability	9	4,039	2,408
Loans and borrowings	8	16,958	8,181
Flow-through premium liability	18	1,184	4,588
		47,753	43,277
<b>Non-current Liabilities</b>			
Loans and borrowings	8	106,110	115,204
Gold stream derivative liability	9	29,688	42,307
Provision for closure and reclamation	10	16,403	19,750
Lease liabilities	11	4,790	4,270
<b>Total Liabilities</b>		<b>204,744</b>	<b>224,808</b>
<b>Equity</b>			
Share capital	12a	294,127	235,355
Equity reserves	12c,d,e	28,102	20,161
Accumulated deficit		(254,947)	(213,047)
<b>Total Equity</b>		<b>67,282</b>	<b>42,469</b>
<b>Total Liabilities and Equity</b>		<b>\$ 272,026</b>	<b>\$ 267,277</b>

**Commitments & Contingencies** (Note 18)

**Subsequent Events** (Note 8, 21)

**Going Concern** (Note 1)

Approved by the Board on August 15, 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)

	Notes	Three months ended June 30, 2022	Three months ended June 30, 2021 (restated – Note 3)	Six months ended June 30, 2022	Six months ended June 30, 2021 (restated – Note 3)
Revenue	13	\$ 8,535	\$ 15,030	\$ 26,902	\$ 21,572
Cost of sales	14	(26,739)	(28,199)	(68,502)	(50,328)
<b>Loss from mine operations</b>		<b>(18,204)</b>	<b>(13,169)</b>	<b>(41,600)</b>	<b>(28,756)</b>
Corporate administrative costs	15	(2,402)	(1,550)	(3,527)	(3,628)
Exploration and evaluation		-	(391)	-	(3,491)
<b>Operating loss for the period</b>		<b>(20,606)</b>	<b>(15,110)</b>	<b>(45,127)</b>	<b>(35,875)</b>
<b>Finance income and Expenses</b>					
Interest and finance costs	16	(4,609)	(83)	(10,297)	(128)
Foreign exchange gain (loss)		(4,459)	1,558	(2,230)	2,804
Gain (loss) on change in fair value of derivative liabilities	8,9	11,684	(2,276)	14,772	(1,571)
Loss on extinguishment of accounts payables	12b	(2,090)	-	(2,090)	-
Loss on disposal of lease		(388)	-	(388)	-
Interest income		37	26	55	71
<b>Income (loss) before taxes</b>		<b>(20,431)</b>	<b>(15,885)</b>	<b>(45,305)</b>	<b>(34,699)</b>
Income tax recovery	12b	-	45	3,405	2,073
<b>Net income (loss) and comprehensive income (loss) for the period</b>		<b>\$ (20,431)</b>	<b>\$ (15,840)</b>	<b>\$ (41,900)</b>	<b>\$ (32,626)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>		<b>590,035,237</b>	<b>408,255,091</b>	<b>530,913,396</b>	<b>403,839,405</b>
<b>Basic and Diluted Loss per Common Share</b>		<b>\$ (0.03)</b>	<b>\$ (0.04)</b>	<b>\$ (0.08)</b>	<b>\$ (0.08)</b>

- 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
Flow-through common share issuance	12b	11,348,700	17,250	-	-	17,250
Flow-through premium liability	12b		(3,405)	-	-	(3,405)
Share issue costs – cash	12b		(1,172)	-	-	(1,172)
Exercised warrants	12c	2,485,000	2,112	-	-	2,112
Fair value of exercised warrants			281	(281)	-	-
Exercised stock options	12d	1,600,000	800	-	-	800
Fair value of exercised stock options			551	(551)	-	-
Common share issuance – Credit Facility		714,229	1,086	-	-	1,086
Exercised restricted share units	12e	46,479	132	(132)	-	-
Share-based compensation	12d	-	-	686	-	686
Deferred Share Unit compensation	12e	-	-	764	-	764
Net loss for the period		-	-	-	(32,626)	(32,626)
Balance – June 30, 2021 (restated – Note 3)		413,675,185	\$ 210,517	\$ 17,978	\$ (182,537)	\$ 45,958
Balance – January 1, 2022 (restated – Note 3)		441,192,986	\$ 235,355	\$ 20,161	\$ (213,047)	\$ 42,469
Common share issuance – February 2022 financing	12b	58,948,000	31,242	-	-	31,242
Share issue costs (February 2022 financing) - cash	12b		(949)	-	-	(949)
Common share issuance – May 2022 financing	12b	228,163,874	35,271	-	-	35,271
Share issue costs (May 2022 financing) - cash	12b		(1,570)	-	-	(1,570)
Fair value of warrants issued with common shares	12b		(6,210)	7,255	-	1,045
Exercised stock options	12d	75,000	37	-	-	37
Fair value of exercised stock options			26	(26)	-	-
Exercised restricted share units	12e	548,026	925	(925)	-	-
Share-based compensation	12d	-	-	1,078	-	1,078
Restricted Share Unit compensation	12f	-	-	559	-	559
Net loss for the period		-	-	-	(41,900)	(41,900)
Balance – June 30, 2022		728,927,886	\$ 294,127	\$ 28,102	\$ (254,947)	\$ 67,282

- 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 six months ended June 30,	Notes	2022	2021 (restated – Note 3)
<b>Operating Activities</b>			
Net income (loss) for the period		\$ (41,900)	\$ (32,627)
Items not affecting cash:			
Deferred income tax recovery		(3,405)	(2,073)
Unrealized foreign exchange (gain) loss		2,230	(2,655)
Change in fair value of derivative liabilities		(14,772)	1,571
Loss on equipment disposal		388	-
Loss on extinguishment of accounts payables		2,090	-
Share-based compensation	12d	1,638	991
Depreciation	7	5,498	128
Finance income		(55)	(71)
Accretion expense	10	175	111
Finance expense	16	10,076	16
Changes in non-cash working capital:			
Inventory		2,530	(1,603)
Accounts payable and accrued liabilities		697	839
Amounts receivable		502	(1,765)
Prepaid expenses and deposits		(808)	(1,406)
<b>Net cash used in operating activities</b>		<b>(35,116)</b>	<b>(38,544)</b>
<b>Investing Activities</b>			
Mineral properties, plant and equipment	8	(8,229)	(28,332)
Proceeds from disposal of equipment		315	-
Interest received		55	71
Return of surety bond deposit		-	1,323
<b>Net cash used in investing activities</b>		<b>(7,859)</b>	<b>(26,938)</b>
<b>Financing Activities</b>			
Proceeds from equity financings	12b	62,329	17,250
Share issue costs	12b	(2,518)	(1,172)
Payment of lease liabilities	11	(4,065)	(1,973)
Credit Facility interest payments	8	(7,325)	-
Gold stream payments	9	(1,088)	(533)
Production Payments	8	(173)	(86)
Proceeds from exercised stock options	12d	37	800
Proceeds from exercised warrants	12c	-	2,731
Proceeds from Credit Facility drawdown		-	24,981
Issue Discount on Credit Facility Drawdown		-	(500)
Credit Facility drawdown transaction costs		-	(91)
<b>Net cash provided by financing activities</b>		<b>47,197</b>	<b>41,407</b>
Effect of foreign exchange on cash		17	(628)
<b>Net (Decrease) Increase in Cash</b>		<b>4,239</b>	<b>(24,703)</b>
<b>Cash - Beginning of the period</b>		<b>8,450</b>	<b>44,906</b>
<b>Cash - End of the period</b>		<b>\$ 12,689</b>	<b>\$ 20,203</b>

### 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)*

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### 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 June 30, 2022. During the six months ended June 30, 2022, the Company incurred a loss of \$41,900, used cash of \$35,116 in operating activities and at period end, the Company had cash of \$12,689 and a net working capital deficit of \$24,520.

As a result of the Company’s shortfall in gold production and therefore cash generated from gold sales, the Company obtained additional sources of funding in April 2022 through an amendment to its Credit Facility with Sprott Resources Lending Corp. (Note 8). In addition, in February and May 2022, the Company raised an additional \$62,329 (net of share issuance costs) through equity financings (Note 12b).

The continued operations of the Company is dependent upon mining operations meeting production targets, the Company’s ability to generate positive cash flow, and to raise additional funds in order to meet current obligations and to finance the continued development and operations of the Pure Gold Mine. While Management believes the Company will be able to secure sufficient additional 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. These adjustments could be material.

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# 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)

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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 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).

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### 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).

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

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### 5. AMOUNTS RECEIVABLE

Amounts receivable are comprised of the following:

	June 30, 2022	December 31, 2021
Refundable goods and services tax/ harmonized sales tax	\$ 674	\$ 1,175
Other receivables	15	16
<b>Total</b>	<b>\$ 689</b>	<b>\$ 1,191</b>

# 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)

### 6. INVENTORY

Inventory is comprised of the following:

	June 30, 2022	December 31, 2021
Ore in stockpile	\$ -	\$ 240
In circuit metals	977	1,951
Finished goods	1,297	2,969
Total metals inventory	2,274	5,160
Materials and supplies	3,990	3,714
<b>Total</b>	<b>\$ 6,264</b>	<b>\$ 8,874</b>

During the six months ended June 30, 2022, the Company had an inventory write-down of \$8,024 to adjust its metals inventory to its net realizable value (June 30, 2021 - \$10,680). The adjustment was recognized to the Statement of Loss and Comprehensive Loss.

### 7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Cost	Six Months Ended June 30, 2022					Total (\$)
	Mineral Properties and					
	Mine Development	Construction in Progress	Plant and Equipment	Land		
	(\$)	(\$)	(\$)	(\$)		
December 31, 2021 - restated	119,521	1,964	129,909	5,049		256,443
Additions	4,842	2,767	5,311	-		12,920
Reclamation provision	(3,523)	-	-	-		(3,523)
Disposals	-	-	(1,259)	-		(1,259)
June 30, 2022	120,840	4,731	133,961	5,049		264,581
<b>Accumulated Depreciation</b>						
December 31, 2021 - restated	(1,403)	-	(9,900)	-		(11,303)
Depreciation	(1,188)	-	(4,310)	-		(5,498)
Disposals	-	-	286	-		286
June 30, 2022	(2,591)	-	(13,924)	-		(16,515)
<b>Carrying Amounts</b>						
<b>December 31, 2021 - restated</b>	118,118	1,964	120,009	5,049		245,140
<b>June 30, 2022</b>	118,249	4,731	120,037	5,049		248,066



# 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)

### 7. MINERAL PROPERTIES, PLANT AND EQUIPMENT (continued)

Year ended December 31, 2021 (restated)					
Cost	Mineral Properties and				
	Mine Development	Construction in Progress	Plant and 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
<b>Accumulated Depreciation</b>					
December 31, 2020	-	-	(3,677)	-	(3,677)
Depreciation - restated	(1,403)	-	(6,223)	-	(7,626)
December 31, 2021	(1,403)	-	(9,900)	-	(11,303)
<b>Carrying Amounts</b>					
<b>December 31, 2020</b>	90,210	82,070	15,556	5,049	192,885
<b>December 31, 2021 - restated</b>	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 (\$15,030 and \$28,199, respectively, and \$21,572 and \$50,327, respectively, for the three six months ended June 30, 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
<b>Loans and borrowings at December 31, 2021</b>	<b>112,514</b>	<b>6,189</b>	<b>4,682</b>	<b>123,385</b>
Interest and accretion	8,525	-	172	8,697
Interest payment	(7,325)	-	-	(7,325)
Production payment	-	-	(173)	(173)
Change in fair value of derivative	-	(4,486)	-	(4,486)
Amortization of deferred charges	1,109	-	-	1,109
Foreign exchange (gain) loss	1,787	8	66	1,861
<b>Loans and borrowings at June 30, 2022</b>	<b>116,610</b>	<b>1,711</b>	<b>4,747</b>	<b>123,068</b>
<b>Current</b>	<b>(14,524)</b>	<b>(1,711)</b>	<b>(723)</b>	<b>(16,958)</b>
<b>Loans and borrowing non-current</b>	<b>102,086</b>	<b>-</b>	<b>4,024</b>	<b>106,110</b>

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 closing of the Additional Credit Facility was 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 12b), and no additional events of defaults other than the Existing Defaults during the Waiver Period, and other conditions. On July 12, 2022, the Company closed the US\$6 million Additional Credit Facility. The Additional Credit Facility matures on December 31, 2022 and accrues interest at a rate of 14% per annum. Drawdowns on the Additional Credit Facility are permitted for payments owing to Sprott, including interest, Gold Stream and PPA payments. In addition to the closing of the Additional Credit Facility, the Company agreed to an amendment to the existing Credit Facility, whereby the first four scheduled principal payments, each 2.5% of the total principal amount, originally scheduled for the last day of September 2022, December 2022, March 2023, and June 2023, respectively, have been deferred to August 2026.

On June 30, 2022, the Company received a waiver and temporary reduction on certain working capital covenants on the Credit Facility until August 2022.

# 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)

### 9. GOLD STREAM DERIVATIVE LIABILITY

	<b>Gold Stream derivative liability</b>
Balance at December 31, 2020	44,192
Loss on change in fair value	2,475
Gold stream payments	(1,732)
Foreign exchange gain	(220)
<b>Balance at December 31, 2021</b>	<b>\$ 44,715</b>
Loss on change in fair value	(10,287)
Gold stream payments	(1,088)
Foreign exchange gain	387
<b>Balance at June 30, 2022</b>	<b>\$ 33,727</b>
<b>Current</b>	<b>(4,039)</b>
<b>Gold stream derivative non-current</b>	<b>\$ 29,688</b>

### 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, 2022 using a pre-tax discount rate of 3.2% 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 June 30, 2022 is \$22,841 (December 31, 2021 - \$23,067). The Company has estimated that payments will be made in 2032 (December 31, 2021 – 2032).

	June 30, 2022	December 31, 2021
Balance, beginning of the period	\$ 19,750	\$ 21,715
Effect of changes in discount rate	(3,522)	(2,203)
Accretion on discounted obligation	175	238
<b>Balance, end of the period</b>	<b>\$ 16,403</b>	<b>\$ 19,750</b>

### 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	4,647
Derecognition	(390)
Depreciation	(1,375)
<b>Balance – June 30, 2022</b>	<b>\$ 15,691</b>

# 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		4,647
Principal payments		(4,065)
Lease derecognition		(390)
Finance charge		269
<b>Balance – June 30, 2022</b>		<b>10,225</b>
Less: current portion		(5,435)
<b>Long term lease liability – June 30, 2022</b>	<b>\$</b>	<b>4,790</b>

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	\$	5,762	\$	4,935	\$ 10,697
Finance charge		(327)		(145)	(472)
<b>Total principal payments</b>	<b>\$</b>	<b>5,435</b>	<b>\$</b>	<b>4,790</b>	<b>\$ 10,225</b>

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

In May 2022, the Company completed a non-brokered private placement whereby the Company issued a total of 207,240,960 units of the Company at a price of \$0.15 per unit for total proceeds of \$31,086. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable at a price of \$0.18 per warrant, with an expiry date of six months from the closing date of the private placement. For accounting purposes, proceeds from the unit placement were allocated between shares and warrants issued according to their relative fair value. The Company uses the Black-Scholes option pricing model to determine the fair value of the warrants.

# 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)

#### b. Equity Financings (continued)

In addition to the May 2022 non-brokered private placement, the Company closed a securities for debt transaction, whereby the Company issued 20,922,914 units at a price of \$0.15 per unit to certain of its suppliers in order to settle a portion of accounts payable owing in the amount of \$3,138. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable at a price of \$0.18 per warrant, with an expiry date of six months from the closing date of the shares for debt transaction. As a result of the extinguishment of the payables balance, the Company recognized a \$2,090 loss which was the difference between the carrying amount of the accounts payable balances that were extinguished, and the fair value of the units issued.

The warrants issued in the above financings, have been fair valued at \$12,437 using the Black-Scholes option pricing model with the following assumptions:

<b>Assumptions</b>	
Risk-free interest rate	2.5%
Expected stock price volatility	72%
Expected dividend yield	0.00%
Expected life of warrants	0.5 years

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.

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. 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.

# 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)

#### c. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the six months ended June 30, 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	44,383,911	\$0.99
Issued	228,163,874	\$0.18
<b>Outstanding Balance – June 30, 2022</b>	<b>272,547,785</b>	<b>\$0.31</b>

#### 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 June 30, 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	1.85	4,250,000
May 6, 2024	\$0.54	133,334	2.10	133,334
November 18, 2024	\$0.64	250,000	2.39	166,666
December 13, 2024	\$0.74	4,483,334	2.46	4,483,334
February 19, 2025	\$0.77	350,000	2.64	350,000
December 17, 2025	\$2.84	1,760,000	3.47	1,236,666
January 1, 2026	\$2.60	400,000	3.51	266,667
October 27, 2026	\$0.97	350,000	4.33	-
February 17, 2027	\$0.70	4,400,000	4.64	-
March 17, 2027	\$0.75	830,000	4.72	-
June 13, 2027	\$0.275	36,050,000	4.96	-
	<b>\$0.49</b>	<b>53,256,668</b>	<b>4.37</b>	<b>10,886,667</b>

The options exercisable at June 30, 2022 have a weighted average exercise price of \$0.92.

Details of options granted, exercised, expired and forfeited during the six months ended June 30, 2022 and the year ended December 31, 2021 are as follows:

# Pure Gold Mining Inc.

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(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)

	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	41,280,000	\$0.33
Exercised during the period	(75,000)	\$0.49
Expired during the period	(198,333)	\$1.81
<b>Balance – June 30, 2022</b>	<b>53,256,668</b>	<b>\$0.49</b>

#### 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, 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 <sup>1</sup>	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
June 13, 2022	5.0	\$0.275	3.48%	73.12%	\$0.17

<sup>1</sup>Volatility 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 six months ended June 30, 2022, the Company recognized \$1,078 of share-based compensation (2021 - \$686).

#### Exercise of Options

The weighted average share price on the date stock options were exercised during the six months ended June 30, 2022 was \$0.72 (2021 – \$1.89). In connection with these option exercises, the related fair value amount of \$26 (2021 - \$551) was transferred from equity reserves to share capital.

# 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)

#### 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 90<sup>th</sup> 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 June 30, 2022 and December 31, 2021. There was no DSU activity during the six months ended June 30, 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.

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	(548,026)
Forfeited	(250,000)
<b>Outstanding Balance – June 30, 2022</b>	<b>3,731,708</b>

RSU expense for the six months ended June 30, 2022 was \$559 (2021 - \$764).

### 13. REVENUE

Revenue comprised the following:

	Three months ended June 30, 2022	Three months ended June 30, 2021 (Restated)	Six months ended June 30, 2022	Six months ended June 30, 2021 (Restated)
Gold revenue – Spot sales	\$ 8,603	\$ 15,087	\$ 27,027	\$ 21,650
Less: refining and shipping costs	(68)	(57)	(125)	(78)
<b>Total</b>	<b>\$ 8,535</b>	<b>\$ 15,030</b>	<b>\$ 26,902</b>	<b>\$ 21,572</b>



# 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)

### 14. COST OF SALES

Cost of sales are comprised of the following:

	Three months ended June 30, 2022	Three months ended June 30, 2021 (Restated)	Six months ended June 30, 2022	Six months ended June 30, 2021 (Restated)
Labour wages and benefits	\$ 10,981	\$ 10,889	\$ 23,040	\$ 19,574
Raw materials and consumables	5,518	6,852	12,645	14,063
Contractors	5,655	6,192	19,661	11,962
Site administrative costs	1,834	1,810	3,901	4,061
Depreciation and depletion	2,336	-	5,380	-
Share based payments	609	231	1,005	458
Production costs	26,933	25,974	65,632	50,118
Change in inventory	(4,583)	(188)	(5,155)	(10,470)
Inventory write-down	4,389	2,413	8,025	10,680
<b>Total</b>	<b>\$ 26,739</b>	<b>\$ 28,199</b>	<b>\$ 68,502</b>	<b>\$ 50,328</b>

### 15. CORPORATE ADMINISTRATIVE COSTS

Corporate administrative costs are comprised of the following:

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Wages, consulting and director fees	\$ 671	\$ 643	\$ 1,121	\$ 1,245
Share-based compensation	485	361	633	855
Professional fees	652	88	868	212
Investor relations	165	72	216	496
Office costs	110	187	204	469
Corporate listing and filing fees	149	157	225	266
Depreciation	59	42	118	85
Administrative travel and other	111	-	142	-
<b>Total</b>	<b>\$ 2,402</b>	<b>\$ 1,550</b>	<b>\$ 3,527</b>	<b>\$ 3,628</b>

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## Notes to the Condensed Interim Financial Statements

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

### 16. INTEREST AND FINANCING COSTS

Interest and financing costs are comprised of the following:

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Credit Facility interest expense	\$ 3,714	\$ -	\$ 8,571	\$ -
Deferred transaction costs amortization	556	-	1,109	-
PPA accretion expense	106	-	173	-
Financing fees on leases	127	9	269	9
Reclamation accretion expense	106	36	175	36
<b>Total</b>	<b>\$ 4,609</b>	<b>\$ 45</b>	<b>\$ 10,297</b>	<b>\$ 45</b>

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 June 30, 2022, Oxygen holds a refundable deposit of \$396 on behalf of the Company (December 31, 2021 - \$396). During the six months ended June 30, 2022, a total of \$776 (2021 - \$1,089) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at June 30, 2022, the Company has a payable amount to Oxygen of \$234 (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:

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### 17. RELATED PARTY TRANSACTIONS (continued)

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Salaries and other short-term employee benefits	\$ 582	\$ 406	\$ 956	\$ 813
Directors fees	110	126	210	260
Share-based compensation	680	399	1,313	953
<b>Total</b>	<b>\$ 1,372</b>	<b>\$ 931</b>	<b>\$ 2,479</b>	<b>\$ 2,026</b>

### 18. COMMITMENTS & CONTINGENCIES

	Total	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years
Loans and borrowings	<b>\$148,713</b>	23,767	31,496	29,565	21,698	42,187	-
Accounts payable and accrued liabilities	<b>\$20,137</b>	20,137	-	-	-	-	-
Production linked payments	<b>\$5,947</b>	723	1,243	1,808	1,617	556	-

As at June 30, 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 June 30, 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

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### 19. FINANCIAL INSTRUMENTS (continued)

#### Fair value measurements (continued)

**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 June 30, 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.

	June 30, 2022		December 31, 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Credit Facility	\$ 116,609	\$ 95,063	\$ 112,516	\$ 113,228
Production Payment Agreement	4,747	4,747	4,682	4,592
Interest rate floor derivative	1,711	1,711	6,188	6,188
Gold stream derivative liabilities	\$ 33,727	\$ 33,727	\$ 44,715	\$ 44,715

At June 30, 2022 the fair values of the PPA, the Credit Facility, and the embedded derivatives in the Credit Facility (the interest rate floor derivative) and the Gold Stream were determined using Level 3 inputs.

The fair value of the Credit Facility and 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

The credit spread and interest rate assumption used at June 30, 2022 was 16.26% and 3.14%, respectively (December 31, 2021 – 7.2% and 1.68%, respectively).

A 1% change in discount rate would have a \$1,000 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 six months ended June 30, 2022.

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### 20. SUPPLEMENTAL CASH FLOW INFORMATION

<b>Non-Cash Investing and Financing Activities</b>	Six months ended June 30, 2022	Six months ended June 30, 2021
Change in estimate of provision for closure and reclamation	\$ 3,522	\$ 1,952
Recognition of lease liability	\$ 4,647	\$ 2,484
Extinguishment of accounts payables	\$ 3,138	\$ -
Shares issued in debt financing	\$ -	\$ 1,086

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### 21. SUBSEQUENT EVENTS

The following items occurred after June 30, 2022:

- 31,777,501 warrants expired on July 18, 2022.
  - 400,000 RSUs were granted to an officer of the Company. The RSUs vest immediately and expire on July 12, 2025.
-