Pure Gold Mining Inc.

Condensed Interim Financial Statements

For the three and nine months ended September 30, 2022 and 2021

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Otherwise Noted)

**Notice of no Auditor Review of
Interim Financial Statements**

The accompanying unaudited condensed interim consolidated financial statements of Pure Gold Mining Inc. (the "Company") as at September 30, 2022, and for the three and nine months ended September 30, 2022, have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada ("CPA Canada") for a review of interim financial statements by an entity's auditor.

Pure Gold Mining Inc.
Condensed Interim Statements of Financial Position
(Unaudited – Prepared by Management)
(Expressed in thousands of Canadian Dollars)

	Notes	September 30, 2022	December 31, 2021 *(restated – Note 3)*
ASSETS			
Current Assets			
Cash		$ 3,542	$ 8,450
Amounts receivable	*5*	693	1,191
Inventories	*6*	7,199	8,874
Prepaid expenses		2,150	2,612
Short-term investments		170	170
		13,754	21,297
Non-current Assets			
Mineral properties, plant and equipment	*7*	246,477	245,140
Deposits		396	840
Total Assets		$ 260,627	$ 267,277
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		$ 20,774	$ 22,606
Lease liabilities	*11*	4,687	5,494
Gold stream derivative liability	*9*	44,697	2,408
Loans and borrowings	*8*	140,124	8,181
Flow-through premium liability	*18*	1,184	4,588
		211,466	43,277
Non-current Liabilities			
Loans and borrowings	*8*	-	115,204
Gold stream derivative liability	*9*	-	42,307
Provision for closure and reclamation	*10*	16,516	19,750
Lease liabilities	*11*	3,936	4,270
Total Liabilities		231,918	224,808
Equity			
Share capital	*12a*	294,139	235,355
Equity reserves	*12c,d,e*	31,131	20,161
Accumulated deficit		(296,561)	(213,047)
Total Equity		28,709	42,469
Total Liabilities and Equity		$ 260,627	$ 267,277

Commitments & Contingencies *(Note 18)*
Subsequent Events *(21)*
Going Concern *(Note 1)*

Approved by the Board on November 14, 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 September 30, 2022	Three months ended September 30, 2021 *(restated – Note 3)*	Nine months ended September 30, 2022	Nine months ended September 30, 2021 *(restated – Note 3)*
Revenue	13	$ 20,105	$ 18,924	$ 47,008	$ 40,497
Cost of sales	14	(31,082)	(24,967)	(99,586)	(75,294)
Loss from mine operations		(10,977)	(6,043)	(52,578)	(34,797)
Corporate administrative costs	15	(2,481)	(1,391)	(6,008)	(5,020)
Exploration and evaluation		-	(124)	-	(3,617)
Operating loss for the period		**(13,458)**	**(7,558)**	**(58,586)**	**(43,434)**
Finance income and Expenses					
Interest and finance costs	16	(4,152)	(2,407)	(14,448)	(2,534)
Foreign exchange gain (loss)		(10,503)	(4,923)	(12,733)	(2,118)
Gain (loss) on change in fair value of derivative liabilities	8,9	(7,914)	1,582	6,859	11
Loss on modification of debt	8	(5,528)	-	(5,528)	-
Loss on extinguishment of accounts payables	12b	-	-	(2,090)	-
Loss on disposal of lease		(102)	-	(490)	-
Interest income		44	24	97	94
Income (loss) before taxes		(41,613)	(13,282)	(86,919)	(47,981)
Income tax recovery	12b	-	-	3,405	2,073
Net income (loss) and comprehensive income (loss) for the period		$ (41,613)	$ (13,282)	$ (83,514)	$ (45,908)
Weighted Average Number of Common Shares Outstanding		728,930,625	435,610,385	597,889,812	407,327,391
Basic and Diluted Loss per Common Share		$ (0.06)	$ (0.03)	$ (0.14)	$ (0.11)

- 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
Common share issuance – financing	*12b*	21,905,200		23,000		-		-		23,000
Share issue costs – cash	*12b*			(1,593)		-		-		(1,593)
Fair value of warrants issued with common shares	*12b*			(345)		345		-		-
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*	1,630,000		814		-		-		814
Fair value of exercised stock options				560		(560)		-		-
Common share issuance – Credit Facility		714,229		1,086		-		-		1,086
Exercised restricted share units	*12e*	46,479		131		(131)		-		-
Share-based compensation	*12d,e*	-		-		2,116		-		2,116
Net loss for the period *(restated – Note 3)*		-		-		-		(45,908)		(45,908)
Balance – September 30, 2021 *(restated – Note 3)*		435,610,385	$	231,601	$	18,981	$	(195,819)	$	54,763
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		38		-		-		38
Fair value of exercised stock options				26		(26)		-		-
Exercised restricted share units	*12e*	562,026		936		(936)		-		-
Share-based compensation	*12d*	-		-		3,794		-		3,794
Restricted Share Unit compensation	*12f*					883		-		883
Net loss for the period		-		-		-		(83,514)		(83,514)
Balance – September 30, 2022		728,941,886	$	294,139	$	31,131	$	(296,561)	$	28,709

- 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 nine months ended September 30,	**Notes**	**2022**	**2021 *(restated – Note 3)***
Operating Activities			
Net income (loss) for the period		$ (83,514)	$ (45,908)
Items not affecting cash:			
Deferred income tax recovery		(3,405)	(2,073)
Unrealized foreign exchange (gain) loss		12,733	2,118
Change in fair value of derivative liabilities		(6,859)	(11)
Loss on equipment disposal		490	-
Loss on extinguishment of accounts payables		2,090	-
Loss on modification of debt	*8*	5,528	-
Share-based compensation	*12d*	4,677	1,426
Depreciation	*7*	9,750	2,406
Finance income		(97)	(94)
Accretion expense	*10*	305	181
Finance expense	16	14,098	2,309
Changes in non-cash working capital:			
Inventory		1,678	(4,562)
Accounts payable and accrued liabilities		1,308	(4,184)
Amounts receivable		498	3,454
Prepaid expenses and deposits		462	(2,347)
Net cash used in operating activities		(40,258)	(47,285)
Investing Activities			
Mineral properties, plant and equipment	*8*	(10,902)	(31,994)
Proceeds from disposal of equipment		315	-
Interest received		97	94
Return of surety bond deposit		-	1,323
Net cash used in investing activities		(10,490)	(30,577)
Financing Activities			
Proceeds from equity financings	*12b*	62,329	40,250
Share issue costs	*12b*	(2,518)	(2,765)
Payment of lease liabilities	*11*	(5,606)	(3,186)
Credit Facility interest payments	*8*	(13,074)	(2,751)
Proceeds from Credit Facility drawdown	*8*	6,447	24,981
Gold stream payments	*9*	(1,657)	(1,195)
Production Payments	*8*	(301)	(191)
Proceeds from exercised stock options	*12d*	37	814
Proceeds from exercised warrants	*12c*	-	2,112
Transaction costs on Credit Facility Drawdown		-	(591)
Net cash provided by financing activities		45,657	57,478
Effect of foreign exchange on cash		183	(188)
Net (Decrease) Increase in Cash		(4,908)	(20,572)
Cash - Beginning of the period		8,450	44,906
Cash - End of the period		$ 3,542	$ 24,334

Supplemental Cash Flow Information *(Note 20)*

See Accompanying Notes to the Condensed Interim Financial Statements -

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.

On October 24 2022, the Company suspended operations and placed the PureGold Mine Project on care and maintenance. On October 31, 2022, the Company obtained an initial order for creditor protection from the Supreme Court of British Columbia (the "Court") under the Companies' Creditors Arrangement Act ("CCAA"). On November 9, the Court, on application of the Company, granted a Sales and Investment Solicitation Process Order (the "SISP Order"), among other relief. The SISP Order, among other things: (i) approves a sales and investment solicitation process for all the assets, undertakings and property of the Company, including the PureGold Mine project (the "SISP") and (ii) approves of the engagement of sales agent for the purposes of the SISP.

The decision to commence CCAA proceedings was made after careful consideration of the Company's cash position, scheduled debt payments, forecast revenue and expenses and all available alternatives to an application for creditors protection. The CCAA proceedings are intended to facilitate a restructuring of the Company's balance sheet, the injection of additional capital, a sale of the Company or its assets, or any combination thereof. Additionally, the initial order for creditor protection authorized an interim financing credit facility from the Company's lending partner, a fund managed by Sprott Private Resource Lending ("Sprott"), in order to meet the Company's immediate cash needs.

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 September 30, 2022. During the nine months ended September 30, 2022, the Company incurred a loss of $83,515, used cash of $40,258 in operating activities and at period end, the Company had cash of $3,542 and a net working capital deficit of $197,712 (*Note 8*).

There can be no assurance that under the current CCAA proceedings, the Company will be successful in facilitating a restructuring, obtaining additional capital, or achieving a sale of the Company or its assets, or any combination thereof. Further, there is no guarantee that the Company will ultimately be able to generate sufficient positive cash flow from operations. These factors give rise to material uncertainties that may cast significant doubt on the ability of the Company 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.

(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 and nine months ended September 30, 2022, are consistent with those applied and disclosed in the Company's annual audited financial statements for the year ended December 31, 2021, other than those which are disclosed in *Note 7* regarding Impairment of non-current non-financial assets.

5. AMOUNTS RECEIVABLE

Amounts receivable are comprised of the following:

	September 30, 2022		December 31, 2021	
Refundable goods and services tax/ harmonized sales tax	$	693	$	1,175
Other receivables		-		16
Total	**$**	**693**	**$**	**1,191**

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

6. INVENTORY

Inventory is comprised of the following:

	September 30, 2022	December 31, 2021
Ore in stockpile	$ 487	$ 240
In circuit metals	776	1,951
Finished goods	1,662	2,969
Total metals inventory	2,925	5,160
Materials and supplies	4,274	3,714
Total	**$ 7,199**	**$ 8,874**

During the nine months ended September 30, 2022, the Company had an inventory write-down of $9,359 to adjust its metals inventory to its net realizable value (September 30, 2021 - $13,896). The adjustment was recognized to the Statement of Loss and Comprehensive Loss.

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Nine Months Ended September 30, 2022					
Cost	**Mineral Properties and Mine Development ($)**	**Construction in Progress ($)**	**Plant and Equipment ($)**	**Land ($)**	**Total ($)**
December 31, 2021 - r*estated*	119,521	1,964	129,909	5,049	256,443
Additions	6,508	3,294	6,261	-	16,063
Reclamation provision	(3,539)	-	-	-	(3,539)
Disposals	-	-	(2,229)	-	(2,229)
September 30, 2022	122,490	5,258	133,941	5,049	266,738
Accumulated Depreciation					
December 31, 2021 - r*estated*	(1,403)	-	(9,900)	-	(11,303)
Depreciation	(2,229)	-	(7,521)	-	(9,750)
Disposals	-	-	792	-	792
September 30, 2022	(3,632)	-	(16,629)	-	(20,261)
Carrying Amounts					
December 31, 2021 - *restated*	118,118	1,964	120,009	5,049	245,140
September 30, 2022	118,858	5,258	117,312	5,049	246,477

(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
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 ($2,990 and $3,093, respectively, and $24,563 and $53,420, respectively, for the three and nine months ended September 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.

Impairment of non-current non-financial assets

The Company reviews and evaluates the carrying value of each of its non-current non-financial assets for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. The identification of such events or changes and the performance of the assessment requires significant judgment. At each reporting period, management reviews its mineral properties and mine development, plant and equipment for indicators of impairment. If any such indicator exists, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. Impairment is normally assessed at the level of cash-generating units ("CGUs"), which are identified as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets.

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT (continued)

The Company reviewed its mineral properties and mine development and plant and equipment at the CGU level to determine whether there is any indication that these assets are impaired. As a result of the successive quarter of negative cashflows in Q3 2022 and the suspending of operations and placing the PureGold Mine on care and maintenance subsequent to September 30, 2022, these factors are considered to be impairment indicators as of September 30, 2022, and accordingly, the recoverable amount of the PureGold Mine CGU was estimated and compared against the respective carrying value.

The recoverable amount of the asset is the higher of the value in use and the fair value less costs of disposal. The determination of fair value and value in use requires management to make estimates and assumptions about expected production and sales volumes, gold prices, mine plan estimates, estimated reserves and resources, operating costs, mine closure and restoration costs, future capital expenditures and appropriate discount rates for future cash flows. The estimates and assumptions are subject to risk and uncertainty, and as such there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances, some or all of the carrying value of the asset may be impaired with the impact recorded to the statement of loss and comprehensive loss. The Company estimated the recoverable amount based on the value in use determined as the present value of the estimated future cash flows expected to arise from the continued use of the PureGold Mine in its present form including an estimated restart cost arising from the Company's recent decision to place the mine on care and maintenance. The determination of the value in use uses Level 3 inputs.

Upon completion of the impairment test, the Company concluded there was no impairment.

The valuation remains sensitive to the key economic assumptions including gold price and key technical forecasts including gold production, timing, and capital and operating costs. The Company's impairment testing incorporated the following key assumptions:

Assumptions	
Discount rate	5%
Gold price ($/oz)	CAD 2,300

The forecasts used in the impairment test are based on all information currently available to management as of the Financial Statement reporting date, including the updated Mineral Resource Estimate. The Company continues to evaluate several alternatives to advance an updated Life-of-mine Plan ("LOM Plan") for the PureGold Mine. If the results of the updated LOM Plan are significantly different from the results derived from the forecasts used for the impairment test, there may be in impairment in the future.

Forward looking operating cost (including care and maintenance costs) and capital expenditure assumptions are projections based on the most recent financial budget and current operating costs. These assumptions are continuously subject to review.

(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	11,592	-	455	12,047
Advance on Credit Facility	6,448	-	-	6,448
Interest payment	(13,075)	-	-	(13,075)
Production payment	-	-	(301)	(301)
Change in fair value of derivative	-	(5,433)	-	(5,433)
Amortization of deferred charges	1,673	-	-	1,673
Loss on debt modification	5,528	-	-	5,528
Foreign exchange (gain) loss	9,453	60	339	9,852
Loans and borrowings at September 30, 2022	**134,133**	**816**	**5,175**	**140,124**

On July 12, 2022, the Company entered into an agreement (the "Agreement") with its lenders, whereby Sprott 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) Amend the principal repayment schedule in 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.

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. As at September 30, 2022, the Company had drawn $6,448 on the Additional Credit Facility.

As a result of the amendment to the principal repayment schedule of the Credit Facility which was accounted for as a modification of debt under IFRS 9, the Company recognized a $5,528 loss to the Company's statement of loss and comprehensive loss.

As at September 30, 2022, 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.

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

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	**$**	**44,715**
Loss on change in fair value		(1,426)
Gold stream payments		(1,657)
Foreign exchange gain		3,065
Balance at September 30, 2022	**$**	**44,697**

As discussed above in Note 8, as at September 30, 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.

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 September 30, 2022 using a pre-tax discount rate of 3.16% 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 September 30, 2022 is $22,727 (December 31, 2021 - $23,067). The Company has estimated that payments will be made in 2032 (December 31, 2021 – 2032).

	September 30, 2022		December 31, 2021	
Balance, beginning of the period	$	19,750	$	21,715
Effect of changes in discount rate		(3,538)		(2,203)
Accretion on discounted obligation		304		238
Balance, end of the period	**$**	**16,516**	**$**	**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		4,647
Derecognition		(1,298)
Depreciation		(2,091)
Balance – September 30, 2022	**$**	**14,067**

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

11. LEASES (continued)

b. Lease liabilities

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).

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		(5,605)
Lease derecognition		(562)
Finance charge		379
Balance – September 30, 2022		8,623
Less: current portion		(4,687)
Long term lease liability – September 30, 2022	**$**	**3,936**

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	$	4,942	$	4,040	$	8,982
Finance charge		(255)		(104)		(359)
Total principal payments	**$**	**4,687**	**$**	**3,936**	**$**	**8,623**

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.

(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:

Assumptions	
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.

c. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the nine months ended September 30, 2022 and the year ended December 31, 2021 are as follows:

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

12. EQUITY (continued)

c. Share Purchase Warrants (continued)

	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
Expired	(31,777,501)	$0.85
Issued	228,163,874	$0.18
Outstanding Balance – September 30, 2022	**240,770,284**	**$0.24**

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 September 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	0.21	4,250,000
May 6, 2024	$0.54	133,334	1.60	133,334
November 18, 2024	$0.64	250,000	2.14	166,666
December 13, 2024	$0.74	4,483,334	2.21	4,483,334
February 19, 2025	$0.77	350,000	2.64	350,000
December 17, 2025	$2.84	1,760,000	3.22	1,236,666
January 1, 2026	$2.60	400,000	3.26	266,667
October 27, 2026	$0.97	350,000	4.08	-
February 17, 2027	$0.70	4,400,000	4.39	-
March 17, 2027	$0.75	830,000	4.46	-
June 13, 2027	$0.275	36,050,000	4.70	-
	$0.49	**53,256,668**	**4.01**	**10,886,667**

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

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

(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
Balance – September 30, 2022	**53,256,668**	**$0.49**

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 nine months ended September 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[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
June 13, 2022	5.0	$0.275	3.48%	73.12%	$0.17

[1]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 nine months ended September 30, 2022, the Company recognized $3,794 of share-based compensation (2021 - $972).

Exercise of Options

The weighted average share price on the date stock options were exercised during the nine months ended September 30, 2022 was $0.72 (2021 – $1.74). In connection with these option exercises, the related fair value amount of $26 (2021 - $453) was transferred from equity reserves to share capital.

(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 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 September 30, 2022 and December 31, 2021. There was no DSU activity during the nine months ended September 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	3,939,100
Exercised	(562,026)
Forfeited	(250,000)
Outstanding Balance – September 30, 2022	**4,117,708**

RSU expense for the nine months ended September 30, 2022 was $881 (2021 - $1,146).

13. REVENUE

Revenue comprised the following:

	Three months ended September 30, 2022	Three months ended September 30, 2021 *(Restated)*	Nine months ended September 30, 2022	Nine months ended September 30, 2021 *(Restated)*
Gold revenue – Spot sales	$ 20,146	$ 18,951	$ 47,173	$ 40,602
Less: refining and shipping costs	(41)	(27)	(165)	(105)
Total	**$ 20,105**	**$ 18,924**	**$ 47,008**	**$ 40,497**

(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 September 30, 2022	Three months ended September 30, 2021 *(Restated)*	Nine months ended September 30, 2022	Nine months ended September 30, 2021 *(Restated)*
Labour wages and benefits	$ 9,055	$ 11,310	$ 32,095	$ 30,883
Raw materials and consumables	8,058	1,817	20,703	15,880
Contractors	7,154	9,989	26,815	21,951
Site administrative costs	1,623	1,856	5,524	5,917
Depreciation and depletion	4,219	2,217	9,599	2,217
Share based payments	1,626	233	2,631	692
Production costs	31,735	27,422	97,367	77,540
Change in inventory	(1,987)	(5,671)	(7,140)	(16,143)
Inventory write-down	1,334	3,216	9,359	13,897
Total	**$ 31,082**	**$ 24,967**	**$ 99,586**	**$ 75,294**

15. CORPORATE ADMINISTRATIVE COSTS

Corporate administrative costs are comprised of the following:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Wages, consulting and director fees	$ 563	$ 510	$ 1,684	$ 1,754
Share-based compensation	1,413	373	2,046	1,229
Professional fees	137	86	1,005	298
Investor relations	104	90	320	585
Office costs	102	126	308	595
Corporate listing and filing fees	81	168	305	435
Depreciation	38	38	112	124
Administrative travel and other	43	-	228	-
Total	**$ 2,481**	**$ 1,391**	**$ 6,008**	**$ 5,020**

(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 September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Credit Facility interest expense	$ 3,067	$ 2,200	$ 11,637	$ 2,200
Deferred transaction costs amortization	565	44	1,673	44
PPA accretion expense	282	-	455	-
Financing fees on leases	108	93	379	109
Reclamation accretion expense	130	70	304	181
Total	**$ 4,152**	**$ 2,407**	**$ 14,448**	**$ 2,534**

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 September 30, 2022, Oxygen holds a refundable deposit of $396 on behalf of the Company (December 31, 2021 - $396). During the nine months ended September 30, 2022, a total of $998 (2021 - $1,363) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at September 30, 2022, the Company has a payable amount to Oxygen of $298 (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:

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

17. RELATED PARTY TRANSACTIONS (continued)

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Salaries and other short-term employee benefits	$ 1,498	$ 1,219
Directors fees	295	369
Share-based compensation	2,509	1,356
Total	**$ 4,302**	**$ 2,944**

18. COMMITMENTS & CONTINGENCIES

	Total	Within 1 year
Loans and borrowings	**$166,856**	166,856
Accounts payable and accrued liabilities	**$20,774**	20,774
Production linked payments	**$8,717**	8,717

As at September 30, 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.

Additionally, 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 September 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.

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

19. FINANCIAL INSTRUMENTS (continued)

Fair value measurements (continued)

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 September 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.

	September 30, 2022		December 31, 2021	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Credit Facility	$ 134,133	$ 121,707	$ 112,516	$ 113,228
Production Payment Agreement	5,175	5,175	4,682	4,592
Interest rate floor derivative	816	816	6,188	6,188
Gold stream derivative liabilities	$ 44,697	$ 44,697	$ 44,715	$ 44,715

At September 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

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 nine months ended September 30, 2022.

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

20. SUPPLEMENTAL CASH FLOW INFORMATION

Non-Cash Investing and Financing Activities		Nine months ended September 30, 2022		Nine months ended September 30, 2021
Change in estimate of provision for closure and reclamation	$	3,538	$	2,291
Recognition of lease liability	$	4,647	$	5,687
Extinguishment of accounts payables	$	4,184	$	-
Shares issued in debt financing	$	-	$	1,086

21. SUBSEQUENT EVENTS

The following items occurred after September 30, 2022:

As discussed above, on October 24, 2022, the Company suspended operations and placed the PureGold Mine Project on care and maintenance. On October 31, 2022, the Company obtained an initial order for creditor protection from the Court under the CCAA, and on November 9, the Court, on application of the Company, granted a SISP Order, among other relief.

The SISP Order, among other things: (i) approves a sales and investment solicitation process for all the assets, undertakings and property of the Company, including the PureGold Mine project (the "SISP") and (ii) approves of the engagement of the Company's sales agent for the purposes of the SISP.

In addition to the SISP Order, the Court also granted orders:

a) extending the stay of proceedings granted under the CCAA until January 27, 2023;
b) authorizing the Company to borrow additional funds under an interim financing credit facility from its lending partner, a fund managed by Sprott Resource Lending Corp., in order to meet the Company's immediate cash needs for the continuation of its business activities and preservation of its property;
c) approving of a Key Employee Retention Plan which provides for, among other things, payments to key employees of PureGold based on defined timelines and metrics connected to the SISP and CCAA process; and
d) restating and amending the Initial Order of the Court granted on October 31, 2022.

On October 31, 2022, the TSX-V advised the Company the trading of PureGold's common shares will be transferred to the NEX Board of the TSX-V effective at the opening of the market on November 2, 2022. The trading symbol for the Company changed from PGM to PGM.H.