Pure Gold Mining Inc.

(A Development Stage Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended December 31, 2019

Dated March 26, 2020

Pure Gold Mining Inc.
Management's Discussion and Analysis
For the fiscal year ended December 31, 2019

This Management's Discussion and Analysis (the "**MD&A**"), dated as of March 26, 2020, is for the fiscal year ended December 31, 2019 and should be read in conjunction with the audited financial statements as at and for the fiscal year ended December 31, 2019 and fiscal period ended December 31, 2018 of Pure Gold Mining Inc. (also referred to as "**Pure Gold**", or the "**Company**", or "**we**", or "**our**", or "**its**" or "**us**" within this MD&A), including the related notes thereto (together, the "**Annual Financial Statements**") and our other corporate filings including our Annual Information Form for the fiscal year ended December 31, 2019 dated March 26, 2020 (the "**AIF**"), available under Pure Gold's profile on SEDAR at www.sedar.com.

This MD&A contains forward looking statements that involve numerous risks and uncertainties. The Company continually seeks to minimize its exposure to business risks, but by nature of its business and exploration activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties, including those described under the heading "Risk factors" in our AIF and those set forth in this MD&A under the headings "Cautionary Notes Regarding Forward-Looking Statements" and "Industry and Economic Factors that May Affect our Business" materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in forward-looking statements.

The disclosure of technical information in this MD&A has been approved by Phil Smerchanski, P. Geo, Vice President, Exploration of the Company and a Qualified Person ("**QP**") for the purposes of National Instrument 43-101, Standards of Disclosure for Mineral Projects ("**NI 43-101**"). Readers are directed to the section entitled "Scientific and Technical Disclosure" included within this MD&A.

The Company is listed on the TSX Venture Exchange ("**TSX-V**") in Canada under the symbol PGM and on the London Stock Exchange ("**LSE**") under the symbol PUR. All dollar amounts stated in this MD&A are expressed in Canadian dollars unless noted otherwise.

Change of fiscal year-end

To better align its financial reporting with the calendar year and that of its industry peers, during the nine months ended December 31, 2018, the Company changed its fiscal year-end to December 31, from March 31. The Company's transition year was the nine months ended December 31, 2018. The fiscal year ended December 31, 2019 represents a full year of financial reporting with the changed fiscal year-end.

For additional information see Notice filed on SEDAR on December 3, 2018.

Highlights for the Year and Significant Subsequent Events

During the fiscal year ended December 31, 2019 and up to the date of this MD&A, the Company completed and advanced a number of key milestones at its 100%-owned Pure Gold Red Lake Mine Project (the **" RL Mine Project " or "RL Mine")) (formerly referred to as the Madsen Mine)**. A summary of the highlights for the year-ended December 31, 2019 and subsequent period to date are as follows:

- *Novel coronavirus (COVID-19) pandemic and possible impact.*

  On March 11, 2020, the World Health Organization (WHO) assessed COVID-19 as a pandemic. The effect of the COVID-19 virus and the actions recommended to combat the virus are changing rapidly.

  The Corporation is trying to assess the impact that COVID-19 might have on its operations, particularly the construction of the RL Mine. Overall, the key risks related to the RL Mine currently relate to (a) engineering progress (b) the procurement of goods and potential supply chain issues and (c) impact to both site-based personnel and head office personnel.

  It is very difficult to estimate an overall project delay as a result of COVID-19; however, management currently estimates a potential for delay because of the following impacts:

  - Delays in vendor manufacturing and delivery

- o Delays in the shipment of goods
- o Problems with contractors ramping up or maintaining personnel levels on site
- o Voluntary or involuntary site closures

A delay in the RL Mine Project schedule, should it occur will result in increased costs prior to gold production.

- *EPCM contract awarded and construction and underground mining commenced*

  With funding in place, the Company's Board of Directors approved the full-scale construction of the RL Mine in early August 2019. The project is on track to pour gold before the end of 2020.

  Following the completion of basic engineering, early works construction commenced at the RL Mine in the third quarter of 2019 and underground mining commenced in December 2019. To date activities have focussed on: detailed basic engineering work including revision to project schedule and budget; the completion of hazardous material cleaning program; the completion of a detailed mechanical audit of existing surface infrastructure; commencement of tree clearing and overburden stripping at the waste rock storage facility; the demolition of un-needed historic legacy buildings; the installation of the mine office and IT infrastructure, process plant warehouse foundations; commencement of warehouse construction; and ordering of long-lead items by JDS Energy and Mining ("**JDS**"), the lead EPCM contractor.
  Underground mining, which is being directly managed by Pure Gold, commenced in December 2019 with a total of 70.4 metres of ramp development completed compared to a plan of 70 metres. In addition, mine dewatering has commenced, and stope delineation drilling has been conducted.

- *Arrangement of Project financing*

  On August 7, 2019, Pure Gold announced[1] that it had secured a US$90 million finance package (the "**Financing**") for the RL Mine with Sprott Lending Corp. ("**Sprott**"). The Financing is comprised of a credit facility (the "**Facility**") for US$65 million, and a US$25 million callable gold stream (the "**Gold Stream**").

  The US$90 million in proceeds from the Financing fully funds the initial capital costs to develop a mine at Madsen Red Lake based on the Company's February 2019 Feasibility Study. Combined with the Company's existing cash resources, the Financing provides a buffer against cost overruns. The callable stream provides immediate cash to the Company allowing for the commencement of development activities ahead of finalizing our permit amendments. The callable stream can be repurchased once the RL Mine is in production and generating cash flow.

- *Completion of equity financing and addition of significant new shareholder and continued support from AngloGold Ashanti Limited*

  On July 18, 2019, the Company closed[2] the bought deal private placement (the "**Offering**") and concurrent non-brokered private placement (the "**Non-Brokered Private Placement**" and together with the Offering, the "**Transactions**") announced on June 21, 2019 and July 15, 2019, respectively.

  Pursuant to the Offering, the Company issued a total of 62,714,000 units of the Company (the "**Units**"), at a price of $0.55 per Unit, for aggregate gross proceeds of $34,492,700.

  Each Unit consists of one common share of the Company (a "**Unit Share**") and one-half of one common share purchase warrant (each whole common share purchase warrant, a "**Warrant**"). Each Warrant is transferrable and entitles the holder to acquire one common share of the Company until July 18, 2022, at a price of $0.85.

[1] See press release dated August 7, 2019 for further information, available at www.puregoldmining.ca or under the Company's Sedar profile at www.Sedar.com.
[2] See press release dated July 18, 2019 for further information, available at www.puregoldmining.ca or under the Company's Sedar profile at www.Sedar.com.

In consideration for their services, the Underwriters received an aggregate cash commission equal to 6.0% of the gross proceeds of the Offering.

Pursuant to the Offering, Mr. Eric Sprott, through 2176423 Ontario Ltd., a corporation which is beneficially owned by him, acquired a total of 36,000,000 Units for total consideration of C$19,800,000. Following completion of the Transactions, Mr. Sprott beneficially owns and controls 36,000,000 Unit Shares and 18,000,000 Warrants, representing approximately 10.2% of the issued and outstanding common shares of the Company on a non-diluted basis, and 14.5% of the issued and outstanding common shares on a partially diluted basis, assuming the exercise of the Warrants acquired hereunder and forming part of the Units.

Pursuant to the Non-Brokered Private Placement, the Company issued a total of 23,700,000 Units, at a price of C$0.55 per Unit, for aggregate gross proceeds of C$13,035,000. AngloGold Ashanti Limited ("**AngloGold**") purchased 11,850,000 Units issued pursuant to the Non-Brokered Private Placement, bringing AngloGold's ownership percentage in the Company to 14.1% of the issued and outstanding common shares on a non-diluted basis upon completion of the Transactions. A subscription fee of 6.0% was paid on one-half of the gross proceeds of the Non-Brokered Private Placement.

The common shares issued under the Transactions are subject to a four month hold period.

- *Exploration success continues*

  Surface drilling at the RL Mine property during the year continued with drilling along the RL Mine trend at the Wedge zone, expanding the deposit footprint and continuing the rapid progression of this zone.

  Drilling highlights include[3]:
  - 24.4 g/t gold over 1.0 metre from hole PG19-677;
  - 12.4 g/t gold over 1.1 metres from hole PG19-657;
  - 11.7 g/t gold over 1.0 metre from drill hole PG19-661;
  - 5.1 g/t gold over 7.0 metres from drill hole PG19-664, including 19.3 g/t gold over 1.0 metre;
  - 167.0 g/t gold over 1.1 metres from drill hole PG19-693;
  - 51.5 g/t gold over 1.5 metres from drill hole PG19-713;
  - 9.0 g/t gold over 1.0 metre from drill hole PG19-691;
  - 8.7 g/t gold over 1.7 metres from drill hole PG19-700; and
  - 6.9 g/t gold over 2.0 metres from drill hole PG19-696.

  In addition, the Company intersected a 10 metre wide, gold bearing zone (2.2 g/t gold over 10.4 metres) including 4.9 g/t gold over 2.1 metres and a second hole intersected 51 metres of gold mineralization, including 9.9 g/t gold over 0.9 metre in a widespread gap midway between the Company's high grade 8 Zone at depth and near surface Russet South mineral resources, establishing the prospectivity of this setting and opening up a brand new target area for discovery.

Outlook

The RL Mine Project comprises in excess of 4,600 hectares of primarily patented mineral claims in the prolific Red Lake gold district of Northwestern Ontario and hosts two significant former gold producers including the RL Mine which had previous gold production of 2.5 million ozs[4].

With the feasibility study complete and financing in place, Pure Gold has embarked on full-scale construction of the required infrastructure to put the RL Mine back into production and plans to bring the first ore to the mill in Q4 2020.

[3] For further information refer to the press releases dated October 9, 2019, October 1, 2019 and December 16, 2019 available on the Company's website at www.puregoldmining.ca or the Company's SEDAR profile at www.sedar.com.

[4] Historic drill hole results and production figures and other details from the Mine and Starratt-Olsen mine disclosed in this document were completed prior to the implementation of National Instrument 43-101. A full discussion and cautionary language can be found in the Mine Technical Report, which can be found on Pure Gold's website at www.puregoldmining.ca or profile on SEDAR at www.sedar.com.

The revised project budget is $124.6 million with an additional $2.5 million set aside for a new sewage lagoon. Approximately $18.2 million of this budget was incurred by December 31, 2019. As of February 29, 2020, approximately $27.4 million has been incurred, representing 22% of the overall project, by planned expenditure.

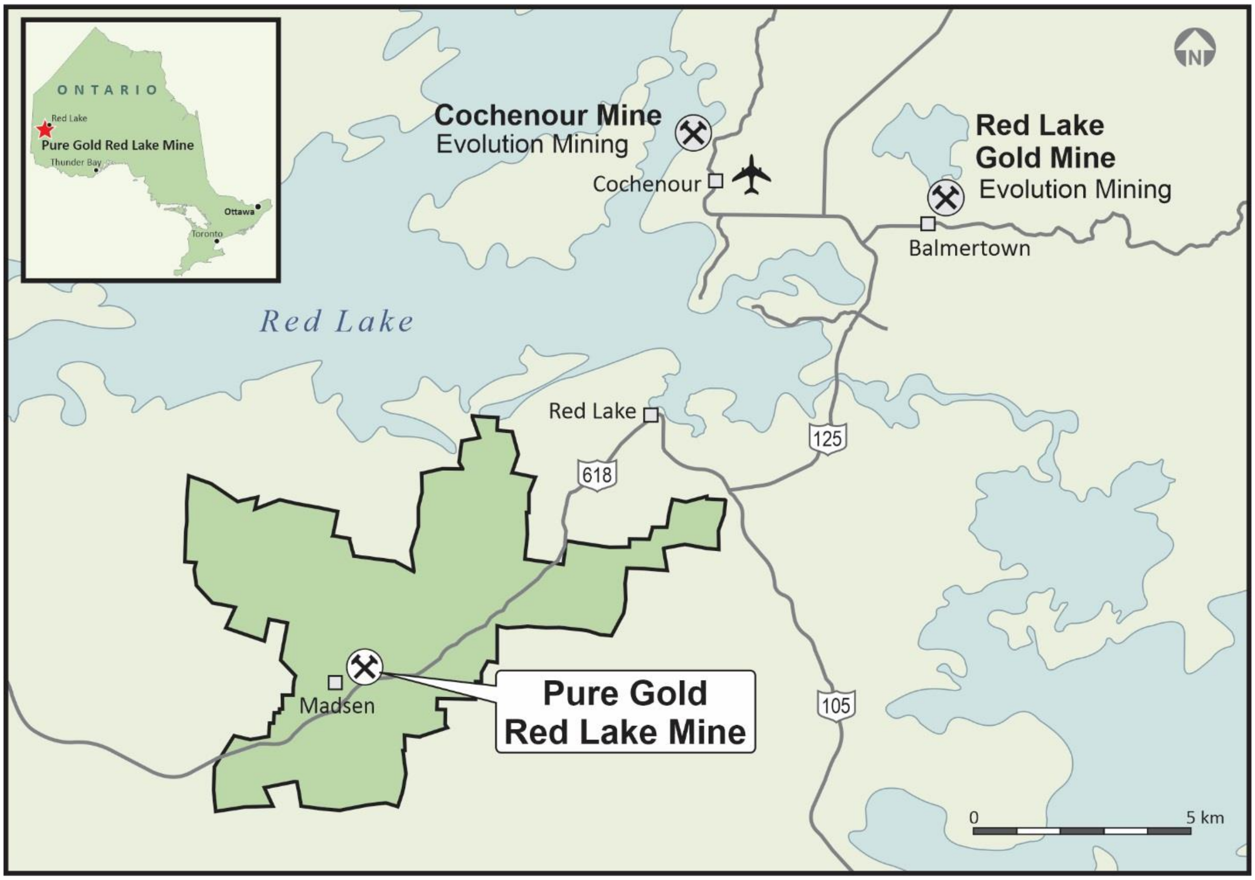
The feasibility study, focussed exclusively on the RL Mine deposit, outlines a robust high-grade, low capital mining operation. Exploration by the Company to date has demonstrated that the RL Mine property has outstanding potential for growth and opportunities for scalability. Key opportunities to enhance the project over the project life include[5]:

- Potential expansion of the RL Mine resource, through application of the Company's geologic model to target extensions to the known resource, including:
  - Potential conversion of the inferred resources in the RL Mine deposit to measured and indicated, currently totalling 241,000 ozs of gold (0.9 million tonnes at 8.4 g/t gold);
  - High-grade 8 Zone expansion potential beyond the reserve scheduled to commence mining in year four of operations;
  - Potential depth extensions of the RL Mine deposit which remains open as supported by drill hole PG17-456 which intersected 34.6 g/t gold over 4.3 metres at a depth of 1,373 metres below surface, and AD-11-01 which returned 14.3 g/t gold over 2.0 metres at a depth of approximately 2,100 metres below surface;
  - Continue exploration at Russet South, Fork, Wedge, and across the +5-kilometre mineral system in place at the RL Mine property, where strong potential exists for continued growth; and
  - Review and optimization of the mine plan with an opportunity for additional mine flexibility, potential for increased milling rates and annual gold production.

With the Fork, Russet South, and Wedge zones and the recent target identified up-dip of the 8-Zone, Pure Gold has the potential to either add mine life or improve annual production throughput at the RL Mine with positive results from further exploration and development. Subject to availability of funds, the Company plans to continue exploring these zones to define further mineralization and upgrade the resource classification with the goal of determining the feasibility of adding production from these zones to the RL Mine production profile, as early as practical, in the mine life.

[5] For further information refer to the press releases dated February 11, 2019 available on the Company's website at www.puregoldmining.ca or the Company's SEDAR profile at www.sedar.com.

Overall Performance
Pure Gold Red Lake Mine Gold Project, Red Lake, Ontario



After a series of transactions in fiscal 2014 through 2017, the RL Mine property now comprises 251 mining leases, mining patents and unpatented mining claims (but predominantly patented and with accompanying surface rights) owned or controlled 100% by Pure Gold, covering an area in excess of 4,600 hectares in the prolific Red Lake gold camp of Northwestern Ontario. The RL Mine property hosts two former gold producers including the RL Mine.

There are no royalties payable on claims hosting known mineral resources at the RL Mine property except for a 2% Net Smelter Royalty on resources from Russet South, that is capped at $2.0 million. Certain claims acquired in the Newman-Madsen and Derlak transactions are subject to royalties ranging from 0.5% - 3%, a portion of which may be bought back by the Company.

The RL Mine operated continuously from 1938 to 1974, and again from 1997 to 1999. Total recorded production is 7,872,679 metric tonnes at an average grade of 9.7 g/t gold, producing 2,452,388 ozs[6].

The second former gold producer on the RL Mine property is the historic Starratt-Olsen Mine. A 450-metre shaft was constructed in 1945 and mining operations were carried out from 1948 to 1956. A total of 823,544 metric tonnes were mined at an average recovered grade of 6.17 g/t gold to produce 163,990 ozs[6]. The Starratt-Olsen RL Mine does not have a current mineral resource. Only limited modern day exploration has been conducted near the mine workings. Compilation of historic data at Starratt is ongoing and initial drill testing was completed by Pure Gold in late 2016.

[6] Historic drill hole results and production figures and other details from the Mine and Starratt-Olsen mine disclosed in this document were completed prior to the implementation of National Instrument 43-101. A full discussion and cautionary language and current mineral resources can be found in the technical report, titled "**Madsen Gold Project Technical Report Feasibility Study For The Madsen Deposit, Red Lake, Ontario, Canada** ", effective February 5, 2019, and dated March 21, 2019, and revised July 5, 2019, filed under the Company's profile on SEDAR at www.sedar.com (the "**Mine Technical Report**") and available on the Company's website at www.puregoldmining.ca.which can be found on Pure Gold's profile on SEDAR at www.sedar.com or at Pure Gold's website at www.puregoldmining.ca.

On February 11, 2019, Pure Gold announced the results of its feasibility study for the RL Mine deposit[7].**Error! Bookmark not defined.** The feasibility study supports a high-grade underground mining operation with engineered stopes. The project benefits from significant mining, milling and tailings infrastructure already in place, resulting in one of the lowest capital intensity undeveloped gold projects in the world. Mining will be conducted from new development utilizing a combination of cut and fill and longhole methods. A new hoist house and double drum production hoist will use the existing shaft infrastructure to hoist ore and waste from the mine, commencing in year four of operations.

JDS Energy and Mining Inc. ("**JDS**") led the RL Mine feasibility study, which included input from leading consultants such as Knight Piésold Ltd., ("**Knight Piesold**"), Nordmin Engineering Ltd., MineFill Services Inc., Integrated Sustainability, Lorax Environmental Services Ltd, Ginto Consulting Inc., and Equity Exploration Consultants Ltd.

The feasibility study mine plan utilized a combination of conventional cut & fill (59%), mechanized cut & fill (16%) and longhole mining (25%) methods to extract mineral reserves. Preliminary mining shapes were developed using Mineable Shape Optimizer (MSO) using variable cut-offs from 4.00 to 4.75 g/t gold. These were used to guide development of the feasibility mine design plan. Final stope shapes and mine access development were individually modelled and evaluated to form the final mineable reserve. A mining recovery of 95% has been assumed for retained tonnes forming part of the mine plan and the total external and internal dilution is approximately 22% of the total mining reserve. The total probable reserve mined over the course of the mine life is 3.5 million tonnes at an average diluted head grade of 9.0 g/t for 1.0 million ozs of gold[8].**Error! Bookmark not defined.**

In August 2019, the Company awarded the surface Engineering and Procurement (E/P) contract for the Project to JDS in partnership with Hatch Ltd. ("**Hatch**") and Knight Piesold. Additionally, the Company awarded the underground mine design engineering contract to Dumas Mine Contracting Ltd. ("Dumas").

During the basic detailed engineering phase of the project JDS, Hatch and Dumas performed the following key engineering tasks:

- Completed and froze mechanical layout of tailings/backfill plant. The architectural drawings and load tables issued for use, building steel issued for bid and began drafting concrete drawings;
- Initiated modelling of process plant piping;
- Issued seven (7) mechanical equipment specifications including: cyclones; shop fabricated tanks; slurry pumps; vibrating screens; bulk materials storage; pre-leach thickeners; cranes and hoists; and began scope development for the SAG mill refurbishment;
- Completed bid analysis and recommendation for five electrical packages and the process control system for the process plant, including: a 44kV Switchgear; 5kV Switchgear; Power distribution; transformers; electrical houses and the UPS system;
- Initiated drafting of process and instrumentation diagrams;
- Completed the sewage lagoon Geotech investigation;
- Upgraded the haul road from the portal to the headframe;
- Completed a detailed mechanical audit of the process plant;
- Initiated a detailed cleaning of the process plant equipment and tanks that will be utilized going forward; and
- Updated the detailed mine plan and underground development cost estimates;

In December 2019, the basic detailed engineering phase of the project was completed, and JDS presented an updated capital budget ("**Definitive Budget**") and Project schedule to the Company. Given the financial flexibility provided by the Financing, the Company has been able to capitalize on opportunities to reduce start-up and operational risk and improve project performance and economics. For example, rather than leasing underground mining equipment for the first two years of production the Company has purchased the mining fleet, thus lowering the overall operating costs during initial development and production. This added $11.5 million to upfront capital costs relative to the feasibility study but was economically prudent.

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[7] For further information refer to the press releases dated February 11, 2019 available on the Company's website at www.puregoldmining.ca or the Company's SEDAR profile at www.sedar.com.

[8] For further information refer to the press releases dated August 7, 2019 available on the Company's website at www.puregoldmining.ca or the Company's SEDAR profile at www.sedar.com.

Other key opportunities for infrastructure improvement were captured in the process plant, where taking previously assumed refurbishment risk was considered unnecessary. The Company has elected to replace certain components in order to maximize mill availability at start-up. As a result, the Definitive Budget now totals $124.6 million. An additional $2.5 million has been budgeted for a sewage treatment facility in the form of an engineered sewage lagoon to address the current issue of sewage from the town of Madsen entering the Company's pre-existing tailings facility. The Company expects to recover these costs over time from the Municipality of Red Lake.

As at December 31, 2019, for the period from August 7, 2019 (the date the Board of directors approved the "decision to construct") to December 31, 2019, the Company has spent a total of $18.2 million on development of and fixed asset purchases for the RL Mine compared to a budget of $15.5 million. With the variance primarily attributed to an earlier start to hiring staff for underground mining and stope delineation drilling than originally planned along with timing differences for various equipment purchases from plan. As at December 31, 2019, the project is on plan for total ramp development and remains on plan for overall project spend. At this time, cash provided through the Company's project financing package and equity raises completed in 2019, are sufficient to bring the RL Mine back into production on the current project schedule and budget.

The RL Mine implementation schedule is over a period of 15 months, with underground mine development commencing November 2019, with first gold pour projected in Q4 of 2020.

As at December 31, 2019, the Company has employed two underground mining crews responsible for ramp and stope access development. Mining commenced in December 2019 and 70.4 metres of ramp development were completed compared to a plan of 70 metres.

Environmental & Permitting

The RL Mine is currently permitted as a mine in Temporary Suspension, being a voluntary suspension of activities at a mine site allowing the mine to be shut down without full closure, and last operated in 1999. A subset of the mining claims are permitted in Advanced Exploration status, allowing underground development and drilling to continue in proximity to the mine decline.

Although the Company currently has a number of permits relating to the Project which are in good standing, in order to re-open the RL Mine and commence production, operational enhancements and regulatory changes require some of the Company's existing permits to be updated ahead of the Company commissioning the mill.

Regulatory authorities have confirmed the following existing permits are currently in good standing but would require updating due to process changes or regulatory changes: (i) Environmental Compliance Approval (ECA) for Industrial Sewage Works, (ii) ECA for Air and Noise, (iii) Mine Closure Plan.

An amendment of the existing ECA for Industrial Sewage Works is required due to changes in effluent regulations since the RL Mine last operated. The Company has completed and submitted baseline studies in support of the ECA amendment and anticipates a full submission of the permit application by early Q2 2020 with a new permit anticipated to be issued by Q3 of 2020. The revised permit is required before mill processing can commence, but it is not required to complete refurbishment and upgrading of these facilities.

Baseline studies have been completed and a new permit application for the ECA, Air and Noise was submitted in 2018 and is expected to be received in Q2 2020. The air component has completed regulatory review and the noise permit is proceeding on schedule. The Company is able to start development of the Project without this permit, but the amendment will be required before milling can commence.

The existing RL Mine closure plan is also required to be amended in advance of production. A new notice of project status and project definition has been filed in support of the RL Mine closure plan application. Regulatory meetings to screen the application have been held and the closure plan amendment was submitted in March 2020 and will be followed by screening and public consultation. Pure Gold is currently engaged in discussions with the Ministry of Energy, Northern Development and Mines, in Ontario, with respect to an amendment to its Closure Plan for the RL Mine Project, to account for any future changes to the site through construction and ultimately through production. We expect the amount of financial assurance will need be increased, but this amount has not yet been determined as at the date of this MD&A.

The Company has successfully completed a federal environmental assessment screening and is not required to submit an environmental assessment for the reopening of the Project. This is consistent with a provincial environmental assessment not being required.

Further, new regulatory requirements that have come into force since the RL Mine last operated may require the Company to obtain a number of new, ancillary permits before mining is allowed to re-commence, namely: (i) ECA for approval to construct and operate a domestic sewage treatment system; (ii) construction/relocation work permit for transmission line and/or water works; (iii) plans and specifications approval for dam and berm work, including those associated with tailings facilities; (iv) forestry clearing licence; (v) aggregate extraction permit for dam construction; (vi) leave to construct a transmission line; (vii) notice of construction before any activities take place; and (viii) approval for construction and operational activities under the Species at Risk Act (SARA). It has not yet been confirmed if these permits will be required and no application has yet been made for them; however, application will be made for them as required.

While the Company can foresee no reason why it may not receive all necessary updates to its existing permits, there can be no assurance that such updates will be obtainable at all, on reasonable terms or the conditions to which they may be subject. The failure to obtain such required amendments or any additional permits that may be required, or delays in obtaining the same, or failure to fulfil any conditions attaching to such permits, could increase the Company's costs and delay its activities including commencing development of the Project, could adversely affect the properties, business or operations of the Company.

Continuing exploration at the RL Mine Property

For the twelve months ended December 31, 2019, the Company expensed a total of $8.9 million on exploration and evaluation expenditures. These expenditures centred around engineering studies supporting the completion of the feasibility study and the commencement of drilling following the Company's flow through financing in March 2019 and other development work, completed prior to the Company's decision to construct in August 2019.

In May 2019, the Company commenced a $5.2 million exploration program with an initial 12,000 meters of drilling with two drill rigs, largely directed at the Wedge deposit and along strike extensions, and a limited amount of focussed work at the Fork and Russet South deposits. Additionally, drilling is testing the Fork EXT target which is located down-plunge of the near-surface Fork deposit and hosts strong alteration, blue-grey quartz veins, and anomalous gold in limited drill testing. The Fork EXT target is hosted along the upper contact of the Russet Lake Ultramafic unit in an analogous geologic target setting to the high grade 8 Zone of the RL Mine deposit. Surface geological mapping and rock sampling programs continued in 2019 in an effort to prepare a further series of high priority exploration targets across the RL Mine property for future discovery drilling with 12 targets being advanced to drill-ready status by year end. On October 9, 2019 the Company announced that it had expanded the 2019 drilling program to 20,000 metres.

As at December 31, 2019, the Company had completed this planned exploration drilling program at a cost of $5.3 million.

<u>Other Mineral Property Interests</u>

On March 12, 2018, the Company signed an option agreement with KG Exploration Canada Inc. ("**Kinross**") a subsidiary of Kinross Gold Corp. whereby Kinross has the option to acquire up to a 70% interest in the Company's Van Horne property. To earn its 70% interest Kinross must spend a total of $4.0 million on Van Horne over a four-year period and pay to Pure Gold $100,000 with a committed minimum of $750,000 in year one (completed).

Kinross explored Van Horne in 2019 with a total planned budget of $1.0 million and as at December 31, 2019 had completed 16 drill holes for approximately 3,533 metres at the Glatz and Bonanza targets following on outcrop stripping, sampling, and mapping programs. Field activity completed in October. Kinross plans to continue exploring Van Horne in 2020. At year end the Company was awaiting Kinross' proposed program for the 2020 fiscal year.

Selected Financial Information

Management is responsible for the Annual Financial Statements referred to in this MD&A and provides officers' disclosure certifications filed with the Canadian provincial securities commissions. Although the Company's Audit Committee reviews the Annual Financial Statements and MD&A and makes recommendations to the Company's Board of Directors, (the "Board'), it is the Board which has final approval of the Annual Financial Statements and MD&A.

The Annual Financial Statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") and interpretations of the IFRS Interpretations Committee ("IFRIC") as issued by the International Accounting Standards Board ("IASB"). Our significant accounting policies are presented in Note 3 of the Annual Financial Statements; we followed these accounting policies consistently throughout the year.

The financial data presented below for the current and comparative periods was derived from the financial statements prepared in accordance with IFRS. Pure Gold raises its financing and incurs head office expenses in Canadian dollars and therefore, it has been determined to have a Canadian dollar functional currency.

The Company's policy is to expense, as incurred, exploration and evaluation expenditures until the mineral property reaches the development stage, when proven and probable reserves have been established that demonstrate a positive return; and necessary permits critical to the resources and environmental programs exist or are reasonably obtainable.

The Company's operations are in one industry – the exploration for gold, and other precious and base metals. At December 31, 2019, 2018 and 2017, Pure Gold had one geographic location being Canada. Information discussed herein reflects the Company as a consolidated entity, consistent with our determination that tone industry in which we operate provides the most meaningful information to a user.

Results of Operations

The following financial data are derived from our annual financial statements for the fiscal year ended December 31, 2019 and the nine months ended December 31, 2018, and year ended March 31, 2018, respectively:

	For the year ended December 31, 2019	For the nine months ended December 31, 2018	For the year ended March 31, 2018
Total Revenue	**$ -**	$ **-**	$ -
Exploration and evaluation expenditures	**$ 8,860,646**	$ **19,360,713**	$ 26,343,021
Net loss for the year attributable to shareholders	**$ 21,821,835**	$ **21,901,184**	$ 26,161,068
Total comprehensive loss for the year	**$ 21,821,835**	$ **21,901,184**	$ 26,161,068
Basic and Diluted Loss per Share	**$ (0.07)**	$ **(0.09)**	$ (0.13)

Fiscal year-ended December 31, 2019 vs. fiscal period ended December 31, 2018

Net losses totalled $21.8 million for year ended December 31, 2019, compared to $21.9 million for the fiscal period ended December 31, 2018. The most significant contributors to the loss for the year ended December 31, 2019 and fiscal period ended December 31, 2018 were (i) exploration and evaluation expenditures, (ii) professional fees (iii) wages, consulting and directors' fees (iv) share based compensation expense (v) Listing and filing fees (vi) investor relations expenses and (vii) finance income and (ix) loss on derivative revaluation. Explanations for material variances are described below:

The Company's exploration and evaluation expenditures at the RL Mine property during the year-ended December 31, 2019 totalled $8.9 million compared to $19.4 million for the nine months ended December 31, 2018. Effective August 7, 2019, with the decision to construct being made by the Board of directors and supporting mineral reserves established through a feasibility study and with a pathway to the necessary permits for construction being established and relatively certain, the Company began to capitalize exploration and development expenses that related directly to that portion of the RL Mine property that was included in the feasibility study. After August 7, 2019, only exploration and evaluation expenditures relating to the portion of the RL Mine property that was not included in the feasibility study, were expensed. For the nine months ended December 31, 2018, all exploration and development expenditures related to the RL Mine property were expenses as incurred. During the 9 months ended December 31, 2018, the Company incurred significant costs related to ongoing surface exploration, the commencement and completion of the bulk sample program, and continued work on the feasibility study.

Professional fees for the year ended December 31, 2019 totalled $1.6 million, a 167% increase over the $0.6 million incurred during the nine months ended December 31, 2018. Professional fees have increased as the Company engaged financial advisors to evaluate its various strategic alternatives and to assist with project financing. Additionally, the Company engaged contractors to assist with implementation of Enterprise Resource Planning software in preparation for mining operations at the RL Mine. Legal fees increased as a result of the LSE listing process and subsequent requirement for a prospectus to qualify additional shares for listing on the LSE that were issued as part of the Company's equity raises in 2019.

Wages, consulting and director's fees were $2.0 million for the year ended December 31, 2019 compared to $1.2 million for the nine months ended December 31, 2018. The amount for year ended December 31, 2019 reflect a full 12 months of activity and reflect increases to staff salaries and headcount over the December 31, 2018 fiscal period

Share-based compensation expense increased to $1.4 million during the year ended December 31, 2019, compared to $0.8 million in nine-month fiscal period ended December 31, 2018. The difference reflects additional employee and director stock option grants in December 2019. There were no significant stock option grants during the fiscal period ended December 31, 2018.

Share-based compensation expense relates to grants from current and previous periods in which stock options were granted to directors, employees, and consultants. During the year ended December 31, 2019, the Company granted 5.2 million stock options with a weighted average exercise price of $0.73 compared to only 0.3 million stock options in the fiscal period ended December 31, 2018 with a weighted average exercise price of $0.65. Stock options granted to employees and consultants in 2019 were subject to vesting restrictions over a two-year period with the corresponding share-based compensation expense being recognized over this period, while director grants vest immediately on grant with the corresponding expenses recognized at the time of grant.

Listing and filing fees for the year ended December 31, 2019 totalled $0.8 million compared to $0.1 million for the nine months ended December 31, 2018. The increase was primarily due to the Company's admission to trading on the London Stock Exchange in May 2019.

Investor relations and communication expenditures were $0.7 million for the year ended December 31, 2019 compared to $0.3 million for the nine months ended December 31, 2018. The Company incurred additional costs in support of its listing on the LSE, as well as increased investor relations travel and marketing efforts once the financing package was secured and the Company announced the commencement of construction at the RL Mine. Additionally, the December 31, 2018 balance does not reflect costs of conferences and marketing activities which typically occur in January, February and March of each year given the shortened year end transition period.

Finance income, consisting of interest earned on cash deposits totalled $0.5 million for the year ended December 31, 2019 compared to $0.2 million for the nine months ended December 31, 2018, reflecting the higher average cash balance in fiscal 2019 as a result of the sizeable equity raise and project financing completed during the year, compared to 2018.

For the year ended December 31, 2019, the Company realized a loss of $6.3 million attributed to the change in fair value of various derivative liabilities relating to the Company's Facility and Callable Gold Stream completed in 2019. See Notes 11 and 12 to the Annual Financial Statements for further information.

Fiscal period ended December 31, 2018 vs. fiscal year ended March 31, 2018

Net losses totalled $21.9 million for the nine months ended December 31, 2018, compared to $26.2 million for the year ended March 31, 2018. The most significant contributors to the loss for the nine months ended December 31, 2018 and year ended March 31, 2018 were (i) exploration and evaluation expenditures, (ii) wages, consulting and directors' fees (iii) office and rent expenses (iv) investor relations and communication expenditures (v) professional fees and (vi) non-cash share-based compensation expense. Explanations for material variances are described below:

The Company's exploration and development activities at the RL Mine during the nine-month period ended December 31, 2018 included continued surface exploration drilling, the commencement and completion of the bulk sample program, and continued work on the feasibility study. During the year ended March 31, 2018, the Company was conducting a large-scale surface and underground drilling program, conducting engineering studies associated with the PEA, and commenced the feasibility study.

Wages, consulting and director's fees were $1.2 million for the nine months ended March 31, 2018 compared to $1.4 million for the year ended March 31, 2018. The amount for the nine-month period ended December 31, 2018 reflects employee bonuses paid in December 2018 totalling $0.3 million and otherwise reflects a nine-month operating period compared to the prior year.

Office and rent costs were $0.5 million for the nine months ended December 31, 2018 compared to $0.6 million for the year ended March 31, 2018, consistent with a nine-month period of activity as compared to the year ended March 31, 2018.

Investor relations and communication expenditures were $0.3 million for the nine months ended December 31, 2018 compared to $0.6 million for the year ended March 31, 2018. The year ended March 31, 2018 amount reflects the costs of conferences and marketing activities which typically occur in January and February of each year that are not otherwise reflected in the transition period ended December 31, 2018 balance.

Professional fees were $0.6 million for the nine months ended December 31, 2018 compared to $0.2 million for the year ended March 31, 2018. Professional fees have increased as the Company engaged financial advisors to evaluate its various strategic alternatives and identify and engage potential project finance partners. Additionally, the Company embarked on an Enterprise Resource Planning software implementation in preparation for potential mining operations at the RL Mine.

Share-based compensation expense was lower at $0.8 million for the nine months ended December 31, 2018 compared to $1.5 million for the year ended March 31, 2018, reflecting a fewer number of days of vesting of outstanding options. In addition, there were fewer options granted in the nine months ended December 31, 2018 compared to the 12 months ended March 31, 2018.

Share-based compensation expense relates to grants from current and previous periods in which stock options were granted to directors, employees, and consultants. During the nine months ended December 31, 2018, the Company granted 0.3 million stock options with a weighted average exercise price of $0.65 compared to 5.5 million stock options with a weighted average exercise price of $0.49 during the year ended March 31, 2018. Stock options granted to employees and consultants were subject to vesting restrictions over a three-year period with the corresponding share-based compensation expense being recognized over this period, while director grants vest immediately on grant with the corresponding expenses recognized at the time of grant.

Generally, share-based compensation expenses should be expected to vary from period to period depending on several factors, including whether options are granted in a period and whether options have fully vested or are cancelled in a period. In determining the fair market value of share-based compensation granted to directors and employees, management makes significant assumptions and estimates. These estimates have an effect on the share-based compensation expense recognized and the equity reserves balance on our statements of financial position. Management has made estimates of the life of the options; the expected volatility and the expected dividend yields that could materially affect the fair market value of this type of security. The estimates were chosen after reviewing the historical life of the options and analyzing share price history from that of a peer group to determine volatility.

Financial Position

The following financial data are derived from our Annual Financial Statements for the fiscal year ended December 31, 2019 and fiscal period ended December 31, 2018:

	As at December 31, 2019	As at December 31, 2018
Total assets	**$ 130.6 million**	$ **20.9 million**
Current liabilities	**$ 8.2 million**	$ **1.0 million**
Non-current liabilities	**$ 72.8 million**	$ **2.4 million**
Cash dividends declared	**$ -**	$ **-**

Total assets increased by $109.6 million as at December 31, 2019 in comparison to December 31, 2018 primarily due to the cash received from completion of the July 2019 equity raise of $47.5 million and May equity raise of $5.2 million, completion of the Facility and Callable Gold Stream which raised $33.1 million by way of the Callable Gold Stream and $13.0 million through initial advance on the Facility, including the Production Payment Agreement advance of $5.3 million, offset by cash operating expenditures totalling $12.9 million, and cash used for investing activities, consisting primarily of capitalized development costs and equipment purchases of $14.2 million.

Current liabilities increased by $7.2 million to $8.2 million at December 31, 2019 compared to $1.0 million at December 31, 2018. Accounts payable and accrued liabilities increased due to the Company's initiation of engineering and construction activities at the Mine. The Company has also recognized a flow-through share premium liability of $0.9 million in regard to the March 2019 flow through share offering. At December 31, 2019, the Company had incurred the full qualifying resource expenditures relating to the flow-through share premium liability, and the renunciation forms were subsequently filed in February 2020. Additionally, upon adoption of IFRS 16, the Company recognized a current lease liability of $0.1 million in regard to its head office lease, as well as a current balance of $780,000 in loans and borrowings relating to the Company's Credit Facility.

Non-current liabilities increased by $70.3 million between December 31, 2018 and December 31, 2019, primarily due to the recognition of the various liabilities associated with the Financing, including financial statement impact of loans and borrowings of $18.2 million and derivative liabilities of $37.6 million (see Notes 11 and 12 of the Interim Financial Statements for further details). Further, the Company's provision for closure and reclamation work increased by $14.1 million as a result of the Company commencing construction at the RL Minesite. In addition, upon adoption of IFRS 16, the Company recognized the long-term portion of the Company's lease liability relating to its head office lease, equal to $0.4 million.

Shareholders' Equity

During the year ended December 31, 2019, the Company issued 102,342,309 common shares including 7,723,975 common shares issued pursuant to the March 2019 flow through share offering, at $0.67 per share, 86,414,000 common shares issued pursuant to the July brokered and non-brokered private placement at $0.55 per share, 3,363,334 common shares upon the exercise of employee, director, and consultant stock options with a weighted average exercise price of $0.35, 3,841,000 common shares issued as prepaid interest at a price of $0.62 per share under the terms of the Facility and 1,000,000 common shares issued to the Lac Seul and Waubaskang First Nations at a price of $0.63, pursuant to the terms of the Project Agreement.

Refer also to the discussion in this MD&A under the heading, "Outstanding Share Data". The Company has not declared any dividends since incorporation.

Summary of Quarterly Results

The following information is derived from and should be read in conjunction with the Annual Financial Statements of Pure Gold and the interim condensed financial statements for each of the past eight quarters which have been prepared in accordance with IFRS applicable to interim financial reporting including IAS 34. Consistent with the preparation and presentation in our Annual Financial Statements, these unaudited quarterly results are presented in Canadian dollars. The determination of functional currency for the

Company is unchanged from that which is consolidated in the Annual Financial Statements and also from the discussion within this MD&A under the heading, “Selected Annual Information”.

	For the three months ended (000’s except per share data)							
	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019	Dec 31, 2018	Sep 30, 2018	Jun 30, 2018	Mar 31, 2018
Total revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total expenses	$3,474	$5,681	$4,054	$2,834	$6,491	$8,192	$8,203	$8,745
Net loss For the period	$5,976	$8,836	$4,040	$2,835	$6,104	$8,102	$7,695	$7,197
Total comprehensive loss for the period	$5,976	$8,836	$4,040	$2,835	$6,104	$8,102	$7,695	$7,197
Basic and diluted loss per share	$0.01	$0.03	$0.02	$0.01	$0.02	$0.03	$0.03	$0.03

The Company’s net loss and total expenses for the quarter ended December 31, 2019 decreased by 32% and 39%, respectively compared to the net loss and total expenses for the quarter ended September 30, 2019. The Company incurred significantly lower professional fees when compared to the prior quarter as a result of the completion of the Financing in July 2019, which resulted in higher transaction costs leading up to the completion of the Financing. Additionally, the Company incurred lower exploration costs when compared to the prior quarter as the exploration drilling program at the Wedge, Fork and Russet South deposits completed during the quarter. These were partially offset by higher share-based compensation expense resulting from the December 13, 2019 stock option grant.

The Company’s net loss and total expenses for the quarter ended September 30, 2019 increased by 119% and 41%, respectively compared to the net loss and total expenses for the quarter ended June 30, 2019. During the quarter ended September 30, 2019 The Company incurred significant professional fees relating to the completion of the Financing and various business development initiatives and realized a $3.3 million expense related to the change in fair value of various derivatives recognized on closing of the Facility and Callable Gold Stream that was not present in earlier quarters. The Company also recognized an additional expense in the quarter ended September 30, 2019, in regard to the common shares issued to the Lac Seul and Waubaskang First Nations.

The Company’s net loss and total expenses for the quarter ended June 30, 2019 increased by 43% compared to the net loss and total expenses for the quarter ended March 31, 2019. During the quarter ended June 30, 2019, the Company’s exploration expenditures of $2.0 million were primarily focused on the commencement of exploration drilling directed at the Wedge, Fork and Russet South deposits, and continued engineering studies to support the finalization of the feasibility study. During the quarter ended March 31, 2019, the Company’s exploration expenditures of $1.6 million were primarily focused on completion of the feasibility study and early-stage studies related to the Russet South, Fork and Wedge deposits. During the quarter ended June 30, 2019 the Company also incurred additional professional, listing and filing fees in connection with the Company’s admission to trading on the London Stock Exchange.

The Company’s net loss for the quarter ended March 31, 2019 decreased by 53% compared to the net loss for the quarter ended December 31, 2018, while total expenses decreased by 56%. During the quarter ended March 31, 2019, the Company’s exploration expenditures of $1.6 million were primarily focused on completion of the feasibility study and early-stage studies on the Russet South, Fork and Wedge deposits, while during the quarter ended December 31, 2018, the Company’s exploration expenditures of $4.9 million included continued work on the feasibility study and the Russet South, Fork and Wedge deposits, the completion of the bulk sample program in November 2018, and 2,789 metres of surface exploration drilling. The net loss for the quarter ended December 31, 2018 was reduced due to a $0.4 million deferred income tax recovery from the reversal of the flow-through share premium liability recognized in relation to the May 2018 financing as the expenditures were completed and renounced during the quarter.

The Company's net loss for the quarter ended December 31, 2018 decreased by 25% compared to the net loss for the quarter ended September 30, 2018, while total expenses decreased by 21%. The decrease in expenses is primarily due to the completion of the bulk sample program in November 2018, and fewer metres of surface exploration drilling (2,789 metres compared to 4,836 metres) in the quarter ended September 30, 2018. The net loss for the quarter ended December 31, 2018 was also reduced due to a $0.4 million deferred income tax recovery from the reversal of the flow-through share premium liability recognized in relation to the May 2018 financing as the expenditures were completed and renounced during the quarter.

The Company's net loss for the quarter ended September 30, 2018 increased by 5% compared to the net loss for the quarter ended June 30, 2018, while total expenses remained steady from the previous quarter. Exploration expenditures in the quarter ended September 30, 2018 were comprised of increased expenses related to the feasibility study and bulk sample program, and 4,836 metres of surface exploration drilling, while expenditures in the quarter ended June 30, 2018 included 10,621 metres of surface drilling. The net loss for the quarter ended June 30, 2018 was reduced due to a $0.4 million deferred income tax recovery from the reversal of the remaining flow-through share premium liabilities recognized in relation to the November 2017 financing as the expenditures were completed during the quarter.

The Company's net loss for the quarter ended June 30, 2018 increased by 7% compared to the net loss for the quarter ended March 31, 2018, while total expenses decreased by 6%. The decrease in expenses is primarily due the decrease in exploration and evaluation expenditures of $0.3 million due to fewer metres drilled in the first quarter of fiscal 2019, partially offset by additional expenditures related to the bulk sample program and DFS, as well as a $0.1 million decrease in investor relations expenditures. The net loss for the quarter ended March 31, 2018 was reduced due to a $1.5 million deferred income tax recovery from the partial reversal of the two flow-through share premium liabilities recognized in relation to the November 2017 financing as the expenditures were renounced in February 2018. The net loss for the quarter ended June 30, 2018 was reduced due to a $0.4 million deferred income tax recovery from the reversal of the remaining flow-through share premium liabilities recognized in relation to the November 2017 financing as the expenditures were completed during the quarter.

The Company's net loss for the quarter ended March 31, 2018 increased by 81% compared to the net loss for the quarter ended December 31, 2017, while total expenses increased by 25%. The increase in expenses is primarily due the increase in exploration and evaluation expenditures of $2.2 million due to additional metres drilled in the fourth quarter of fiscal 2018, as well as expenditures related to the feasibility study which commenced in December 2017, partially offset by a $0.6 million decrease in share-based compensation. The net loss for the quarter ended March 31, 2018 was reduced due to a $1.5 million deferred income tax recovery from the partial reversal of the two flow-through share premium liabilities recognized in relation to the November 2017 financing as the expenditures were renounced in February 2018. The net loss for the quarter ended December 31, 2017 was reduced due to a $3.0 million deferred income tax recovery from the reversal of the flow-through share premium liability recognized in relation to the February 2017 financing as the expenditures were completed and renounced in calendar 2017.

Fourth Quarter Results

The Company incurred a net loss of $5.9 million during the quarter ended December 31, 2019. The most significant items contributing to this loss were exploration and evaluation expenditures of $1.6 million as the Company completed its exploration drill program at the Wedge, Fork and Russet South deposits; share-based compensation of $1 million, largely attributable to the December 13, 2019 stock option grant as well as the vesting of previously granted stock options.

Further, the Company recognized a $3.0 million loss from the revaluation of derivatives within the Company's Credit Facility package held with Sprott.

Offsetting expenses was $240 thousand of interest income earned on the Company's cash balance.

Liquidity and Capital Resources

As at the date of this MD&A, the Company has approximately $64 million in cash and short-term investments and US$55 million available under the Facility. The Company's working capital balance (defined as current assets less current liabilities) as at the date of this MD&A is approximately $63.4 million ($57.7 million excluding the flow-through premium liability of $0.8 million).

The Facility includes financial covenants that include, amongst others, requiring the Company to maintain minimum cash and working capital balances. At December 31 the Company is in compliance with these covenants.

We have no revenue-producing operations and earn only minimal income through investment income on treasury, amounts arising through various property option agreements and occasionally as a result of the disposal of an exploration asset. However, the Company believes that it has sufficient funding to meet its obligations and to maintain administrative and operational expenditures for the next 12 months from existing treasury and the Facility.

Financings

In the third quarter, the Company successfully completed brokered and non-brokered private placements raising gross proceeds of approximately $47.5 million.

On August 7, 2019 the Company announced the closing of the Financing with Sprott. The Financing will fully fund the costs to develop an underground gold mining and processing facility at the RL Mine. With the RL Mine construction funded the Company also announced that its Board of Directors have approved a "decision to construct" for the RL Mine.

In addition to this Financing, Sprott purchased US$5 million of units in Pure Gold's non-brokered private placement. A summary of the key terms of the Facility, Callable Gold Stream and Production Payment Agreement are as follows:

The Facility

- Term of 7 years
- US$65 million in principal structured in multiple tranches:
  - US$10 million advanced at closing, before an original issue discount of 41.82422%, which is considered additional interest paid in advance
  - Subsequent tranches available to the Company on satisfaction of customary conditions
- Interest rate of 3-month LIBOR plus 5.50% to 6.75% per annum
- 100% of interest costs capitalized to principal until March 2021
- Principal payments are sculpted to cash flow and payable in quarterly instalments from September 2022
  - 65% of the total amount advanced will be repaid prior to the maturity date
- 2.0% arrangement fee payable pro-rata on drawdown of each tranche
- Fixed US$10 per ounce production-linked payment on the first 500,000 ounces produced
  - Payments are to be financially settled on a monthly basis and can be terminated at any time by payment of an early termination fee
- On the completion date[9] a fee of 2.25% of the principal outstanding will be payable in cash or shares at Sprott's option.
- Penalty-free repayment of outstanding principal and interest after August 2022
- No hedging, cash sweeps, cash collateralization, or offtake agreement

Callable Gold Stream

- US$25 million as prepayment for 5.0% of the gold production until 50,000 ounces of gold has been delivered
  - Reduces to 2.5% of gold production thereafter
  - Fully advanced on closing
- Ongoing payments of 30% of the spot gold price

[9] Completion will occur when construction is complete and the RL Mine has successfully completed an agreed completion test.

- Full buyback option, where Pure Gold may elect to terminate the entire Callable Gold Stream:
    - On June 30, 2021 by paying US$35 million
    - On June 30, 2022 by paying US$38 million

Production Payment Agreement

- US$4.0 million as an advance that is to be repaid via monthly production payments, equal to US$10 multiplied by the number of ounces of gold which the Company receives payment on the sale from August 6, 2019 until 500,000 ounces of gold has been produced (the "Participation Amount").
- Full buyback option at any time upon payment of a termination fee equal to the outstanding Participation Amount multiplied by US$10.

Pure Gold has issued to Sprott 3,841,000 common shares in payment of additional interest due on the initial $10M advance. Following issuance of the shares, Sprott owned approximately 4.4% of the issued and outstanding common shares of the Company on a non-diluted basis. The issuance of the additional common shares to Sprott on the Completion Date is subject to approval of the TSX Venture Exchange.

For details of the accounting for the Facility and the Callable Gold Stream, please see Notes 11 and 12 of the Annual Financial Statements.

Contractual Obligations

As at December 31, 2019, the Company had the following contractual obligations outstanding:

	Total	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years
Loans and borrowings	**$27,792,411**	-	6,535,663	1,989,721	4,109,095	5,011,741	10,146,191
Accounts payable and accrued liabilities	**$ 6,433,948**	6,433,948	-	-	-	-	-
Production linked payments	**$ 6,494,000**	80,939	864,104	1,001,676	1,173,468	1,020,515	2,353,298

Under the Facility, interest is accrued and capitalized until March 31, 2021, and afterwards paid out quarterly. The Company is also obligated to pay Sprott a fixed US$10 per ounce production-linked payment on the first 500,000 ounces of gold produced from the RL Mine.
The terms of the Callable Gold Stream require the Company to deliver gold or cash to Sprott in accordance with the terms of the agreement. In the event the Company does not deliver sufficient value (equal to the difference between the ounces of gold delivered times the difference in the spot price of an ounce of gold and 30% of the spot price) to Sprott to offset the US$25 million received under the Callable Gold Stream, the balance must be paid in cash.

Other than previously disclosed above, the Company has entered into an Amended Technical and Administrative Services Agreement (the "**Oxygen Agreement**") with Oxygen Capital Corp. ("**Oxygen**"), a private company of which a director and an officer of the Company are shareholders. Pursuant to the Oxygen Agreement, and without limiting or abrogating the duties of Pure Gold's President and Chief Executive Officer or its Chief Financial Officer and Corporate Secretary, Oxygen provides the Company:

- access to, and the use of the assets contained in, office space leased by Oxygen; and
- services, staff and expertise as determined necessary to properly and efficiently manage the assets, operations, business and administrative affairs of Pure Gold.

The Company pays Oxygen for the cost of management and technical services, including the wage allocations of employees seconded by Oxygen to the Company (plus tax and applicable benefits) at cost; There is no mark-up or additional direct charge to the Company from Oxygen under the Oxygen Agreement.

The Oxygen Agreement is intended to provide the Company with a number of technical and administrative services and access, on an as-needed basis, to Oxygen's roster of geologists, mining engineers, investor relations and financial and business development professionals that would not necessarily otherwise be available to Pure Gold at this stage of the Company's development.

The Oxygen Agreement is for an initial term of two years and shall be automatically renewed from time to time thereafter for an additional term of two years unless otherwise terminated. The Oxygen Agreement may be terminated by either party giving at least 180 days' prior written notice of such termination subject to Pure Gold being liable for its share of committed lease costs and contractual obligations entered into on its behalf by Oxygen, as well as an amount equal to the average general and administrative monthly costs incurred under the Agreement for the previous six month period, and any employee termination fees due under the Agreement as a result of the termination as such term is defined under the Agreement. The amount pertaining to the non-cancellable head office lease is included in the table below.

Agreement with First Nations

The Company entered into a Project Agreement with respect to the RL Mine with the Waubaskang and Lac Seul First Nations. The Project Agreement establishes a long-term, mutually beneficial partnership between Pure Gold and the First Nations. In turn, both First Nations acknowledge and support Pure Gold's rights and interests in the development and future operation of the RL Mine. The Project Agreement provides for communication, cooperation, and collaboration between the First Nations and Pure Gold, and establishes a framework for support for current and future operations of the RL Mine and defines the long-term benefits for the First Nations.

Highlights of the Project Agreement include:

- Confirms the First Nations collaboration with Pure Gold in support of the operational permitting process for the Project and all subsequent regulatory authorizations;
- Establishes a foundation for employment opportunities, direct contracting opportunities, and Pure Gold's commitment and support for education and training initiatives;
- Confirms Pure Gold's commitment to sustainable development, to protecting the environment, and direct support for environmental monitoring; and
- Provides for the issuance of 500,000 shares of Pure Gold to each First Nation (issued); and,
- Establishes future financial contributions by Pure Gold commensurate with production.

Pure Gold estimates that the total cost of the Project Agreement, over the life of mine as outlined in the feasibility study, to be approximately $14 million.

Flow-Through Share Obligations

As at December 31, 2019, the Company has incurred all of the required qualifying resource expenditures pursuant to the March 2019 flow-through share offering. The Company will reverse the flow-through premium liability when the documents, renouncing the expenditures are filed with the appropriate authorities.

Leases

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

The Company's lease with respect to its head office premises is paid by Oxygen pursuant to the Oxygen Agreement.

Below is a maturity analysis of the Company's lease payments at December 31, 2019:

	Up to 1 year	**1 to 5 years**	**Total**
Minimum lease payments	$171,891	$492,126	$664,017
Finance charge	(41,044)	(51,684)	(92,728)
Total principal payments	**$ 130,847**	**$440,442**	**$571,289**

The Company's lease with respect to its head office premises includes variable payments that do not depend on an index or rate. As such, these payments have been excluded from the lease liability recognized in the statement of financial position. The Company expensed $111,483 million of variable lease payments during the year ended December 31, 2019.

Surety Bonds

In December 2017, the Company entered into an agreement with a third-party (the **"Surety**") to replace $2.4 million of its existing reclamation deposits with surety bonds of the same amount. The bonds are held in favour of the Minister of Northern Development and Mines of Ontario (the "**MNDM**") as financial support for environmental reclamation and exploration permitting. The surety bonds are secured by a $1.3 million deposit (as at the date of this MD&A) and are subject to fees competitively determined in the marketplace. The obligations associated with these instruments are generally related to performance requirements that the Company addresses through its ongoing operations. As specific requirements are met, the MNDM as beneficiary of the bonds will return the bonds to the issuing entity. As these instruments are associated with ongoing and active exploration properties, they will remain outstanding until the earlier of the date that the Company has discharged its remediation obligations or determines to self-fund the underlying bonding obligations. The Company has agreed to indemnify the Surety against any and all losses, fees, costs and expenses of any kind and nature which the Surety might sustain or incur upon the execution of surety bonds issued.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as defined by NI 51-102 requirements as at December 31, 2019 or as at the date hereof.

Proposed Transactions

As is typical of the mineral exploration and development industry, we are continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. We are also continually reviewing and discussing opportunities with third parties regarding the sale of non-strategic properties in our portfolio. There is no guarantee that any contemplated transaction will be concluded.

At present, there is no proposed asset or business acquisitions or dispositions before the Board for consideration.

Related Party Transactions

Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

Oxygen Capital Corp ("**Oxygen**").

Oxygen is a private company partially owned by one director and one officer of the Company. Oxygen provides technical and administrative services to the Company at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. As at December 31, 2019, Oxygen holds a refundable deposit of $0.3 million (December 31, 2018 - $0.3 million), on behalf of the Company. During the year ended December 31, 2019, a total of $1,955,340 million (nine months ended December 31, 2018 - $1.5 million) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As of December 31, 2019, the Company held a payable amount to Oxygen of $154,130 million (December 31, 2018 - $0.1 million). This amount was paid subsequent to year-end.

Compensation of Key Management Personnel

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

Name	Nature of Compensation	Year Ended December 31, 2019	Nine months Ended December 31, 2018
President and Chief Executive Officer	Salary	$ 538,000	$ 371,250
Chief Financial Officer, Secretary	Salary	$ 276,467	$ 241,500
Vice President of Exploration	Salary	$ 263,687	$ 241,500
Vice President, Operations	Salary	$ 378,000	$ 241,500
Directors	Directorship	$ 410,000	$ 307,500
Total		**$ 1,866,153**	**$ 1,403,250**

Share-based compensation issued to key management personnel during the year ended December 31, 2019 totaled $1.1 million (Nine months ended December 31, 2018 - $0.5 million). Share-based compensation is the fair value of options granted and vested to key management personnel. These amounts have not been included in the table above and should be considered as additional compensation.

Changes in Accounting Policies and New Pronouncements

New, Amended and Future IFRS Pronouncements

The Company prepares its financial statements in accordance with IFRS and interpretations of the IFRIC as issued by the IASB. The effects of the adoption of new, amended and future IFRS pronouncements are discussed below:

IFRS 16 – Leases

On January 1, 2019 the Company adopted IFRS 16 – Leases ("IFRS 16"). The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17. On transition to IFRS 16, the Company recognized a right-of-use asset of $0.7 million, and a lease liability of $0.7 million. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate of 8%.

The following table sets forth the adjustments to the Company's operating lease commitments as disclosed in the Company's financial statements for the nine-month period ended December 31, 2018, used to derive the lease obligations recognized on initial application of IFRS 16 at January 1, 2019:

Finance lease commitment - December 31, 2018	$ 13,270
Add: operating lease commitment at December 31, 2018	1,379,589
Effect of excluding variable lease payments	(546,036)
Effect of discounting commitment using the incremental borrowing rate of 8%	(143,635)
Lease liabilities recognized at January 1, 2019	**$ 703,188**

The following are the significant accounting policies which have been amended as a result of IFRS 16, and applied at January 1, 2019:

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset of a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest rate method and is re-measured when there is a change in future lease payments. When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'property, plant & equipment', and lease liabilities in 'lease liabilities' in the statement of financial position. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months of less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The effects of the adoption of new and amended policies subsequent to August 6, 2019 are discussed below:

<u>Financial Instruments</u>

Measurement – initial recognition

Financial assets and financial liabilities are recognized in our consolidated statements of financial position when we become a party to the contractual provisions of the instrument. On initial recognition, the Company measures a financial asset and financial liability at its fair value plus, in the case of a financial asset and liability not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial instrument. The directly attributable transaction costs of financial assets and liabilities classified as at FVTPL are expensed in the period in which they are incurred.

Measurement – subsequent recognition

Subsequent measurement of financial assets and liabilities depends on the classifications of such assets and liabilities.

(i) Classification of Financial Assets

Financial assets are classified after initial recognition as measured at amortized cost, FVTPL, or fair value through other comprehensive income ("FVOCI").

Amortized cost:

Financial assets that meet the following conditions are measured subsequently at amortized cost:

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. Interest income is recognized using the effective interest method.

The Company's financial assets classified as subsequently measured at amortized cost include cash, short-term investments, interest and other receivables, and deposits.

Financial assets measured subsequently at FVTOCI:

Financial assets that meet the following conditions are measured at FVTOCI:

a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and
b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured subsequently at FVTPL:

By default, all other financial assets are measured subsequently at FVTPL. Financial assets measured at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss.

At December 31, 2019 and 2018 the Company did not have any financial assets subsequently measured at FVTPL or FVOCI.

(i) Classification of Financial Liabilities

Financial liabilities that are not contingent consideration in a business combination, held for trading or designated as FVTPL, are measured at amortized cost using effective interest method.

The Company's financial liabilities classified as subsequently measured at amortized cost include accounts payable, accrued and other liabilities and loans and borrowings, which includes the Company's credit facility, and production payment agreement. The Company's financial liabilities classified as FVTPL include the derivative liabilities relating to the Company's credit facility, as well as the gold stream. Financial liabilities are classified as current or non-current based on their maturity date.

Transaction costs directly attributable to the issuance of the Credit Facility and PPA are capitalized and expensed using the effective interest rate method. Transaction costs directly attributable to the Gold Stream obligation were expensed through profit or loss.

(ii) Impairment

At each reporting date, the Company measures the loss allowance for the financial asset held at amortized cost at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increase significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

(iii) Derivative liabilities

Derivatives are classified as FVTPL and initially recognized at their fair value on the date the derivative contract is entered into and transaction costs are expensed. Derivatives are subsequently re-measured at their fair value at each statement of financial position date with changes in fair value recognized in net income or loss. Fair values for derivative instruments are determined using valuation techniques, with assumptions based on market conditions existing at the statement of financial position date or settlement date of the derivative.

Derivatives embedded in other financial liabilities or non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host contracts.

As the Company's gold stream agreement allows the Company to net settle the obligation, for accounting purposes, the Company has determined that the Gold Stream obligation represents a standalone derivative obligation.

Property, Plant and Equipment

Land is recorded at cost and is not depreciated as it has an unlimited useful life. Computer equipment, computer software, mine equipment, office and other equipment, exploration equipment and infrastructure, vehicles and mine fleet are recorded at cost less accumulated depreciation. The Company provides for depreciation at rates designed to depreciate the cost of the computer equipment, computer software, mine property and equipment, office and other equipment, exploration equipment and exploration infrastructure, vehicles and mining fleet over their estimated useful lives.

Mineral properties and development cost

Mine Development Costs consist of the Pure Gold Red Lake Gold Project carried at cost, less accumulated depletion. Costs of project development including gaining access to underground resources are capitalized to mineral properties. Once the mineral property is in commercial production, it will be depleted using the units-of-production method. Depletion is determined each period using gold equivalent ounces mined over the asset's estimated recoverable reserves.

Costs recorded for assets under construction are capitalized as construction in progress. On completion, the cost of construction is transferred to the appropriate category of plant and equipment. No amortization is recorded until the assets are substantially complete and available for their intended use.

The major categories and annual depreciation rates are as follows:

Computer equipment	55 %
Computer software	100 %
Land	Non-depreciable
Mill	Units-of-production
Mine Development Costs	Units-of-production
Mine equipment	10-20 %
Office furniture and other equipment	10-20 %
Exploration equipment	20 %
Exploration infrastructure	10 %
Vehicles	30 %
Mine Fleet	Straight-Line (2 – 5 years)

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to prepare for its intended use are capitalized as part of the cost of the asset. Capitalization of borrowing costs begin when there are borrowings and activities commence to prepare an asset for its intended use. Capitalization of borrowing costs ends when substantially all activity necessary to prepare a qualifying asset for its intended use are complete. When proceeds of project specific borrowings are invested on a temporary basis, borrowing costs are capitalized net of any investment income. Borrowing costs directly attributable to the construction of the Pure Gold Red Lake Mine have been capitalized within Mine Development Costs.

Significant Accounting Judgments, Estimates and Assumptions

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

(i) Exploration and Evaluation Assets and Expenditures

The application of the Company's accounting policy for exploration and evaluation assets and expenditures requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, and to determine whether indicators of impairment exist including factors such as, the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of resource properties are budgeted and evaluation of the results of exploration and evaluation activities up to the reporting date.

(ii) Determination of Commercial Viability and Technical Feasibility of the RL Mine

The application of the Company's accounting policy for mineral property development costs required judgment to determine when technical feasibility and commercial viability of the Pure Gold Red Lake Gold Project was demonstrable. The Company considered the positive NI 43-101 compliant Feasibility Study and the completed construction financing and concluded that commercial viability and technical feasibility of the Pure Gold Red Lake Gold Project had been confirmed on August 7, 2019. At this point, the capitalized acquisition costs were assessed for impairment, and reclassified to mineral property development costs within property, plant and equipment.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its estimates and assumptions on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(iii) Exploration and Evaluation Assets and Expenditures

As noted above, in August 2019, with the construction decision from the Board of Directors and the completion of the construction financing, the RL Mine transitioned from an exploration and evaluation asset under IFRS 6 to mineral properties, plant and equipment under IAS 16. At the time of the transition from exploration and evaluation to property, plant and equipment, the Company completed an impairment test as required by IFRS 6. The impairment test compared the carrying amount of the RL Mine to its recoverable amount. The recoverable amount is the higher of the value in use and the fair value less costs of disposal. The Company estimated the recoverable amount based on the fair value less costs of disposal using a discounted cash flow model with feasibility study economics. The significant assumptions that impacted the resulting fair value include future gold prices, exchange rates, capital cost estimates, operating cost estimates, estimated reserves and resources and the discount rate. Upon completion of the impairment tests, the Company concluded that there was no impairment.

(iv) Decommissioning, Restoration and Similar Liabilities

Significant judgement and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation costs. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and constructive obligations and are measured at the present value of discounted cash flows for the estimated liabilities.

Carrying value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration and similar liabilities that may occur upon decommissioning of certain of the Company's assets. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

(v) Fair value of derivatives and other financial liabilities

The valuation of the Company's derivative financial instruments requires the use of valuation techniques. Management uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates result in changes in the fair value of these instruments and a corresponding change in the amount recognized in net income (loss).

Risks associated with financial instruments

We are exposed to a variety of financial instrument related risks. The Board provides oversight for our risk management processes. The type of risk exposure and the way in which such exposure is managed is explained as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash, restricted cash, short-term investments and amounts receivable. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

The Company deposits its cash, restricted cash and short-term investments with high credit quality major Canadian financial institutions as determined by ratings agencies. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses.

To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. The Company historically has not had difficulty collecting its amounts receivable.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. At December 31, 2019, the Company had cash of $70.3 million (December 31, 2018 - $4.3 million) and short-term investments of $23,000 (December 31, 2018 - $23,000) to settle current liabilities of $7.4 million ($7.2 million excluding the lease liability of $0.1 million and flow-through premium liability of $0.8 million) (December 31, 2018 - $1.0 million) and long term liabilities of $72.8 million, including advances under the Facility and Callable Gold Stream (December 31, 2018 – $2.4 million). There is sufficient cash on hand to fund the Company's current commitments.

As at December 31, 2019, the Company has no source of positive operating cash flows and has not yet achieved profitable operations. The Company has incurred negative cash flows from operations of $12.9 million and a loss of $21.8 million for the year-ended December 31, 2019 and expects to incur further losses in carrying out its planned business objectives until positive cash flows are achieved through production of gold at the RL Mine.

The Company believes it has sufficient cash and access to cash through continued draw-down of the Facility to bring the RL Mine back into production.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash and short-term investments include deposits which are at variable interest rates. The Company does not believe it is exposed to material interest rate risk on its cash and short-term investments.

The Company is exposed to interest rate risk due to the floating rate interest on the Sprott Credit Facility. For the year-ended December 31, 2019, an increase of 25 basis points in market interest rates would result in approximately $25,000 in additional interest payable on the Facility.

Foreign Currency Risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instrument will fluctuate because of changes in foreign exchange rates. The Company also holds cash and cash equivalents that are denominated in US dollar currencies which are subject to currency risk. Accounts payable and other current and non-current liabilities may be denominated in US dollars. The Company is further exposed to currency risk through non-monetary assets and liabilities and tax bases of assets, and liabilities. Changes in exchange rates give rise to temporary differences resulting in a deferred tax liability or asset with the resulting deferred tax charged or credited to income tax expense.

During the year-ended December 31, 2019, the Company recognized a net foreign exchange gain of $0.04 million (nine months ended December 31, 2018 – loss of nil).

The following table shows the impact of a plus or minus 10% change in the USD/CAD exchange rate on financial assets and liabilities denominated in US dollars for the year- ended December 31, 2019:

Cash	$	(4,331,859)
Credit Facility	$	1,348,291
Production Payment Agreement	$	535,073
Callable Gold Stream	$	3,728,518

Fair Value Estimation

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.
At December 31, 2019, the carrying amounts of cash, short-term investments, amounts receivable, interest receivable, deposits, reclamation deposits, accounts payable, and accrued liabilities are considered to be a reasonable approximation of their fair values, due to their short-term nature.

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

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

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

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

At December 31, 2019, the carrying amounts of cash, short-term investments, amounts receivable, interest receivable, deposits, reclamation deposits, accounts payable, and accrued liabilities are considered to be a reasonable approximation of their fair values, due to their short-term nature.

At December 31, 2019 the fair values of the Credit Facility, PPA and Gold Stream are determined using Level 3 inputs. All other financial instruments are categorized as Level 1.

The fair value of 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 PPA was determined using a discounted cash flow model. Key inputs to the model include the Company's credit spread.

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

- Accretion due to passage of time
- 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

Management of Capital

Pure Gold considers the items included in the statement of shareholders' equity as capital. Management of the Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders. The Company does have minimum working capital requirements required under the Facility.

Pure Gold's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

Outstanding Share Data

Pure Gold's authorized capital is unlimited common shares without par value. As at March 26, 2020 the following common shares and stock options were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares	359,233,359	N/A	N/A
Stock Options	33,333 2,450,000 400,000 300,000 75,000 4,635,000 200,000 100,000 5,160,000 200,000 200,000 250,000 4,735,000 350,000	$0.11 $0.11 $0.63 $0.72 $0.72 $0.44 $0.54 $0.54 $0.49 $0.65 $0.54 $0.64 $0.74 $0.77	December 3, 2020 December 11, 2020 May 26, 2021 October 11, 2021 November 14, 2021 December 21, 2021 June 16, 2022 July 24, 2022 December 15, 2022 June 11, 2023 May 6, 2024 November 18, 2024 December 13, 2024 February 19, 2025
Warrants	14,465,000 43,207,000	$0.85 $0.85	May 24, 2020 July 18, 2022
Fully Diluted	435,993,692		

Industry and Economic Factors That May Affect Our Business

Economic and industry risk factors that may affect our business, in particular those that could affect our liquidity and capital resources, are as described under the heading "Risk Factors" in our AIF dated March 26, 2020, available on the Company's SEDAR profile at www.sedar.com. In particular, there are currently significant uncertainties in global economy, increased volatility and general changes in the prices of gold and other precious which may impact our business going forward including those uncertainties created by the COVID-19 pandemic.

On March 11, 2020, the World Health Organization (WHO) assessed COVID-19 as a pandemic. This assessment by the WHO was not unexpected given the virus had been circulating in various parts of the world. The effect of the COVID-19 virus and the actions recommended to combat the virus are changing rapidly.

The Corporation is trying to assess the impact that COVID-19 might have on its operations, particularly the construction of the RL Mine. Overall, the key risks related to the RL Mine currently relate to (a) engineering progress (b) the procurement of goods and potential supply chain issues and (c) impact to both site-based personnel and head office personnel.

We expect that engineering offices (likely inclusive of vendor facilities) will close over the coming weeks in North America; however, personnel are still working remotely; this may slightly impact the pace of engineering activities for the RL Mine.

Progression of engineering and procurement activities are critical to maintaining the development schedule. Very few procurement activities can be delayed without impacting first gold production. Site activities may be affected by travel restrictions and restrictions on personnel working in close proximity.

On March 23, 2020, due to the evolving COVID-19 situation, the Ontario government ordered at-risk workplaces to close-down, while encouraging businesses to explore opportunities to continue operations through work-from-home and innovative business models. At the same time, the government reminded businesses to put in place protocols for physical distancing and regular hand-washing in order to protect the health and safety of employees and the general public, all of which the Company has done and will continue to do as the situation evolves.

Essential businesses were exempt from this order and mining and exploration was specifically defined as an essential business. While exempt from this initial order, there can be no guarantee that the COVID-19 situation in Ontario won't become worse and the exemption lifted, forcing the Company to close its RL Mine Project site.

It is very difficult to estimate an overall project delay as a result of COVID-19; however, management currently estimates a four to six-week loss on the project schedule from one of (or a combination of) the following impacts:

- Delays in vendor manufacturing and delivery
- Delays in the shipment of goods
- Problems with contractors ramping up or maintaining personnel levels on site
- Voluntary or involuntary site closures

A delay in the RL Mine Project schedule will result in increased costs prior to gold production. Management estimates that a six-week delay in the start-up of the mill could result in increased EPCM managed costs of approximately $4.0 million.

In addition, the actual and threatened spread of COVID-19 globally could continue to negatively impact stock markets, including the trading price of the Corporation's Common Shares, and could adversely impact the Corporation's ability to raise additional capital, if needed. Any of these developments, and others, could have a material adverse effect on the Corporation's business and results of operations.

Legal Matters

Pure Gold is not currently and has not at any time during our most recently completed financial year, been party to, nor has any of its property interests been the subject of, any material legal proceedings or regulatory actions.

Management's Responsibility for the Financial Statements

The preparation and presentation of the accompanying financial statements, MD&A and all financial information in the financial statements are the responsibility of management and have been approved by the Board of Directors following the report and recommendation of the Audit Committee. The financial statements have been prepared in accordance with IFRS. Financial statements by nature are not precise since they include amounts based upon estimates and judgments. When alternative treatments exist, management has chosen those it deems to be the most appropriate in the circumstances.

Subsequent Events Not Otherwise Described Herein

Other than disclosed above, the following items of financial significance occurred after December 31, 2019:

i) On February 19, 2020, the Company granted 350,000 stock options at an exercise price of $0.77 to a director of the Company.

ii) Subsequent to year-end, directors and officers of the Company exercised stock options to acquire 750,000 Common Shares of the Company at exercises prices ranging from $0.11 to $0.28 per share.

iii) Since March 2020 several measures have been implemented in Canada and the rest of the world in response to the increased impact from COVID-19. We continue to operate our business and move our property development forward at this time. While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations, including the duration and impact on our future production, cannot be reasonably estimated at this time and we anticipate this could have an adverse impact on our business, results of operations, financial position and cash flows in 2020.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the design of Pure Gold's internal controls over financial reporting ("**ICFR**") as required by National Instrument 52-109–Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**"). ICFR is intended to provide reasonable assurance regarding the preparation and presentation of material financial information for external purposes in accordance with applicable generally accepted accounting principles. Internal control systems, no matter how well designed, have inherent limitations. Pure Gold's officers certify the design of Pure Gold's ICFR using the Internal Control – Integrated Framework (2013) issued by The Committee for Sponsoring Organizations of the Treadway Commission. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management has determined that the Company's internal controls over financial reporting have been effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes to the internal controls over financial reporting that occurred during the year ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

However, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Disclosure Controls and Procedures

Disclosure controls and processes have been designed to ensure that information required to be disclosed by Pure Gold is compiled and reported to management as appropriate to allow timely decisions regarding required disclosure. Pure Gold's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of December 31, 2019, that the disclosure controls and procedures are effective in providing reasonable assurance that material information related to Pure Gold is made known to them by employees and third-party consultants working for Pure Gold and its subsidiaries. There have been no significant changes in our disclosure controls and procedures during the year ended December 31, 2019.

While Pure Gold's Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and processes will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and processes will prevent all errors and frauds. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Scientific and Technical Disclosure

Except for the RL Mine project, the Company's other projects and those in which we have an interest are early stage and do not contain any mineral resource estimates as defined by NI 43-101.

Unless otherwise indicated, Pure Gold has prepared the technical information in this MD&A ("**Technical Information**") based on information contained in the following technical report:

"**Madsen Gold Project Technical Report Feasibility Study For The Madsen Deposit, Red Lake, Ontario, Canada** ", effective February 5, 2019, and dated March 21, 2019, and revised July 5, 2019, filed under the Company's profile on SEDAR at www.sedar.com and available on the Company's website at www.puregoldmining.ca.

Technical Information was also based on information contained in news releases (collectively the "Disclosure Documents") available under Pure Gold's company profile on SEDAR at www.sedar.com. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

Our Disclosure Documents were in part prepared by or under the supervision of an independent Qualified Person ("QP"). Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability.

The disclosure in this MD&A has been made in accordance with Canadian National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"). The NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. These standards differ significantly from the disclosure requirements of the SEC. Additional disclosure and cautionary notes relating to the RL Mine are summarized in our AIF, available on Pure Gold's SEDAR profile at www.sedar.com.

The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" in documents filed with the SEC, unless such information is required to be disclosed by the law of the Company's jurisdiction of incorporation or of a jurisdiction in which its securities are traded. Consequently, mineral resource and mineral reserve information contained in this MD&A is not comparable to similar information that would generally be disclosed by U.S. companies in accordance with the rules of the SEC.

The SEC's Industry Guide 7 applies different standards in order to classify mineralization as a reserve. As a result, the definitions of proven and probable reserves used in NI 43-101 differ from the definitions in Industry Guide 7. Under SEC standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Accordingly, mineral reserve estimates contained in this MD&A may not qualify as "reserves" under SEC standards.

This MD&A uses the terms "measured mineral resources", "indicated mineral resources" and "inferred mineral resources" to comply with the reporting standards in Canada. The SEC's Industry Guide 7 does not recognize these terms and U.S. companies are generally not permitted to use these terms in documents they file with the SEC. Investors are cautioned not to assume that any part or all the mineral deposits in these categories will ever be converted into SEC defined mineral "reserves." Further, "inferred mineral resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically.

Therefore, investors are also cautioned not to assume that all or any part of an inferred mineral resource exists. In accordance with reporting standards in Canada, estimates of "inferred mineral resources" cannot form the basis of feasibility or other economic studies, except in rare cases. In addition, disclosure of "contained ounces" or "contained pounds" in a mineral resource estimate is permitted disclosure under NI 43-101 provided that the grade or quality and the quantity of each category is stated; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and resources contained in this Management's Discussion and Analysis may not be comparable to information made public by US domestic companies subject to the reporting and disclosure requirements of the SEC.

Phil Smerchanski, P.Geo, Pure Gold's VP of Exploration, is the Company's QP for the purposes of NI 43-101, and has reviewed and validated that the scientific or technical information contained in this MD&A

related to the RL Mine Technical Report, is consistent with that provided by the QPs responsible for preparing the RL Mine Technical Report, and has verified the technical data disclosed in this document relating to those projects in which the Company holds an interest. Mr. Smerchanski has consented to the inclusion of the Technical Information in the form and context in which it appears in this MD&A.

Cautionary Notes Regarding Forward-Looking Statements

This MD&A, contains "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws, which include, but are not limited to, statements or information concerning, future effect of the COVID-19 pandemic, future financial or operating performance of Pure Gold and its business, operations and properties and statements with respect to those that address potential quantity and/or grade of minerals, potential size and expansion of a mineralized zone, proposed timing of exploration and development plans, the growth potential of the Mine project and opportunities for scalability, the potential to increase after-tax net present value to the Mine project, the potential for Russet South, Fork and Wedge to be economically viable, planned mining methods, mineral processing and sources of power, expected annual production, potential profitability of the RL Mine project at lower metal prices, expected capital costs, expected IRR, anticipated permitting requirements and timing thereof, expected development schedule, potential conversion of inferred resources to measured and indicated resources, potential extension and expansion of mineral resources and the focus of the Company in the coming months, as well as specific historic data associated with and drill results from those properties, and the reliance on technical information provided by other third parties; the timing and amount of estimated capital, operating and exploration expenditures, costs and timing of the development of new deposits and of future exploration, acquisition and development activities, estimated exploration budgets and timing of expenditures and community relations activities, requirements for additional capital; completion of expenditure obligations under an option agreement and earn-in agreements to which the Company is a party; government regulation of mining operations, environmental risks and reclamation expenses, title disputes, the ability to maintain exploration licences for its properties in accordance with the requirements of applicable mining laws in Canada; government regulation of exploration and mining operations; environmental risks, including satisfaction of requirements relating to the submissions and successful defence of EIA reports and other claims or existing, pending or threatened litigation or other proceedings, limitations of insurance coverage, future issuances of Common Shares to satisfy earn-in obligations or the acquisition of exploration properties and the timing and possible outcome of regulatory and permitting matters and any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements, and involve known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of Pure Gold to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking statements and information. Except for statements of historical fact, information contained herein or incorporated by reference herein constitutes forward-looking statements and forward-looking information. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "will", "projects", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events, results or conditions "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Statements relating to mineral reserves and resources are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral reserves and resources described exist in the quantities predicted or estimated and may be profitably produced in the future. Estimated values of future net revenue do not represent fair market value. There is no certainty that it will be commercially viable to produce any portion of the resources.

Forward-looking statements and forward-looking information are not guarantees of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including among other things, assumptions about future prices of gold, copper, silver, molybdenum and other metal prices, changes in the worldwide price of other commodities such as coal, fuel and electricity fluctuations in resource prices, currency exchange rates and interest rates, favourable operating conditions, political stability, obtaining governmental approvals and financing on time, obtaining renewals for existing licences and permits and obtaining required licences and permits, labour stability, stability in market conditions, availability of equipment, accuracy of any mineral resources and mineral reserves, successful resolution of the challenges to the EIAs described in this MD&A, if any, anticipated costs and expenditures and our ability to achieve our goals. While we consider these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking statements and forward-looking information. Many assumptions are based on factors and events that are not within the control of Pure Gold and there is no assurance they will prove to be correct.

Furthermore, such forward-looking statements and forward-looking information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or forward-looking information. Such factors include, among others: general business, economic, competitive, political, regulatory and social uncertainties; disruptions or changes in the credit or securities markets and market fluctuations in prices for Pure Gold's securities; judgement of management when exercising discretion in their use of proceeds from a financing; potential dilution of Common Share voting power or earnings per share as a result of the exercise of Options, future financings or future acquisitions financed by the issuance of equity; discrepancies between actual and estimated mineral reserves and resources; the Company is an exploration and development stage company with no history of pre-tax profit and no income from its operations and there can be no assurance that the Company's operations will be profitable in the future; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; possible variations of mineral grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry, including but not limited to environmental risks and hazards, cave-ins, pitwall failures, flooding, rock bursts and other acts of God or natural disasters or unfavourable operating conditions and losses; political instability, hostilities, insurrection or acts of war or terrorism; the speculative nature of mineral exploration and development, including the risk of diminishing quantities or grades of mineralization; Pure Gold's ability to renew existing licences and permits or obtain required licences and permits; changes in government legislation and regulation; fluctuations in commodity prices; requirements for future funding to satisfy contractual obligations and additional capital needs generally; changes or disruptions in market conditions; market price volatility; the Company currently has a shareholder with greater than 10% holdings; uncertainties associated with minority interests and joint venture operations; risks associated with the Company's indemnified liabilities; increased infrastructure and/or operating costs; reclamation costs; the Company has limited operating history and no history of earnings; reliance on a finite number of properties; limits of insurance coverage and uninsurable risk; contests over title to properties; environmental risks and hazards; limitations on the use of community water sources; the need to obtain and maintain licences and permits and comply with laws and regulations or other regulatory requirements; competitive conditions in mineral exploration and mining business; the ability of the Company to retain its key management employees and shortages of skilled personnel and contractors; potential acquisitions and their integration with the Company's current business; influence of third party stakeholders; risks of litigation; the Company's system of internal controls; conflicts of interest; credit and/or liquidity risks; changes to the Company's dividend policy; the risks involved in the exploration, development and mining business generally; and the factors discussed in the section entitled "Risk Factors" in our AIF available on Pure Gold's SEDAR profile at www.sedar.com. Although we have attempted to identify important factors that could cause actual performance, achievements, actions, events, results or conditions to differ materially from those described in forward looking statements or forward-looking information, there may be other factors that cause performance, achievements, actions, events, results or conditions to differ from those anticipated, estimated or intended.

Forward-looking statements and forward-looking information contained herein are made as of the date of this MD&A and we disclaim any obligation to update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by applicable law. There can be no assurance that forward-looking statements or forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information. All forward-looking statements and forward-looking information attributable to us is expressly qualified by these cautionary statements.

Pure Gold disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Readers should not place undue reliance on forward-looking information.

Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. It is reasonably expected that the majority of inferred mineral resources could be upgraded to indicated mineral resources with continued exploration; however, there is no certainty that these inferred mineral resources will be converted into mineral reserves, once economic considerations are applied. The mineral resource estimates referenced in this MD&A use the terms "Indicated Mineral Resources" and "Inferred Mineral Resources". While these terms are defined in and required by Canadian regulations (under NI 43-101), these terms are not recognized by the U.S. Securities and Exchange Commission ("SEC"). "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. The SEC normally only permits issuers to report mineralization that does not constitute SEC Industry Guide 7 compliant “reserves” as in-place tonnage and grade without reference to unit measures. U.S. investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. Pure Gold is not an SEC registered company.

Approval

The Board of Directors of Pure Gold has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Additional Information

Additional information relating to Pure Gold can be obtained on the SEDAR website at www.sedar.com or by contacting:

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PURE GOLD MINING INC.

/s/ “Darin Labrenz”
Darin Labrenz
President and Chief Executive Officer

PURE GOLD MINING INC.

/s/ “Sean Tetzlaff”
Sean Tetzlaff
Chief Financial Officer