



Pure Gold Mining Inc.

Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2020 and 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

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

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated financial statements of Pure Gold Mining Inc. (the "Company") for the three months ended March 31, 2020 and 2019, have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of the condensed interim financial position as at March 31, 2019, and the comparative condensed interim consolidated statements of loss and comprehensive loss, changes in equity and cash flow for the three-month period then ended and the related notes in accordance with standards established by the Chartered Professional Accountants of Canada ("CPA Canada") for a review of interim financial statements by an entity's auditor.

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Notes	As at March 31, 2020	As at December 31, 2019
ASSETS			
Current Assets			
Cash		\$ 62,147,524	\$ 70,277,719
Short-term investments		57,500	23,000
Amounts receivable	4	953,488	987,226
Prepaid expenses	5	512,687	379,479
		63,671,199	71,667,424
Non-current Assets			
Mineral properties, plant and equipment	7	66,328,061	48,814,564
Reclamation deposits	8	1,322,799	1,322,799
Deferred finance charges	9	8,471,753	8,471,753
Deposits	14	305,280	305,280
Total Assets		\$ 140,099,092	\$ 130,581,820
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		\$ 11,167,303	\$ 6,433,948
Loans and borrowings	9	1,071,696	780,648
Lease liabilities	12	135,851	130,845
Flow-through premium liability	13b	-	849,637
		12,374,850	8,195,078
Non-current Liabilities			
Gold stream derivative liability	10	28,787,026	37,613,935
Loans and borrowings	9	21,132,234	18,232,909
Provision for closure and reclamation	11	18,644,249	16,508,920
Lease liabilities	12	404,272	440,442
Total Liabilities		81,342,631	80,991,284
Equity			
Share capital	13a	157,076,639	156,770,937
Equity reserves	13c, 13d	15,980,542	15,777,081
Accumulated deficit		(114,300,720)	(122,957,482)
Total Equity		58,756,461	49,590,536
Total Liabilities and Equity		\$ 140,099,092	\$ 130,581,820

Commitments & Contingencies (Note 16)

Subsequent Events (Note 18)

Approved by the Audit Committee of the Board of Directors on May 13, 2020:

“Lenard Boggio”, Audit Committee Chair

“Graeme Currie”, Director

- See Accompanying Notes to the Condensed Interim Consolidated Financial Statements -

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Notes	For the Three months ended March 31, 2020	For the Three months ended March 31, 2019
Expenses			
Wages, consulting and director fees		\$ 462,298	\$ 391,403
Professional fees		354,595	226,351
Investor relations and communication		282,074	127,128
Share-based compensation	13d	239,208	129,765
Office and rent		155,253	127,165
Exploration and evaluation expenditures	6	91,695	1,646,481
Listing and filing fees		83,098	146,570
Depreciation		38,510	39,281
Administrative travel		24,943	-
Total Expenses		(1,731,674)	(2,834,144)
Other Income and Expenses			
Change in fair value of derivative liabilities	9,10	10,464,250	-
Foreign exchange loss		(1,157,106)	-
Finance income		312,594	25,350
Accretion expense		(69,720)	(11,864)
Finance expense	12	(11,219)	(14,175)
Total Other Income (Expense)		9,538,799	(689)
Income (loss) before income taxes		7,807,125	(2,834,833)
Income tax recovery	13b	849,637	-
Net Income (Loss) and Comprehensive Income (Loss) for the Period		8,656,762	(2,834,833)
Weighted Average Number of Common Shares Outstanding		358,740,136	256,762,916
Basic and Diluted Income (Loss) per Common Share		\$ 0.02	\$ (0.01)

- See Accompanying Notes to the Condensed Interim Consolidated Financial Statements -

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Notes	Number of Common Shares	Share Capital	Equity Reserves	Accumulated Deficit	Total
Balance – December 31, 2018		256,341,050	\$ 107,996,948	\$ 10,552,337	\$ (101,135,647)	\$ 17,413,638
Common share issuance - financing	13b	86,414,000	47,527,700	-	-	47,527,700
Share issue costs – cash		-	(2,864,160)	-	-	(2,864,160)
Fair value of warrants issued with common shares	13c	-	(4,881,288)	4,881,288	-	-
Share issue costs allocated to warrants		-	293,437	(293,437)	-	-
Flow-through common share issuance	13b	7,723,975	5,175,063	-	-	5,175,063
Flow-through premium liability		-	(849,637)	-	-	(849,637)
Share issue costs – cash		-	(526,312)	-	-	(526,312)
Common shares issuance – other	7,9	4,841,000	3,011,420	-	-	3,011,420
Exercised stock options		3,146,667	1,086,700	-	-	1,086,700
Fair value of exercised stock options	13d	-	801,066	(801,066)	-	-
Share-based compensation	13d	-	-	1,437,959	-	1,437,959
Net loss for the period		-	-	-	(21,821,835)	(21,821,835)
Balance – December 31, 2019		358,466,692	\$ 156,770,937	\$ 15,777,081	\$ (122,957,482)	\$ 49,590,536
Exercised stock options		766,667	192,334	-	-	192,334
Fair value of exercised stock options	13d	-	113,368	(113,368)	-	-
Share-based compensation	13d	-	-	316,829	-	316,829
Net income for the period		-	-	-	8,656,762	8,656,762
Balance – March 31, 2020		359,233,359	\$ 157,076,639	\$ 15,980,542	\$ (114,300,720)	\$ 58,756,461

- See Accompanying Notes to the Condensed Interim Consolidated Financial Statements -

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Notes	For the Three months ended March 31, 2020	For the Three months ended March 31, 2019
Operating Activities			
Net income (loss) for the period		\$ 8,656,762	\$ (2,834,833)
Items not affecting cash:			
Change in fair value of derivative liabilities		(10,464,250)	-
Unrealized foreign exchange loss		1,157,106	-
Deferred income tax recovery		(849,637)	-
Finance income		(312,594)	(25,350)
Share-based compensation	13d	239,208	129,765
Accretion expense	11	69,720	11,864
Depreciation	7	60,273	75,308
Finance expense		11,219	14,175
Changes in non-cash working capital:			
Accounts payable and accrued liabilities		248,305	20,950
Prepaid expenses		(87,766)	(46,638)
Amounts receivable		33,739	208,341
Net cash used in operating activities		(1,237,915)	(2,446,418)
Investing Activities			
Mineral properties, plant and equipment	7	(10,431,634)	(5,422)
Interest received		312,594	25,350
Short-term investment		(34,500)	-
Net cash (used in) provided by investing activities		(10,153,540)	19,928
Financing Activities			
Proceeds from exercised stock options	13d	192,334	726,800
Payment of lease liabilities	12	(42,384)	(45,384)
Proceeds from equity financings	13b	-	5,175,063
Share issue costs		-	(520,051)
Net cash provided by financing activities		149,950	5,336,428
Effect of foreign exchange on cash		3,111,310	-
Net (Decrease) Increase in Cash		(11,241,505)	2,909,938
Cash - Beginning of the Period		70,277,719	4,254,624
Cash - End of the Period		\$ 62,147,524	\$ 7,164,562

- See Accompanying Notes to the Condensed Interim Consolidated Financial Statements -

Pure Gold Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

1. GENERAL INFORMATION

Pure Gold Mining Inc. (“Pure Gold” or the “Company”), is a publicly listed company incorporated and domiciled in Canada. The Company is listed on the TSX Venture Exchange (“TSX-V”) under the symbol “PGM.” and the London Stock Exchange under the symbol “PUR”. The Company’s head office and principal address is located at Suite 1900 – 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9. The Company’s records and registered office address is c/o McMillan LLP, 1500 Royal Centre PO Box 1117, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

Pure Gold is in the business of the acquisition, exploration and development of gold and other precious and base metal properties in Canada. Currently, the Company’s principal mineral property is the Pure Gold Red Lake Gold Project (“RL Mine Project”) located near Red Lake, Ontario. In March 2019, Pure Gold filed a technical report for a feasibility-study on the RL Mine Project, and on August 7, 2019 the Company announced the Board of Directors approval of a decision to construct at the RL Mine Project.

On August 22, 2019 the Company completed the voluntary dissolution of its wholly owned subsidiary Laurentian Copper Corp., a private company incorporated under the Business Corporations Act of British Columbia in Canada, and therefore no longer prepares consolidated financial statements. These financial statements include the consolidated results of the Company and its wholly owned subsidiary up until August 22, 2019.

The continued operations of the Company and the recoverability of the amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of the properties.

2. BASIS OF PREPARATION

Statement of Compliance

The Company prepares their annual consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS 34”).

These condensed interim consolidated financial statements do not include all of the information required for full IFRS financial statements and therefore should be read in conjunction with the Company’s most recent annual consolidated financial statements as at and for the year ended December 31, 2019.

The accounting policies and methods of application applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company’s audited financial statements for the year ended December 31, 2019.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Pure Gold Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

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3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

The critical estimates and judgements that the Company's management has made in the process of applying the Company's accounting policies, are disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2019.

COVID-19 Estimation Uncertainty

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The current and expected impacts on global commerce are anticipated to be far reaching. To date there have been significant stock market declines, significant volatility in commodity and foreign exchange markets and the global movement of people and some goods has become restricted. While the Company continues to operate its business and the development of the RL Mine, there is significant ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on future production, future cash flows in 2020 and on global financial markets. In addition, the significant volatility in commodity and foreign exchange markets may have a material impact on the fair value of the Company's embedded derivatives in the Credit Facility and the Gold Stream.

4. AMOUNTS RECEIVABLE

Amounts receivable are comprised of the following:

	March 31, 2020	December 31, 2019
Refundable goods and services tax/ harmonized sales tax	\$ 948,705	\$ 981,591
Other receivables	4,783	5,635
Total	\$ 953,488	\$ 987,226

5. PREPAID EXPENSES

Prepaid expenses comprised of the following:

	March 31, 2020	December 31, 2019
Insurance and benefits premiums	\$ 221,348	\$ 50,608
Software licenses	97,475	44,795
Investor relations and communication	77,746	56,357
Surety bond premium	36,377	48,502
Corporate listing and regulatory	44,614	-
Other prepaid expenses	35,127	54,825
Capital equipment purchase advances	-	124,392
Total	\$ 512,687	\$ 379,479

Pure Gold Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

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6. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

Details of the Company's exploration and evaluation expenditures, which have been cumulatively expensed in the statement of income (loss) and comprehensive income (loss), are as follows:

For the three months ended March 31, 2020	Pure Gold Red Lake Gold Project ⁽¹⁾	Other Properties ⁽²⁾	Total
Salaries, wages and benefits	\$ 30,722	\$ -	\$ 30,722
Depreciation	21,764	-	21,764
Administration and other	39,209	-	39,209
Expenditures for the period	91,695	-	91,695
Cumulative balance – December 31, 2019	86,069,182	8,258,097	94,327,279
Cumulative balance – March 31, 2020	\$ 86,160,877	\$ 8,258,097	\$ 94,418,974

For the three months ended March 31, 2019	Pure Gold Red Lake Gold Project ⁽¹⁾	Other Properties ⁽²⁾	Total
Salaries, wages and benefits	372,608	-	372,608
Feasibility Study	348,399	-	348,399
Contractors / consultants	234,524	-	234,524
Engineering	207,850	-	207,850
Preliminary Economic Assessment	188,866	-	188,866
Utilities	122,559	-	122,559
Equipment rental	15,719	-	15,719
Camp & field costs	40,385	-	40,385
Travel and accommodation	29,309	-	29,309
Property fees	23,678	-	23,678
Community & safety	18,956	-	18,956
Depreciation	36,027	-	36,027
Administration and other	7,601	-	7,601
Expenditures for the period	1,646,481	-	1,646,481
Cumulative balance – December 31, 2018	77,208,536	8,258,097	85,466,633
Cumulative balance – March 31, 2019	\$ 78,855,017	\$ 8,258,097	\$ 87,113,114

⁽¹⁾ Subsequent to August 7, 2019, exploration expenditures at the RL Mine Project relate to expenditures on satellite deposits that were not part of the original RL Mine Project feasibility study and for which the technical feasibility and commercial viability have not yet been determined.

⁽²⁾ Other properties include Van Horne and generative projects.

Van Horne Property, Ontario

The Company has an option agreement with KG Exploration Canada Inc. ("Kinross") a subsidiary of Kinross Gold Corp. whereby Kinross has the option to acquire up to a 70% interest in the Company's Van Horne property. To earn its 70% interest Kinross must spend a total of \$4,000,000 on Van Horne over a four year period, commencing March 2018, with a committed minimum of \$750,000 in year one (completed), and pay the Company \$100,000. Kinross may also satisfy the expenditures by making a cash payment to the Company.

Pure Gold Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Three Months Ended March 31, 2020									
	Mineral Properties and Mine Development	Construction in Progress	Computer Equipment & Software	Office Furniture & Other Equipment	Buildings	Land	Mine Fleet and Vehicles	Equipment & Infrastructure	Total
Cost	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
December 31, 2019	29,329,481	7,662,959	200,782	117,085	689,918	5,048,767	5,364,839	1,496,012	49,909,843
Capitalized borrowing costs	559,298	-	-	-	-	-	-	-	559,298
Reclamation provision	2,065,609	-	-	-	-	-	-	-	2,065,609
Additions	6,113,920	8,832,732	8,521	-	-	-	225,977	208,399	15,389,549
Transfers	-	(190,000)	-	-	190,000	-	-	-	-
March 31, 2020	38,068,308	16,305,691	209,303	117,085	879,918	5,048,767	5,590,816	1,704,411	67,924,299
Accumulated Depreciation									
December 31, 2019	-	-	(141,242)	(30,457)	(145,246)	-	(262,562)	(515,772)	(1,095,279)
Depreciation	-	-	(8,092)	(2,729)	(38,681)	-	(416,154)	(35,303)	(500,959)
March 31, 2020	-	-	(149,334)	(33,186)	(183,927)	-	(678,716)	(551,075)	(1,596,238)
Carrying Amounts									
December 31, 2019	29,329,481	7,662,959	59,540	86,628	544,672	5,048,767	5,102,277	980,240	48,814,564
March 31, 2020	38,068,308	16,305,691	59,969	83,899	695,991	5,048,767	4,912,100	1,153,336	66,328,061
Year Ended December 31, 2019									
	Mineral Properties and Mine Development Costs	Construction in Progress	Computer Equipment & Software	Office Furniture & Other Equipment	Buildings	Land	Mine Fleet and Vehicles	Equipment & Infrastructure	Total
Cost	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
December 31, 2018	-	616,650	132,680	67,133	-	5,048,767	33,396	1,174,422	7,073,048
Right-of-use asset	-	-	-	-	689,918	-	-	-	689,918
Capitalized borrowing costs	1,144,587	-	-	-	-	-	-	-	1,144,587
Reclamation provision	14,148,952	-	-	-	-	-	-	-	14,148,952
Additions	6,049,097	7,046,309	68,102	49,952	-	-	5,331,443	321,590	18,866,493
Transfer to mineral properties	7,986,845	-	-	-	-	-	-	-	7,986,845
December 31, 2019	29,329,481	7,662,959	200,782	117,085	689,918	5,048,767	5,364,839	1,496,012	49,909,843
Accumulated Depreciation									
December 31, 2018	-	-	(123,886)	(34,999)	-	-	(19,082)	(374,179)	(552,146)
Reclassification	-	-	-	10,205	-	-	-	(10,205)	-
Depreciation	-	-	(17,356)	(5,663)	(145,246)	-	(243,480)	(131,388)	(543,133)
Disposals	-	-	-	-	-	-	-	-	-
December 31, 2019	-	-	(141,242)	(30,457)	(145,246)	-	(262,562)	(515,772)	(1,095,279)
Carrying Amounts									
December 31, 2018	-	616,650	8,794	32,134	-	5,048,767	14,314	800,243	6,520,902
December 31, 2019	29,329,481	7,662,959	59,540	86,628	544,672	5,048,767	5,102,277	980,240	48,814,564

No depreciation or depletion has been recorded for the mill as these assets are not ready for use as intended by management. Land has not been depreciated as it has an unlimited useful life. Depreciation on assets used in the development of the RL Mine Project of \$440,685 has been capitalized and included in the carrying value of mineral properties.

Mineral properties

Mineral properties consist solely of the RL Mine Project of which 100% interest was acquired in March 2014. The RL Mine Project is located in the Red Lake gold camp of Northwestern Ontario. In June 2014, the Company acquired a 100% interest in the Newman-Madsen Property. The Newman-Madsen Property is considered part of the RL Mine Project.

Certain of the Newman-Madsen claims acquired are subject to royalty arrangements based on Net Smelter Returns (“NSRs”) ranging from 0.5% to 3%. Of the known resources on the RL Mine Project, only the Russet South resources are subject to a 2% NSR which is capped at \$2,000,000.

Pure Gold Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT (continued)

In March 2017, the Company acquired a 100% interest in the Derlak Gold Property. The Derlak Gold Property is considered part of the RL Mine Project. The 11 claims acquired are subject to a royalty arrangement based on a Net Smelter Return (“NSR”) of 3%.

On July 29, 2019 the Company announced the signing and implementation of a project agreement (the “Agreement”) with Wabauskang First Nation and Lac Seul First Nation (together the “First Nations”) with respect to the RL Mine Project. The Agreement provides for communication, cooperation, and collaboration between the First Nations and the Company, and establishes a framework for support for current and future operations of the RL Mine Project and defines the long-term benefits for the First Nations. Under the terms of the Agreement, the Company issued 500,000 common shares to each First Nation on August 19, 2019. At the time of issuance, the 1,000,000 common shares had a fair value of \$630,000.

8. RECLAMATION DEPOSITS

The Company has a surety bond arrangement with a United States-based surety group (the “Surety”), with respect to closure plans for RL Mine Project. As a condition for the surety bonds, the Company is required to hold a deposit of \$1,322,799, as collateral with a US bank. The deposit currently yields interest at a rate of 0.09% per annum and has no maturity date.

The collateral required by the Surety has resulted in a reclamation deposit balance at March 31, 2020 of \$1,322,799 (December 31, 2019 - \$1,322,799). All deposits are classified as long-term, regardless of their term, as the funds will remain on deposit until the surety bonds are extinguished.

9. LOANS AND BORROWINGS

	Credity Facility	Production Payment	Total
	(a)	(b)	
Loans and borrowings at January 1, 2019	-	-	-
Fair Value on initial recognition	16,181,705	3,945,199	20,126,904
Deferred charges	(1,540,319)	-	(1,540,319)
Interest and accretion	780,648	235,065	1,015,713
Gain on change in FV of derivative	(206,931)	-	(206,931)
Foreign exchange gain	(298,775)	(83,035)	(381,811)
Loans and borrowings at December 31, 2019	14,916,328	4,097,229	19,013,557
Interest and accretion	291,048	124,880	415,928
Loss on change in FV of derivative	795,565	-	795,565
Amortization of deferred charges	143,370	-	143,370
Foreign exchange loss	1,450,440	385,070	1,835,510
Loans and borrowings at March 31, 2020	17,596,751	4,607,179	22,203,930
Current	(1,071,696)	-	(1,071,696)
Loans and borrowing non-current	16,525,055	4,607,179	21,132,234

On August 6, 2019 the Company closed a project financing package with Sprott Resource Lending Corp. (“Sprott”) for the construction of the RL Mine Project. The financing package consists of a) a US\$65,000,000 senior secured non-revolving Credit Facility, b) the PPA and c) the Gold Stream. The three elements of the financing were negotiated concurrently and accordingly were considered together in determining their initial fair values.

Pure Gold Mining Inc.

Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

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9. LOANS AND BORROWINGS (continued)

Security provided for the financing package includes: a) general security in favour of Sprott, and b) a debenture of the Company charging all of its interest in the RL Mine Project in favour of Sprott.

The availability of the Credit Facility is subject to certain conditions and covenants, including the maintenance of minimum cash and working capital balances. At March 31, 2020 the Company is in compliance with the covenants.

a. Credit Facility

Pursuant to the terms of the Credit Facility, the Company may borrow up to US\$65,000,000. Interest will accrue on the outstanding principal amount of the Credit Facility at a floating rate equal to a base rate of:

- I. 6.75% per annum (during the period commencing on August 6, 2019 and ending no later than December 31, 2021 (“Completion Date”)), and
- II. 5.50% per annum (at all time on and after December 31, 2021)

Plus the greater of (i) LIBOR and (ii) 2.50% per annum. All interest payable from August 6, 2019 until March 31, 2021 (the “Availability Period”) is capitalized and added to the principal loan amount. At all times following the last day of the Availability Period, all interest is payable in cash. Principal and accrued interest are payable quarterly from September 30, 2022 to March 30, 2026 and quarterly repayments range from 2.5% to 5% of the total amount advanced. The Credit Facility matures on August 6, 2026.

The Credit Facility is accounted for as a financial liability subsequently measured at amortized cost under IFRS 9.

Upon closing of the Credit Facility, the Company had incurred \$2,282,592 of debt advisory, legal and due diligence fees in conjunction with arranging the financing package, of which transaction costs totalling \$1,735,773 were attributed to the Credit Facility and PPA and included in deferred charges. These amounts were included in the respective effective interest rate calculations for these liabilities measured at amortized cost. Transaction costs totalling \$546,819 were attributed to the Gold Stream and expensed as incurred.

The floating interest rate floor of 2.5% over the base rate was determined to be an embedded derivative that is not closely related to the Credit Facility, and is bifurcated and accounted for separately. At each reporting period, the derivative is fair valued with changes in fair value recorded as a gain or loss in the statement of profit or loss. As at March 31, 2020, the fair value of the derivative liability was \$1,637,644 (December 31, 2019 - \$703,676). The Company recognized a \$795,565 change in fair value loss during the three months ended March 31, 2020 (2019 – nil).

The Company made its initial drawdown on August 7, 2019, of US\$10,000,000, subject to an “original issue discount” of 41.82422% of the initial advance, for cash proceeds of \$5,817,578. Subsequent drawdowns are at the discretion of the Company and can be made in amounts up to US\$20,000,000 per draw down, subject to a 2% issue discount at the time of draw and satisfaction of customary conditions precedent. Further, on August 21, 2019, the Company issued 3,841,000 common shares to Sprott in payment of additional interest due on the initial advance. On the date of issue, these common shares had a fair value of \$2,381,420.

Pure Gold Mining Inc.

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9. LOANS AND BORROWINGS (continued)

a. Credit Facility (continued)

The first draw of the Credit Facility was initially measured at its fair value of USD\$11,511,915 (CAD\$15,256,740). The original issue discount of US\$4,182,422, along with the prepaid interest due on the initial advance, and any other future interest rate compensation arrangements, are accounted for as deferred finance costs. The deferred finance costs, along with the related transaction costs noted above, have been recorded proportionately against the amount drawn on the Credit Facility, with the unallocated portion recognized as an asset on the balance sheet, to be deferred until future draws on the facility have been made. The costs allocated to the initial draw are included in the determination of the amortized cost of the Credit Facility, and are amortized using the effective interest rate method. The unallocated balance of \$8,471,754 has been recorded as deferred finance charges in non-current assets. The effective interest rate on the first tranche is approximately 7.5% per annum. Accrued interest has been capitalized as borrowing costs within mine properties, plant and equipment.

On the last day of the Availability Period, the Company shall pay to Sprott as additional interest an amount equal to 5% of the undrawn portion of the available US\$65,000,000, if any. The Company currently expects to draw the full amount of the Credit Facility and will reassess this assumption at each reporting period.

Upon completion as defined in the credit agreement, which will occur when construction is complete and the RL Mine Project has successfully completed an agreed completion test, the Company is required to pay additional interest on the outstanding principal amount of the Credit Facility in the amount of US\$1,462,500 payable, at Sprott's option, either in cash or in common shares issued at a deemed price equal to a 10% discount of the volume weighted average trading price of the Company's common shares as they trade on the TSXV for the five trading days immediately prior to completion.

The Company may elect to prepay the outstanding principal balance in whole or in part provided that the Company makes such prepayment during the period commencing August 6, 2021. The Company shall pay to Sprott an additional amount equal to 3% of the amount of such prepayment if it is repaid anytime between August 6, 2021 and one year thereafter. Any prepayment after this date does not carry any penalty. The prepayment option has been determined to be an embedded derivative that is not closely related to the Credit Facility, and is bifurcated and accounted for separately. At each reporting period, the derivative is fair valued with changes in fair value recorded as an expense in profit or loss. As at March 31, 2020 this derivative has a fair value of nil (December 31, 2019 – nil).

b. Production-linked Liability

The Company entered into a PPA with Sprott, whereby on August 7, 2019 the Company received an advance payment of US\$3,982,422 from Sprott. To repay this advance, the Company agreed to pay Sprott monthly production payments, equal to US\$10 multiplied by the number of ounces of gold from which the Company receives payment on from August 6, 2019 until 500,000 ounces of gold has been produced (the "Participation Ounces"). The Company can terminate this agreement at any time upon payment of a termination fee equal to the outstanding Participation Ounces multiplied by US\$10.

The PPA is classified as a financial liability subsequently measured at amortized cost under IFRS 9. The Company recorded the PPA at fair value on inception, with directly attributable transaction costs being capitalized and expensed throughout the life of the PPA. Interest is capitalized as borrowing costs to mine property, plant and equipment, until the Company has reached commercial production, at which time interest will be expensed to profit and loss. The effective interest rate has been determined to be approximately 11.7% per annum.

Pure Gold Mining Inc.

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10. GOLD STREAM DERIVATIVE LIABILITY

	Gold Stream derivative liability
Balance at January 1, 2019	-
Fair Value on recognition	31,867,085
Loss on change in fair value	6,514,304
Foreign exchange gain	(767,454)
Balance at December 31, 2019	\$ 37,613,935
Gain on change in fair value	(11,259,815)
Foreign exchange loss	2,432,906
Balance at March 31, 2020	\$ 28,787,026

On August 7, 2019, the Company received a US\$25,000,000 advance (the “Deposit”) from Sprott as a prepayment for 5.0% of the Company’s gold production until 50,000 ounces of refined gold has been delivered, after which the Gold Stream reduces to 2.5% of gold production.

For each ounce of refined gold delivered to Sprott, the Company will receive a purchase price equal to 30% of the London Bullion Market Association gold price in U.S. dollars quoted by the London Bullion Market Association (the “Gold Reference Price”) at the date of calculation (the “Fixed Gold Price”). The Deposit amount is used to track the Gold Stream balance for commercial, but not accounting purposes. Until the date where the Deposit is reduced to zero, an amount equal to the number of ounces of refined gold sold multiplied by the difference between the Gold Reference Price and the Fixed Gold Price shall reduce the uncredited balance of the Deposit on the delivery date.

The Gold Stream has an initial term of 30 years from August 6, 2019. The term is automatically extended by successive 10 year periods as long as the life of mine continues for the RL Mine Project. If by the end of the life of mine, the Company has not sold to Sprott an amount of refined gold sufficient to reduce the Deposit to nil, then a refund of the uncredited balance, without interest shall be due and owing by the Company to Sprott.

Instead of accepting ounces of refined gold, at each outturn date, Sprott may instead require Pure Gold to pay in cash, an amount equal to the product arrived at by multiplying the number of ounces of refined gold to be sold by the difference between the Gold Reference Price and the Fixed Gold Price.

The Company can elect to reduce the amount of remaining refined gold to be sold to Sprott to nil as follows:

- On June 30, 2021 by paying Sprott US\$35,000,000
- On June 30, 2022 by paying Sprott US\$38,000,000

The Company has determined the Gold Stream is a standalone derivative measured at fair value through profit or loss (“FVTPL”).

As at March 31, 2020, the fair value of the Gold Stream was \$28,787,026 (December 31, 2019 - \$37,613,935), with the change in fair value during the three months ended March 31, 2020 of \$11,259,815 recognized in net loss (2019 – nil).

Pure Gold Mining Inc.

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11. PROVISION FOR CLOSURE AND RECLAMATION

The Company has recognized a liability relating to its RL Mine Project and has determined that no significant closure and reclamation liabilities exist in connection with the activities on its other properties. The Company has calculated the present value of the closure and reclamation provision at March 31, 2020 using a pre-tax discount rate of 0.71% and inflation rate of 2.00% (December 31, 2019 – 1.70% and 2.00%, respectively). The estimated total future undiscounted, but inflation-adjusted, cash flows to settle the provision for closure and reclamation at March 31, 2020 is \$20,470,379 (December 31, 2019 - \$20,470,379). The Company has estimated that payments will be made in 2032 (December 31, 2019 – 2032).

	Three months ended March 31, 2020	Year Ended December 31, 2019
Balance, beginning of the period	\$ 16,508,920	\$ 2,438,919
New estimated cash flows and changes in estimates	2,065,609	14,029,131
Accretion on discounted obligation	69,720	40,870
Balance, end of the period	\$ 18,644,249	\$ 16,508,920

As a result of the decrease in discount rate from 1.70% at December 31, 2019 to 0.71% at March 31, 2020, the estimated discounted cash flows increased by \$2,065,610 during the three months ended March 31, 2020.

12. LEASES

a. Right-of-use assets

The Company leases assets such as office space (Note 14) 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 (Note 14) pursuant to the Oxygen Agreement (Note 14).

Balance – January 1, 2019	\$ 722,232
Depreciation	(149,066)
Balance – December 31, 2019	573,166
Depreciation	(37,261)
Balance – March 31, 2020	\$ 535,905

b. Lease liabilities

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

Balance – December 31, 2018	\$ 13,270
January 1, 2019 opening balance adjustment – IFRS 16 adoption	689,918
Principal payments	(183,744)
Finance charge	51,845
Balance – December 31, 2019	571,289
Principal payments	(42,384)
Finance charge	11,218
Balance – March 31, 2020	540,123
Less: current portion	(135,851)
Long term lease liability – March 31, 2020	\$ 404,272

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12. LEASES (continued)

Minimum lease payments in respect of the above lease liabilities and the effects of discounting are as follows:

	Up to 1 year	1 to 5 years	Total
Minimum lease payments	\$ 174,245	\$ 447,387	\$ 621,632
Finance charge	(38,394)	(43,115)	(81,509)
Total principal payments	\$ 135,851	\$ 404,272	\$ 540,123

Total undiscounted lease payments excludes leases that are classified as short-term and leases for low-value assets, which are not recognized as lease liabilities.

For the three months ended March 31, 2020, the Company recognized \$11,218 in interest expense on lease liabilities (2019 - \$14,175).

The Company's lease with respect to its head office premises includes variable payments that do not depend on an index or rate. As such, these payments have been excluded from the lease liability. The Company expensed \$27,580 of variable lease payments during the three months ended March 31, 2020 (2019 - \$24,315).

13. EQUITY

a. Share Capital

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

b. Private Placements

On March 29, 2019 the Company completed a bought deal private placement of 7,723,975 Flow Through Shares (the "FT Shares") at a price of \$0.67 per FT Share, for gross proceeds of \$5,175,063. In connection with the private placement the Company paid commissions, legal fees and filing fees totaling \$526,312.

The Company had incurred the full qualifying resource expenditures relating to the above private placement by December 31, 2019. The Company filed its renunciation forms in February 2020, and therefore reversed the associated flow-through liability and recognized a deferred tax recovery of \$849,637 in the Company's consolidated statement of income (loss) and comprehensive income (loss).

On July 18, 2019 the Company closed a bought-deal private placement of 62,714,000 units at a price of \$0.55 per unit (the "Units") for 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 transferable and entitles the holder to acquire one common share of the Company until July 18, 2022 at a price of \$0.85. In connection with the private placement, the Company paid the underwriters a cash commission equal to 6.0% of the gross proceeds.

Concurrent with the above private placement, the Company closed a non-brokered private placement of 23,700,000 Units at a price of \$0.55 per unit for aggregate gross proceeds of \$13,035,000. A subscription fee of 6.0% was paid on one-half of the gross proceeds of the non-brokered private placement. The Company paid commissions, legal fees and filing fees totaling \$2,887,400.

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13. EQUITY (continued)

c. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the three months ended March 31, 2020 and the year ended December 31, 2019 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding Balance – December 31, 2018	14,465,000	\$0.85
Issued	43,207,000	\$0.85
Outstanding Balance – December 31, 2019 and March 31, 2020	57,672,000	\$0.85

d. Stock Options

The Company has established a share purchase option plan (the “Stock Option Plan”) whereby the board of directors may, from time to time, grant options to directors, officers, employees, consultants or technical and administrative company employees (Note 14). Options granted must be exercised no later than five years from the date of grant or such lesser or greater period as may be determined by the Company’s board of directors and in accordance with the policies of the TSX-V. The exercise price of an option must be determined by the board of directors and in accordance with the Plan and the policies of the TSX-V. Subject to the policies of the TSX-V, the board of directors may determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist. The Company applies the fair value based method of accounting for options.

At March 31, 2020, the following options are outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Life in Years	Number of Options Exercisable
December 3, 2020	\$0.11	33,333	0.68	33,333
December 11, 2020	\$0.11	2,450,000	0.70	2,450,000
May 26, 2021	\$0.63	400,000	1.15	400,000
October 11, 2021	\$0.72	300,000	1.53	300,000
November 14, 2021	\$0.72	75,000	1.62	75,000
December 21, 2021	\$0.44	4,635,000	1.73	4,635,000
June 16, 2022	\$0.54	200,000	2.21	200,000
July 24, 2022	\$0.54	100,000	2.32	66,666
December 15, 2022	\$0.49	5,160,000	2.71	4,040,000
June 11, 2023	\$0.65	200,000	3.20	200,000
May 6, 2024	\$0.54	200,000	4.10	-
November 18, 2024	\$0.64	250,000	4.64	-
December 13, 2024	\$0.74	4,735,000	4.71	2,611,668
February 19, 2025	\$0.77	350,000	4.89	350,000
	\$0.51	19,088,333	2.73	15,361,667

The options exercisable at March 31, 2020 have a weighted average exercise price of \$0.47.

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13. EQUITY (continued)

d. Stock Options (continued)

Details of options granted, exercised, expired and forfeited during the three months ended March 31, 2020 and the year ended December 31, 2019 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance – December 31, 2018	18,450,000	\$0.39
Granted during the year	5,185,000	\$0.73
Exercised during the year	(3,146,667)	\$0.35
Expired during the year	(590,000)	\$0.35
Forfeited during the year	(43,333)	\$0.61
Balance – December 31, 2019	19,855,000	\$0.49
Granted during the period	350,000	\$0.77
Exercised during the period	(766,667)	\$0.25
Expired during the period	(350,000)	\$0.28
Balance – March 31, 2020	19,088,333	\$0.51

Granting of Options

The fair value of newly granted options are calculated using the Black-Scholes option pricing model. For all grants, the assumed dividend yield and forfeiture rate were nil and nil, respectively. Other conditions and assumptions for options granted in the three months ended March 31, 2020 and the year ended December 31, 2019 were as follows:

Issue Date	Expected Life of Options in Years	Exercise Price	Risk-free Interest Rate	Volatility	Weighted Average Black-Scholes Fair Value
May 6, 2019	5.0	\$0.54	1.59%	66.89% ¹	\$0.30
Nov 18, 2019	5.0	\$0.64	1.48%	55.03% ¹	\$0.31
Dec 13, 2019	5.0	\$0.74	1.59%	53.95% ¹	\$0.35
Feb 19, 2020	5.0	\$0.77	1.36%	50.94% ¹	\$0.35

¹Volatility was determined using the average historic volatility of the Company, calculated over the same period as the expected life of the option.

Options granted are typically subject to vesting provisions whereby one third vest one year from the grant date, one third vest two years from the grant date, and one third vest three years from the grant date. The 4,735,000 options granted December 13, 2019 were subject to vesting provisions whereby one third vested at the grant date, one third will vest one year from the grant date, and one third will vest two years from the grant date.

During the three months ended March 31, 2020, the Company recognized \$316,829 of share-based compensation (2019 - \$129,765), of which \$77,621 (2019 - nil) was capitalized to mine development within mine property, plant and equipment, and \$239,208 (2019 - \$129,765) was expensed to the statement of income (loss) and comprehensive income (loss).

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13. EQUITY (continued)

d. Stock Options (continued)

Exercise of Options

The weighted average share price on the date the stock options were exercised during the period was \$0.63 (2019 - \$0.57). In connection with these option exercises, the related fair value amount of \$113,368 (2019 - \$535,818) was transferred from equity reserves to share capital.

14. RELATED PARTY TRANSACTIONS

Oxygen Capital Corp (“Oxygen”).

Oxygen is a private company partially owned by one director and one officer of the Company. Oxygen provides technical and administrative services to the Company under an Amended Technical and Administrative Services Agreement (the “Oxygen Agreement”) at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. As at March 31, 2020, Oxygen holds a refundable deposit of \$305,280 on behalf of the Company (December 31, 2019 - \$305,280). During the three months ended March 31, 2020, a total of \$563,091 (2019 - \$548,890) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at March 31, 2020, the Company has a payable amount to Oxygen of \$127,975 (December 31, 2019 - \$154,130).

The Oxygen Agreement was amended on January 20, 2020 and may be terminated by either party giving at least 180 days’ prior written notice of such termination. Upon termination, by the Company, of the Oxygen Agreement, the Company shall pay to Oxygen an amount equal to the average general and administrative monthly costs incurred under the Agreement for the previous six month period, the Company’s share of committed lease costs, any employee termination fees due under the Agreement as a result of the termination as such term is defined under the Agreement, and the Company’s share of any contractual obligations entered into on its behalf by Oxygen.

Compensation of key management personnel

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

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Salaries and other short-term employee benefits	\$ 311,620	\$ 301,250
Directors fees	105,000	102,500
Share-based compensation	241,205	77,958
Total	\$ 657,825	\$ 481,708

15. SEGMENTED INFORMATION

The Company conducts its business in a single operating segment which is the development of the RL Mine. All of the Company’s exploration and evaluation assets are located in Canada. Any investment revenues were earned principally from Canadian sources.

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16. COMMITMENTS & CONTINGENCIES

	Total	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years
Loans and borrowings	\$28,480,311	3,901,425	3,575,453	2,576,645	4,109,712	4,278,627	10,038,449
Accounts payable and accrued liabilities	\$11,167,303	11,167,303	-	-	-	-	-
Production linked payments	\$ 7,093,500	305,327	993,311	1,192,714	1,180,177	1,409,056	2,012,915

17. FINANCIAL INSTRUMENTS

a. Financial Assets and Liabilities

At March 31, 2020, 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.

b. Fair Value

Fair value is based on available public market information or, when such information is not available, estimated using present value techniques and assumptions concerning the amount and timing of future cash flows and discount rates which factor in the appropriate credit risk.

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

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

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

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

At March 31, 2020 the fair values of the embedded derivatives in the Credit Facility and the Gold Stream are determined using Level 3 inputs. All other financial instruments are categorized as Level 1.

The fair value of the embedded derivatives in the Credit Facility was determined using the Hull-White valuation model. Key inputs include: the US dollar swap curve and the Company's credit spread and the Company's life of mine production profile.

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17. FINANCIAL INSTRUMENTS (continued)

b. Fair Value (continued)

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

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between levels in the fair value hierarchy during the three months ended March 31, 2020.

18. SUBSEQUENT EVENTS

- On April 30, 2020, the Company made its second draw in the amount of US\$20 million from the Credit Facility.
 - Subsequent March 31, 2020, 187,500 warrants were exercised at an exercise price of \$0.85
-