Pure Gold Mining Inc.

Condensed Interim Financial Statements

For the three and nine months ended September 30, 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

Notice of no Auditor Review of
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 financial statements of Pure Gold Mining Inc. (the “Company”) as at September 30, 2019, and for the three and nine months ended September 30, 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 these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada (“CPA Canada”) for a review of interim financial statements by an entity’s auditor.

Pure Gold Mining Inc.

Condensed Interim Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	As at September 30, 2019	As at December 31, 2018
ASSETS		
Current Assets		
Cash	$ 85,653,350	$ 4,254,624
Short-term investments *(Note 5)*	23,000	23,000
Amounts receivable *(Note 6)*	532,257	309,686
Prepaid expenses *(Note 7)*	2,067,529	289,397
Interest receivable	-	176
	88,276,136	4,876,883
Non-current Assets		
Exploration and evaluation asset acquisition costs *(Note 8a)*	-	7,846,101
Mineral properties, plant and equipment *(Note 9)*	17,780,876	6,520,902
Reclamation deposits *(Note 10)*	1,322,799	1,322,799
Deposits *(Note 16)*	305,280	305,280
Total Assets	$ 107,685,091	$ 20,871,965
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,484,949	$ 1,006,138
Flow-through premium liability *(Note 18b)*	849,637	-
Lease liabilities *(Note 14)*	125,941	13,270
	3,460,527	1,019,408
Non-current Liabilities		
Loans and borrowings *(Note 11)*	10,012,575	-
Gold stream derivative liability *(Note 12)*	36,489,701	-
Provision for closure and reclamation *(Note 13)*	2,628,493	2,438,919
Lease liabilities *(Note 14)*	475,898	-
Total Liabilities	53,067,194	3,458,327
Equity		
Share capital *(Note 15a)*	156,747,697	107,996,948
Equity reserves *(Note 15c and Note 15d)*	14,717,294	10,552,337
Accumulated deficit	(116,847,094)	(101,135,647)
Total Equity	54,617,897	17,413,638
Total Liabilities and Equity	$ 107,685,091	$ 20,871,965

Commitments & Contingencies *(Note 18)*

Approved by the Audit Committee of the Board of Directors on November 14, 2019:

"Lenard Boggio", Audit Committee Chair

"Graeme Currie", Director

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

Pure Gold Mining Inc.

Condensed Interim Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the three months ended September 30, 2019	For the three months ended September 30, 2018	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Expenses				
Exploration and evaluation expenditures *(Note 8b)*	$ 3,643,163	$ 7,183,704	$ 7,247,427	$ 22,091,640
Professional fees	1,141,297	118,483	2,117,853	248,962
Wages, consulting and director fees	394,897	309,779	1,191,811	1,059,776
Listing and filing fees	32,604	21,490	639,511	48,279
Investor relations and communication	194,936	90,410	503,366	305,004
Share-based compensation *(Note 15d)*	119,989	293,256	378,172	850,917
Office and rent	119,233	172,509	378,370	526,840
Depreciation	34,893	2,432	112,762	8,874
Total Expenses	(5,681,012)	(8,192,062)	(12,569,272)	(25,140,290)
Other Income and Expenses				
Finance income	204,383	82,561	267,056	196,248
Administration fee	-	21,491	-	81,042
Change in fair value of derivative liabilities	(3,299,400)	-	(3,299,400)	-
Finance expense	(12,437)	(1,312)	(39,803)	(5,528)
Foreign exchange Loss	(38,453)	-	(38,453)	-
Accretion expense *(Note 13)*	(9,445)	(12,623)	(31,575)	(37,025)
Total Other Expense	(3,155,352)	(90,117)	(3,142,175)	(234,737)
Loss before Income Taxes	(8,836,364)	(8,101,945)	(15,711,147)	(24,905,553)
Income tax recovery *(Note 18a)*	-	-	-	1,911,229
Net Loss and Comprehensive Loss for the Period	(8,836,364)	(8,101,945)	(15,711,147)	(22,994,324)
Weighted Average Number of Common Shares Outstanding	338,845,127	256,338,876	287,778,999	238,914,268
Basic and Diluted Loss per Common Share	$ (0.03)	$ (0.03)	$ (0.05)	$ (0.10)

- See Accompanying Notes to the Condensed Interim Financial Statements -

Pure Gold Mining Inc.
Condensed Interim Statements of Changes in Equity
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars Unless Noted Otherwise)

	Number of Common Shares		Share Capital		Equity Reserves		Accumulated Deficit		Total
Balance – December 31, 2017	223,219,384	$	90,030,212	$	7,877,426	$	(72,037,524)	$	25,870,114
Flow-through common share issuance *(Note 15b)*	4,000,000		3,000,000		-		-		3,000,000
Flow-through premium liability	-		(360,000)		-		-		(360,000)
Common share issuance *(Note 15b)*	28,930,000		17,936,600		-		-		17,936,600
Share issue costs – cash	-		(1,087,980)		-		-		(1,087,980)
Fair value of warrants issued with common shares *(Note 15c)*	-		(1,683,070)		1,683,070		-		-
Share issue costs allocated to warrants	-		91,024		(91,024)		-		-
Exercised stock options	191,666		40,033		-		-		40,033
Fair value of exercised stock options *(Note 15d)*	-		30,129		(30,129)		-		-
Share-based compensation *(Note 15d)*	-		-		850,917		-		850,917
Net loss for the period	-		-		-		(22,994,324)		(22,994,324)
Balance – September 30, 2018	256,341,050	$	107,996,948	$	10,290,260	$	(95,031,848)	$	23,255,360
Share-based compensation *(Note 15d)*	-		-		262,077		-		262,077
Net loss for the period	-		-		-		(6,103,799)		(6,103,799)
Balance – December 31, 2018	256,341,050	$	107,996,948	$	10,552,337	$	(101,135,647)	$	17,413,638
Common share issuance - financing *(Note 15b)*	86,414,000		47,527,700		-		-		47,527,700
Share issue costs – cash	-		(2,887,400)		-		-		(2,887,400)
Fair value of warrants issued with common shares *(Note 15c)*	-		(4,881,288)		4,881,288		-		-
Share issue costs allocated to warrants	-		293,437		(293,437)		-		-
Flow-through common share issuance *(Note 15b)*	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 (*(Notes 9 & 11)*	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 *(Note 15d)*	-		801,066		(801,066)		-		-
Share-based compensation *(Note 15d)*	-		-		378,172		-		378,172
Net loss for the period	-		-		-		(15,711,147)		(15,711,147)
Balance – September 30, 2019	358,466,692	$	156,747,697	$	14,717,294	$	(116,847,094)	$	54,617,897

- See Accompanying Notes to the Condensed Interim Financial Statements -

Pure Gold Mining Inc.

Condensed Interim Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the nine months ended September 30, 2019	For the nine months ended September 30, 2018
Operating Activities		
Net loss for the period	$ (15,711,147)	$ (22,994,324)
Items not affecting cash:		
Change in fair value of derivative liabilities	3,299,400	-
Deferred income tax recovery	-	(1,911,229)
Shares issued pursuant to project agreement (*Note 9*)	630,000	-
Share-based compensation (*Note 15d*)	378,172	850,917
Depreciation (*Note 9*)	194,977	133,762
Accretion expense (*Note 13*)	31,575	37,025
Unrealized foreign exchange loss	34,261	-
Finance expense	39,803	5,527
Finance income	(267,056)	(196,248)
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	1,478,811	807,318
Provisions	-	(55,968)
Prepaid expenses	(1,778,132)	(60,705)
Amounts receivable	(222,571)	(125,326)
Net cash used in operating activities	(11,892,207)	(23,509,251)
Investing Activities		
Interest received	267,233	196,248
Reclamation deposits	-	111,936
Mineral properties, plant and equipment (*Note 9*)	(2,324,496)	(118,732)
Net cash (used in) provided by investing activities	(2,057,263)	189,451
Financing Activities		
Proceeds from Credit Facility (*Note 11*)	7,710,036	-
Proceeds from PPA (*Note 11*)	5,277,907	-
Proceeds from Gold Stream (*Note 11*)	33,132,500	-
Proceeds from equity financings *(Note 15b)*	52,702,763	20,936,600
Proceeds from exercised stock options (*Note 15d*)	1,086,700	40,033
Sprott Facility transaction costs (*Note 11*)	(979,438)	-
Share issue costs	(3,413,712)	(1,087,520)
Payment of lease liabilities (*Note 14*)	(141,150)	(21,800)
Net cash provided by financing activities	95,375,601	19,867,313
Effect of foreign exchange on cash	(27,410)	-
Net (Decrease) Increase in Cash	81,426,136	(3,452,487)
Cash - Beginning of the Period	4,254,624	14,856,993
Cash - End of the Period	$ 85,653,350	$ 11,404,506

Supplemental Cash Flow Information *(Note 19)*

- See Accompanying Notes to the Condensed Interim Financial Statements -

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 office 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 Madsen Gold Project located near Red Lake, Ontario. In March 2019, Pure Gold filed a technical report for a feasibility-study on the Madsen Gold Project, and on August 7, 2019 the Company announced the Board of Directors approval of a decision to construct at the Madsen Gold 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. Results of comparative periods include the consolidated results of the Company and its wholly owned subsidiary.

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

Change in Year End

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 period is the nine months ended December 31, 2018, and the comparative period for these condensed interim financial statements is the nine months ended September 30, 2018. The new financial year aligns the Company with its peer group in the mineral resources sector.

Statement of Compliance

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

These condensed interim financial statements do not include all of the information required for full IFRS financial statements and therefore should be read in conjunction with the Company's most recent annual consolidated financial statements as at and for the nine month period ended December 31, 2018.

The accounting policies and methods of application applied by the Company in these condensed interim financial statements are the same as those applied in the Company's audited financial statements for the nine month period ended December 31, 2018, except as described in Note 3.

(Expressed in Canadian Dollars Unless Noted Otherwise)

3. SIGNIFICANT ACCOUNTING POLICIES

a. New, Amended And Future IFRS Pronouncements

These condensed interim financial statements have been prepared using accounting policies consistent with those used in the annual financial statements, except as described 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 $689,918, and a lease liability of $689,918. 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 (Note 12)		(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

b. Mineral Property Development Costs

Mineral properties consists of the Madsen 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 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.

c. Construction in progress

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.

d. 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.

e. Foreign Currency Translation

The functional currency of the Company is the Canadian dollar. These financial statements are presented in Canadian dollars, which is the Company's presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the date of the statement of financial position. Non-monetary assets and liabilities are translated at historical exchange rates, unless the item is carried at fair value, in which case it will be translated at the exchange rate in effect at the date when the fair value was determined. Resulting foreign exchange gains and losses are recognized in income or loss. Foreign currency gains and losses are reported on a net basis.

f. Credit Facility

The Company has entered into a US$65,000,000 senior secured non-revolving credit facility with Sprott Resource Lending Corp. (Note 11). The credit facility is recorded initially at fair value and subsequently measured at amortized cost. Transaction costs directly attributable to the issuance of the facility are capitalized and expensed evenly through the expected term of the facility. Furthermore, the Company issued the facility at a discount and issued pre-paid interest that does not accrue to interest or principal. The discount and additional interest are brought to income throughout the expected duration of the facility and are included as part of interest expense.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

As part of the contractual terms of the facility, upon completion of construction of the Madsen Gold Mine, the Company is required to pay additional interest by issuing shares or paying cash, at Sprott's election. The Company determined the fair value of the additional interest to be US$1,462,500 and this amount is accounted for as part of the cash flows of the inception date fair value of the facility with no value ascribed to any embedded derivative at inception.

Based on the contractual interest of the facility, the Company has identified an interest rate floor exists. This interest rate floor was identified as an embedded derivative and is bifurcated from the facility. The embedded derivative is recorded at fair value at each reporting period, with changes in fair value recoded in profit or loss.

g. Derivative liabilities

Derivatives are initially recognized at their fair value on the date the derivative contract is entered into and transaction costs are expensed. The Company's 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 instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host contracts.

The Company has entered into a gold stream agreement with Sprott Resource Lending Corp. (Note 12). As the 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. Transaction costs directly attributable to the gold stream obligation were expensed through profit or loss.

The derivative obligation was recorded at its inception day fair value. Subsequent fair value is calculated on each reporting date with gains and losses recorded in net earnings. 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 future metal prices

h. Production Payment Agreement

The Company has entered into a production payment agreement with Sprott Resource Lending Corp. (Note 11) whereby on August 7, 2019 the Company received an advance payment of US$3,982,422 from Sprott. To repay this advance, the Company has agreed to pay Sprott monthly production payments, equal to US$10 multiplied by the number of ounces of gold which the Company receives payment on the sale of from August 6, 2019 until 500,000 ounces of gold has been produced.

The Company recorded the production payment agreement at fair value on inception. Directly attributable transaction costs have been capitalized and will be expensed throughout the life of the agreement. The Company will subsequently measure the production payment agreement at amortized cost, arriving at an implied discount rate based on the amount due and the expected repayment of the production payment agreement based on expected gold production. Interest is expensed to profit and loss, and as the Company revises expected gold production, the implied interest rate is prospectively revised.

4. 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. In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements. In addition, the Company made the following critical estimate upon adopting IFRS 16:

Determining the Discount Rate for Leases

IFRS 16 requires the Company to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available. The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment.

The Company made the following additional critical judgements during the quarter ended September 30, 2019:

Determination of Commercial Viability and Technical Feasibility of the Madsen Gold Project

The application of the Company's accounting policy for mineral property development costs requires judgment to determine when technical feasibility and commercial viability of the Madsen 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 Madsen Gold Project had been confirmed in the quarter ended September 30, 2019. At this point, the capitalized acquisition costs were assessed for impairment, and reclassified to mineral property development costs within property, plant and equipment.

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).

5. SHORT-TERM INVESTMENTS

As of September 30, 2019, the Company has invested $23,000 (December 31, 2018 - $23,000) into a Guaranteed Investment Certificate ("GIC") with a Canadian financial institution. The GIC yields interest at a rate of 1.25% and has an original maturity date of greater than three months but not more than one year.

(Expressed in Canadian Dollars Unless Noted Otherwise)

6. AMOUNTS RECEIVABLE

Amounts receivable comprised of the following:

	September 30, 2019	December 31, 2018
Refundable goods and services tax/ harmonized sales tax	$ 527,626	$ 255,476
Other receivables	4,631	54,210
Total	**$ 532,257**	**$ 309,686**

7. PREPAID EXPENSES

Prepaid expenses comprised of the following:

	September 30, 2019	December 31, 2018
Advances for Madsen work programs	$ 1,017,286	$ 120,439
Capital equipment purchase advances	645,026	-
Advance for financial advisory services	133,990	-
Software licenses	73,880	75,440
Insurance and benefits premiums	80,781	28,431
Investor relations and communication	71,093	10,394
Surety bond premium	4,041	44,460
Other prepaid expenses	41,432	10,233
Total	**$ 2,067,529**	**$ 289,397**

8. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

a. Acquisition Costs

Details of the Company's acquisition costs for its exploration and evaluation assets are as follows:

	Madsen Gold Project
Balance – March 31, 2018	$ 7,818,750
Change in estimate of provision for closure and reclamation	27,351
Balance – December 31, 2018	**$ 7,846,101**

	Madsen Gold Project
Balance – December 31, 2018	$ 7,846,101
Change in estimate of provision for closure and reclamation	140,744
Transfer to mineral properties, plant and equipment	(7,986,845)
Balance – September 30, 2019	**$ -**

On August 6, 2019 the Company closed a US$90 million project financing package with Sprott Resource Lending Corp. The Financing will fully fund the costs to develop an underground mine at the Madsen Gold Project. On August 7, 2019, the Company announced that its Board of Directors have approved a "decision to construct" for the Madsen Red Lake Mine. With the construction decision from the Board of Directors and the completion of the construction financing, the Madsen Gold Project has transitioned from an exploration and evaluation asset under IFRS 6 to mineral properties, plant and equipment under IAS 16.

(Expressed in Canadian Dollars Unless Noted Otherwise)

8. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

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 is based on guidance in IAS 36 - Impairment of Assets rather than IFRS 6, and compared the carrying amount of the Madsen Gold Project 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 impact 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 test, the Company concluded there was no impairment.

b. Expenditures

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

For the nine months ended September 30, 2019	Madsen Gold Project(1)	Other Properties(2)	Total
Salaries, wages and benefits	$ 969,417	$ -	$ 969,417
Contractors / consultants	1,193,359	-	1,193,359
Drilling	1,888,697	-	1,888,697
Feasibility Study	395,821	-	395,821
Engineering	389,289	-	389,289
Assaying	427,402	-	427,402
Utilities	203,980	-	203,980
Preliminary Economic Assessment	170,366	-	170,366
Camp & field costs	184,353	-	184,353
Travel and accommodation	148,044	-	148,044
Depreciation	81,609	-	81,609
Equipment rental	203,100	-	203,100
Community & safety	880,858	-	880,858
Property fees	68,716	-	68,716
Administration and other	42,416	-	42,416
Expenditures for the period	**7,247,427**	**-**	**7,247,427**
Cumulative balance – December 31, 2018	77,208,536	8,258,097	85,466,633
Cumulative balance – September 30, 2019	**$ 84,455,963**	**$ 8,258,097**	**$ 92,714,060**

(1) Subsequent to August 7, 2019, exploration expenditures at the Madsen Gold Project relate to expenditures on satellite deposits that were not part of the original Madsen Gold 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.

(Expressed in Canadian Dollars Unless Noted Otherwise)

8. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

For the fiscal period ended December 31, 2018	Madsen Gold Project	Other Properties[(1)]	Total
Drilling	$ 2,406,534	$ -	$ 2,406,534
Contractors / consultants	2,494,080	-	2,494,080
Bulk Sample	5,718,051	-	5,718,051
Feasibility Study	2,630,674	-	2,630,674
Assaying and geochemical	1,060,350	-	1,060,350
Engineering	1,534,944	-	1,534,944
Salaries, wages and benefits	1,233,390	-	1,233,390
Equipment rental	351,201	-	351,201
Camp & field costs	434,428	-	434,428
Travel and accommodation	241,296	-	241,296
Utilities	624,316	-	624,316
Property fees	74,160	3,955	78,115
Supplies	126,131	-	126,131
Community & safety	239,887	-	239,887
Depreciation	120,720	-	120,720
Administration and other	32,705	-	32,705
Refundable mineral exploration tax credit	-	33,891	33,891
Expenditures for the period	**19,322,867**	**37,846**	**19,360,713**
Cumulative balance – March 31, 2018	57,885,669	8,220,251	66,105,920
Cumulative balance – December 31, 2018	**$ 77,208,536**	**$ 8,258,097**	**$ 85,466,633**

(1) *Other properties include Van Horne and generative projects.*

c. Van Horne Property, Ontario

During the year ended March 31, 2018, the Company completed the acquisition of surface rights at its Van Horne property.

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 $4,000,000 on Van Horne over a four year period, with a committed minimum of $750,000 in year one (completed), and pay to the Company $100,000. Kinross may also satisfy the expenditures by making a cash payment to the Company.

(Expressed in Canadian Dollars Unless Noted Otherwise)

9. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Nine Months Ended September 30, 2019

Cost	Mineral Properties ($)	Computer Equipment & Software ($)	Office Furniture & Other Equipment ($)	Buildings ($)	Land ($)	Vehicles ($)	Equipment & Infrastructure ($)	Mill ($)	Total ($)
December 31, 2018	-	132,680	67,133	-	5,048,767	33,396	1,174,422	616,650	7,073,048
Right-of-use asset	-	-	-	689,918	-	-	-	-	689,918
Additions	2,197,042	24,274	32,942	-	-	-	499,164	54,023	2,807,445
Transfer to mineral properties	7,986,845	-	-	-	-	-	-	-	7,986,845
September 30, 2019	10,183,887	156,954	100,075	689,918	5,048,767	33,396	1,673,586	670,673	18,557,256
Accumulated Depreciation									
December 31, 2018	-	(123,886)	(34,999)	-	-	(19,082)	(374,179)	-	(552,146)
Depreciation	-	(9,537)	(6,836)	(108,934)	-	(3,360)	(95,567)	-	(224,234)
Disposals	-	-	-	-	-	-	-	-	-
September 30, 2019	-	(133,423)	(41,835)	(108,934)	-	(22,442)	(469,746)	-	(776,380)
Carrying Amounts									
December 31, 2018	**-**	**8,794**	**32,134**	**-**	**5,048,767**	**14,314**	**800,243**	**616,650**	**6,520,902**
September 30, 2019	**10,183,887**	**23,531**	**58,240**	**580,984**	**5,048,767**	**10,954**	**1,203,840**	**670,673**	**17,780,876**

Fiscal Period Ended December 31, 2018

Cost	Computer Equipment & Software ($)	Office Furniture & Other Equipment ($)	Land ($)	Vehicles ($)	Exploration Equipment & Infrastructure ($)	Mill ($)	Mine Property & Equipment ($)	Total ($)
March 31, 2018	132,130	66,486	5,066,363	33,396	908,462	616,650	140,325	6,963,812
Additions	550	647	-	-	92,715	-	32,920	126,832
Disposals	-	-	(17,596)	-	-	-	-	(17,596)
December 31, 2018	132,680	67,133	5,048,767	33,396	1,001,177	616,650	173,245	7,073,048
Accumulated Depreciation								
March 31, 2018	(116,674)	(29,184)	-	(14,692)	(243,526)	-	(19,958)	(424,034)
Depreciation	(7,212)	(5,815)	-	(4,390)	(97,568)	-	(13,127)	(128,112)
Disposals	-	-	-	-	-	-	-	-
December 31, 2018	(123,886)	(34,999)	-	(19,082)	(341,094)	-	(33,085)	(552,146)
Carrying Amounts								
March 31, 2018	**15,456**	**37,302**	**5,066,363**	**18,704**	**664,936**	**616,650**	**120,367**	**6,539,778**
December 31, 2018	**8,794**	**32,134**	**5,048,767**	**14,314**	**660,083**	**616,650**	**140,160**	**6,520,902**

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 Madsen Gold Project of $29,257 and borrowing costs of $436,440 have been capitalized and included in the carrying value of mineral properties.

Mineral properties

Mineral properties consists solely of the Madsen Gold Project. On March 4, 2014, the Company acquired a 100% interest in the Madsen Gold Project from Claude Resources Inc. ("Claude"). The Madsen Gold Project is located in the Red Lake gold camp of Northwestern Ontario.

On June 24, 2014, the Company acquired a 100% interest in the Newman-Madsen Property from Sabina Gold and Silver Corp ("Sabina"). The Newman-Madsen Property is considered part of the Madsen Gold

9. MINERAL PROPERTIES, PLANT & EQUIPMENT (continued)

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 Madsen Gold Project, only the Russet South resources are subject to a 2% NSR which is capped at $2,000,000.

On December 30, 2015, the Company entered into an agreement (the "Buffalo Agreement") to sell 28 mineral claims of the Madsen Gold Project to Premier Gold Mines Ltd ("Premier"), in exchange for $2,500,000 in cash, $2,500,000 in common shares of Premier, and a 1% NSR royalty on substantially all of the claims sold. On December 30, 2015, the Company received cash of $2,000,000, and 1,001,721 common shares of Premier, while Premier received the underlying mineral rights of the claims being sold. On May 20, 2016, the Company received the final $500,000 while Premier received the surface rights to the claims.

On March 10, 2017, the Company acquired a 100% interest in the Derlak Gold Property from Orefinders Resources Inc. ("Orefinders"). The Derlak Gold Property is considered part of the Madsen Gold Project.

Upon completion of the acquisition, Pure Gold issued 1,290,322 of its common shares to Orefinders (fair value of $696,774), and paid $500,000 in cash. 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 Madsen Gold 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 Madsen Mine 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.

10. RECLAMATION DEPOSITS

In December 2017, the Company established a surety bonding arrangement with a United States-based surety group (the "Surety"), with respect to two separate Closure Plans for the Madsen Gold Project, to replace certain letters of credit on file with the Minister of Northern Development and Mines ("MNDM"). As a condition for the Surety providing two surety bonds pertaining to the Closure Plans, the Company was required to make a deposit of $1,322,799, as collateral with a US bank. The deposit currently yields interest at a rate of 1.69% per annum and has no maturity date.

The collateral required by the Surety has resulted in a reclamation deposit balance at September 30, 2019 of $1,322,799 (December 31, 2018 - $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.

11. LOANS AND BORROWINGS

On August 6, 2019 the Company closed a project financing package with Sprott Resource Lending Corp. ("Sprott") for the construction of the Madsen Red Lake Mine. The financing package is comprised of a) a US$65,000,000 senior secured non-revolving credit facility (the "Credit Facility"), b) a production payment agreement (the "PPA") and c) a gold stream agreement (the "Gold Stream").

(Expressed in Canadian Dollars Unless Noted Otherwise)

11. LOANS AND BORROWINGS (continued)

The Company recorded the following at closing:

Credit Facility	$ 13,253,000
Discount on issuance of debt	(5,542,964)
Additional interest due to Sprott – shares issued	(1,924,443)
Deferred interest expense – shares issued	(456,977)
Total	**$ 5,328,616**
PPA	**$ 5,277,904**
Deferred charges	**$ (979,438)**
Total Loans & Borrowings	**$ 9,627,082**
Gold Stream	**$ 33,132,500**

The Company incurred $2,282,592 of debt advisory, legal and due diligence fees in conjunction with arranging the financing package. Upon close of the financing package, transaction costs totalling $761,812 were attributed to the Credit Facility and included in deferred charges, transaction costs totalling $217,626 were attributed to the PPA and included in deferred charges. Transaction costs totalling $1,303,154 were attributed to the Gold Stream and expensed as incurred.

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 Madsen Gold 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 September 30, 2019 the Company is in compliance with the covenants.

(i) 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) 6.75% per annum (during the period commencing on August 6, 2019 and ending no later than December 31, 2021 ("Completion Date")), and
b) 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") shall be capitalized and added to the principal amount on a quarterly basis. At all times following the last day of the Availability Period, all interest shall be 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. The Company has determined that the Credit Facility is a floating rate instrument, and it is therefore appropriate to record the interest expense based on the actual nominal rate at each reporting period adjusted for the amortization of discounts and transaction costs.

The floating interest rate floor has been determined to be an embedded derivative that is not closely related to the Credit Facility, and will be bifurcated and accounted for separately. At each reporting period, the derivative will be fair valued with changes in fair value recorded as an expense in profit or loss. On initial recognition, the fair value of the derivative was $879,197. The derivative liability was revalued at September 30, 2019, with the change in fair value of $84,078 recognized in net income.

11. LOANS AND BORROWINGS (continued)

On August 7, 2019 the Company received an initial advance of US$10,000,000, before an original issue discount of 41.82422% of the initial advance, which is classified as additional interest paid in advance. Any subsequent drawdowns are at the discretion of the Company and can be made 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.

The additional interest paid in advance of US$4,182,422 and any subsequent issue discounts are accounted for as a debt issuance discount and are amortized on a straight-line over the life of the Credit Facility and included in interest expense.

Pursuant to the Credit Facility, 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.

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. The Company currently expects to draw the full amount of the Credit Facility and will reassess at each reporting period.

Upon completion, which will occur when construction is complete and the Madsen Gold 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 will be bifurcated and accounted for separately. At each reporting period, the derivative will be fair valued with changes in fair value recorded as an expense in profit or loss. On inception and at September 30, 2019 the standalone derivative has been ascribed a fair value of nil.

(ii) Production-linked Liability

The Company has 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 has agreed to pay Sprott monthly production payments, equal to US$10 multiplied by the number of ounces of gold which the Company receives payment on the sale of from August 6, 2019 until 500,000 ounces of gold has been produced (the "Participation Amount").

The Company has a right to terminate this agreement at any time upon payment of a termination fee equal to the outstanding Participation Amount multiplied by US$10.

The PPA has been classified as a financial liability subsequently measured at amortized cost under IFRS 9. The initial fair value of the PPA is US$3,982,422 and the effective interest rate has been determined to be 5.0%.

A continuity of the Credit Facility and PPA at September 30, 2019 is as follows:

11. LOANS AND BORROWINGS (continued)

Credit Facility	$	5,328,616
Gain on revaluation of derivative (interest rate floor)		(84,078)
Capitalized interest		187,220
Total	**$**	**5,431,758**
PPA	$	5,277,904
Capitalized interest		39,744
Total	**$**	**5,317,648**
Deferred Charges	$	(979,438)
Amortization of deferred charges		209,476
Total	**$**	**(769,962)**
Foreign Exchange Loss		33,131
Total Loans & Borrowings	**$**	**10,012,575**

12. GOLD STREAM DERIVATIVE LIABILITY

Pursuant to the terms of the Gold Stream, the Company received a US$25,000,000 advance (the “Deposit”) on August 7, 2019 from Sprott as a prepayment for 5.0% of the 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 in accordance with the Gold Stream, 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”). 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 years periods for so long as the life of mine of the Madsen Gold 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”). The fair value of the Gold Stream derivative at August 6, 2019 was determined to be US$25,000,000. At September 30, 2019, the carrying value of the Gold Stream is $36,489,701. The derivative liability was revalued at September 30, 2019, with the change in fair value of $3,383,478 recognized in net loss.

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. PROVISION FOR CLOSURE AND RECLAMATION

The Company has recognized a liability relating to its Madsen Gold 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 September 30, 2019 using a pre-tax discount rate of 1.37% and inflation rate of 2.00% (December 31, 2018 – 1.96% and 2.00%, respectively). The estimated total future undiscounted, but inflation-adjusted, cash flows to settle the provision for closure and reclamation at September 30, 2019 is $3,137,112 (December 31, 2018 - $3,231,694). The Company has estimated that payments will be made in 2032 (December 31, 2018 – 2033).

	Nine Months Ended September 30, 2019	Fiscal Period Ended December 31, 2018
Balance, beginning of the period	$ 2,438,919	$ 2,372,958
New estimated cash flows and changes in estimates	157,999	27,351
Accretion on discounted obligation	31,575	38,610
Balance, end of the period	**$ 2,628,493**	**$ 2,438,919**

14. LEASES

a. Right-of-use assets

The Company leases assets such as office space (Note 16) 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 (Note 16).

Balance - December 31, 2018	$ 722,231
Depreciation	(111,799)
Balance – September 30, 2019	**$ 610,432**

b. Lease liabilities

Below is a maturity analysis of the Company's lease payments:

	Head Office Lease	Madsen Office Lease
2019	$ 42,384	$ 4,950
2020	171,891	1,650
2021	178,955	-
2022	178,955	-
2023	134,216	-
Total undiscounted lease payments	**$ 706,401**	**$ 6,600**

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 nine months ended September 30, 2019, the Company recognized $39,803 in interest expense on lease liabilities.

(Expressed in Canadian Dollars Unless Noted Otherwise)

14. LEASES (continued)

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 $77,748 of variable lease payments during the nine months ended September 30, 2019.

15. 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 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 transferrable 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.

In connection with the above transactions the Company paid commissions, legal fees and filing fees totaling $2,887,400.

The Warrants issued have been valued at $4,587,851 ($4,881,288 net of allocated share issuance costs of $293,438) using the Black-Scholes option pricing model with the following assumptions:

Assumptions	
Risk-free interest rate	1.44%
Expected stock price volatility	47.14%
Expected dividend yield	0.00%
Expected life of warrants	3 years

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.

On May 24, 2018 the Company completed a bought deal private placement of 16,130,000 units at a price of $0.62 per unit (the "Units"), and 4,000,000 Flow Through Shares (the "FT Shares") at a price of $0.75 per FT Share, for gross proceeds of $13,000,600. 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 May 24, 2020 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.

(Expressed in Canadian Dollars Unless Noted Otherwise)

15. EQUITY (continued)

Concurrent with the above bought deal private placement, the Company completed a non-brokered private placement with Anglogold Ashanti Limited for 12,800,000 Units of the Company at $0.62 per Unit for gross proceeds of $7,936,000, increasing its ownership percentage in the Company to 14.9% of the common shares issued and outstanding on a non-diluted basis. Each Warrant issued as part of the non-brokered private placement is transferrable and entitles the holder to acquire one common share of the Company until May 24, 2020 at a price of $0.85.

In connection with the above transactions the Company paid commissions, legal fees and filing fees totaling $1,087,980.

The Warrants issued have been valued at $1,592,046 ($1,683,070 net of allocated share issuance costs of $91,024) using the Black-Scholes option pricing model with the following assumptions:

Assumptions	
Risk-free interest rate	1.99%
Expected stock price volatility	50.62%
Expected dividend yield	0.00%
Expected life of warrants	2 years

c. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the nine months ended September 30, 2019 and the nine months ended December 31, 2018 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding Balance - March 31, 2018	-	-
Issued	14,465,000	$0.85
Outstanding Balance – December 31, 2018	**14,465,000**	**$0.85**
Issued	43,207,000	$0.85
Outstanding Balance – September 30, 2019	**57,672,000**	**$0.85**

At the time of issuance, the 14,465,000 share purchase warrants had a fair value of $1,592,046 ($1,683,070 net of allocated share issuance costs of $91,024), and the 43,207,000 share purchase warrants had a fair value of $4,587,851 ($4,881,288 net of allocated share issuance costs of $293,438) which is included in equity reserves in the Company's statement of financial position at September 30, 2019.

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 September 30, 2019, the following options are outstanding and exercisable:

(Expressed in Canadian Dollars Unless Noted Otherwise)

15. EQUITY (continued)

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Life in Years	Number of Options Exercisable
February 10, 2020	$0.35	200,000	0.36	200,000
March 19, 2020	$0.28	650,000	0.47	650,000
December 3, 2020	$0.11	33,333	1.18	33,333
December 11, 2020	$0.11	2,700,000	1.20	2,700,000
May 26, 2021	$0.63	400,000	1.65	400,000
October 11, 2021	$0.72	300,000	2.03	200,000
November 14, 2021	$0.72	75,000	2.13	75,000
December 21, 2021	$0.44	4,635,000	2.23	3,690,002
June 16, 2022	$0.54	200,000	2.71	200,000
July 24, 2022	$0.54	100,000	2.82	66,666
December 15, 2022	$0.49	5,160,000	3.21	2,920,001
June 5, 2023	$0.65	50,000	3.68	16,667
June 11, 2023	$0.65	200,000	3.70	200,000
May 6, 2024	$0.54	200,000	4.60	-
	$0.41	**14,903,333**	**2.32**	**11,351,669**

The options exercisable at September 30, 2019 have a weighted average exercise price of $0.38.

Details of options granted, exercised, expired and forfeited during the nine months ended September 30, 2019 and the nine months ended December 31, 2018 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance – March 31, 2018	18,291,666	$0.39
Granted during the period	250,000	$0.65
Exercised during the period	(91,666)	$0.22
Balance – December 31, 2018	18,450,000	$0.39
Granted during the period	200,000	$0.54
Exercised during the period	(3,146,667)	$0.35
Expired during the period	(590,000)	$0.35
Forfeited during the period	(10,000)	$0.47
Balance – September 30, 2019	**14,903,333**	**$0.41**

Granting of Options

The fair value of newly granted options are calculated using the Black-Scholes option pricing model. For all grants, the assumed dividend yield and forfeiture rate were nil and nil, respectively. Other conditions and assumptions for options granted in the nine months ended September 30, 2019 and the nine months ended December 31, 2018 were as follows:

Issue Date	Expected Life of Options in Years	Exercise Price	Risk-free Interest Rate	Volatility	Weighted Average Black-Scholes Fair Value
June 5, 2018	5.0	$0.65	2.16%	84.23%[1]	$0.44
June 11, 2018	5.0	$0.65	2.17%	84.16%[1]	$0.44
May 6, 2019	5.0	$0.54	1.59%	66.89%[2]	$0.30

15. EQUITY (continued)

[1]Volatility was determined using the average historic volatility of a number of comparable companies, calculated over the same period as the expected life of the option.
[2]Volatility was determined using the average historic volatility of the Company, calculated over the same period as the expected life of the option.

Options granted are typically subject to vesting provisions whereby one third vest one year from the grant date, one third vest two years from the grant date, and one third vest three years from the grant date. The following option grants are subject to alternate vesting provisions:

(i) The 200,000 options granted June 11, 2018 were granted to a consultant and subject to vesting provisions whereby one half will vest six months from the grant date, and one half will vest one year from the grant date.

Exercise of Options

During the nine months ended September 30, 2019, 2,940,000 stock options with an exercise price of $0.35, 150,000 stock options with an exercise price of $0.32, 46,667 stock options with an exercise price of $0.11, 6,667 stock options with an exercise price of $0.44, and 3,333 stock options with an exercise price of $0.49 were exercised for total proceeds of $1,086,700. The weighted average share price on the date the options were exercised during the period was $0.55. In connection with these option exercises, the related fair value amount of $801,066 was transferred from equity reserves to share capital.

During the nine months ended December 31, 2018, 30,000 stock options with an exercise price of $0.35, 53,333 stock options with an exercise price of $0.11, and 8,333 stock options with an exercise price of $0.44 were exercised for total proceeds of $20,033. The weighted average share price on the date the options were exercised during the period was $0.64. In connection with these option exercises, the related fair value amount of $14,069 was transferred from equity reserves to share capital.

Forfeiture of Options

During the nine months ended September 30, 2019 3,333 stock options with an exercise price of $0.44 and 6,667 stock options with an exercise price of $0.49 were forfeited. As a result of the forfeitures, previously recognized share-based compensation relating to the unvested options of $2,004 was reversed, resulting in a net expense for the period of $258,182. No options were forfeited during the nine months ended December 31, 2018.

Expiry of Options

During the nine months ended September 30, 2019 590,000 stock options with an exercise price of $0.35 expired. No options expired during the nine months ended December 31, 2018.

16. 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 September 30, 2019, Oxygen holds a refundable deposit of $305,280 on behalf of the Company (December 31, 2018 - $305,280). During the nine months ended September 30, 2019, a total of $1,327,451 (September 30, 2018 - $1,214,556) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on

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16. RELATED PARTY TRANSACTIONS (continued)

behalf of the Company. As at September 30, 2019, the Company has a payable amount to Oxygen of $151,817 (December 31, 2018 - $123,567). This amount was paid subsequent to September 30, 2019.

The Oxygen Agreement was amended on October 1, 2017, 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:

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
Salaries and other short-term employee benefits	$ 903,750	$ 678,750
Directors fees	307,500	420,000
Share-based compensation	233,242	548,302
Total	**$ 1,444,492**	**$ 1,647,052**

17. SEGMENTED INFORMATION

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

18. COMMITMENTS & CONTINGENCIES

	Total	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years
Loans and borrowings	**$28,345,933**	-	4,362,530	3,630,738	3,835,932	5,180,715	11,336,018
Accounts payable and accrued liabilities	**$ 2,484,949**	2,484,949	-	-	-	-	-
Production linked payments	**$ 6,621,500**	-	557,431	995,850	1,194,473	998,893	2,874,853
Purchase commitments	**$ 1,219,245**	1,219,245	-	-	-	-	-

a. The Company had incurred the full qualifying resource expenditures relating to the May 24, 2018 private placement (Note 15b) by November 30, 2018. The Company filed its renunciation forms in December 2018, and therefore reversed the associated flow-through liability and recognized a deferred tax recovery of $360,000 in the Company's consolidated statement of loss and comprehensive loss for the nine months ended December 31, 2018.

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18. COMMITMENTS & CONTINGENCIES (continued)

The Company had incurred the full qualifying resource expenditures relating to the Super FT Shares of $6,300,250, and the full qualifying resource expenditures relating to the FT Shares of $5,159,120, pursuant to the November 1, 2017 private placement (Note 15b) by June 30, 2018. The Company filed its renunciation forms in February 2018, and therefore reversed the remaining portion of the Super FT Share and FT Share flow-through liabilities and recognized a deferred tax recovery of $402,506 in the Company's consolidated statement of loss and comprehensive loss for the nine months ended December 31, 2018. The Company recognized a deferred tax recovery of $1,508,723 in the Company's consolidated statement of loss and comprehensive loss for the year ended March 31, 2018.

b. As at September 30 2019, the Company is committed to incur, on a best efforts basis, qualifying resource expenditures pursuant to the March 29, 2019 private placement (Note 15b). As at September 30, 2019, the Company had incurred qualifying resource expenditures relating to the FT Shares of $3,675,668.

The Company must therefore incur the balance of $1,499,395 qualifying resource expenditures in relation to the FT Shares before January 1, 2021. If the Company does not spend these funds in compliance with the Government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfill its flow-through commitments within the given time constraints.

19. SUPPLEMENTAL CASH FLOW INFORMATION

Non-Cash Investing and Financing Activities		Nine Months Ended September 30, 2019		Nine Months Ended September 30, 2018
Shares issued in debt financing (Note 11)	$	2,381,420	$	-
Change in estimate of provision for closure and reclamation	$	(157,999)	$	145,074

20. FINANCIAL INSTRUMENTS

a. Financial Assets and Liabilities

At September 30, 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.

b. Fair Value

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).

20. FINANCIAL INSTRUMENTS (continued)

At September 30, 2019 the fair values of the Credit Facility, PPA and Gold Stream are determined using Level 3 inputs.

The fair value of the Credit Facility was determined using the FINCAD valuation model. Key inputs include: the US dollar swap curve and the Company's credit spread.

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. Key inputs to the model include consensus gold prices and the Company's credit spread, and the risk-free interest rate.

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between levels in the fair value hierarchy during the nine months ended September 30, 2019.

21. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial instrument related risks. The Board provides oversight for the Company's risk management processes. The type of risk exposure and the way in which such exposure is managed is explained as follows:

<u>Credit Risk</u>

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.

<u>Liquidity Risk</u>

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 September 30, 2019, the Company had cash of $85,653,350 (December 31, 2018 - $4,254,624) and short-term investments of $23,000 (December 31, 2018 - $23,000) to settle current liabilities of $3,460,527 ($2,610,890 excluding the flow-through premium liability of $849,637) (December 31, 2018 - $1,019,408). As at September 30, 2019, the Company is committed to incur, on a best efforts basis, $1,499,395 in qualifying resource expenditures.

21. FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk

Interest rate risk is the risk that the future cash flows or fair value 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 Credit Facility. For the nine months ended September 30, 2019, an increase of 25 basis points in market interest rates would result in approximately $5,000 in additional interest payable on the Credit Facility.

Foreign Currency Risk

The Company's functional currency is the Canadian dollar. The Company is exposed to currency risk on transactions and balances denominated in US dollars. The following table shows the impact of a +/- 10% change in the USD/CAD exchange rate on financial assets and liabilities denominated in US dollars for the 9 months ended September 30, 2019:

Cash	$	4,447,096
Credit Facility	$	489,385
PPA	$	531,365
Gold Stream	$	3,648,970