Pure Gold Mining Inc.

Consolidated Financial Statements

For the year ended December 31, 2019
and the nine month period ended December 31, 2018

(Expressed in Canadian Dollars Unless Noted Otherwise)

Independent auditor's report

To the Shareholders of Pure Gold Mining Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Pure Gold Mining Inc. and its subsidiary (together, the Company) as at December 31, 2019 and December 31, 2018, and its financial performance and its cash flows for the year ended December 31, 2019 and for the nine-month period ended December 31, 2018 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and December 31, 2018;
- the consolidated statements of loss and comprehensive loss for the year ended December 31, 2019 and for the nine-month period ended December 31, 2018;
- the consolidated statements of changes in equity for the year ended December 31, 2019 and for the nine-month period ended December 31, 2018;
- the consolidated statements of cash flows for the year ended December 31, 2019 and for the nine-month period ended December 31, 2018; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Dean Larocque.

(signed) PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 26, 2020

Pure Gold Mining Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars Unless Noted Otherwise)

	As at December 31, 2019	As at December 31, 2018
ASSETS		
Current Assets		
Cash	$ 70,277,719	$ 4,254,624
Short-term investments *(Note 5)*	23,000	23,000
Amounts receivable *(Note 6)*	987,226	309,862
Prepaid expenses *(Note 7)*	379,479	289,397
	71,667,424	4,876,883
Non-current Assets		
Exploration and evaluation asset acquisition costs *(Note 8a)*	-	7,846,101
Mineral properties, plant and equipment *(Note 9)*	48,814,754	6,520,902
Reclamation deposits *(Note 10)*	1,322,799	1,322,799
Deferred finance charges *(Note 11)*	8,471,753	-
Deposits *(Note 16)*	305,280	305,280
Total Assets	$ 130,581,820	$ 20,871,965
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 6,433,948	$ 1,006,138
Flow-through premium liability *(Note 18b)*	849,637	-
Lease liabilities *(Note 14)*	130,845	13,270
Loans and borrowings *(Note 11)*	780,648	-
	8,195,078	1,019,408
Non-current Liabilities		
Loans and borrowings *(Note 11)*	18,232,909	-
Gold stream derivative liability *(Note 12)*	37,613,935	-
Provision for closure and reclamation *(Note 13)*	16,508,920	2,438,919
Lease liabilities *(Note 14)*	440,442	-
Total Liabilities	80,991,284	3,458,327
Equity		
Share capital *(Note 15a)*	156,770,937	107,996,948
Equity reserves *(Note 15c and Note 15d)*	15,777,081	10,552,337
Accumulated deficit	(122,957,482)	(101,135,647)
Total Equity	49,590,536	17,413,638
Total Liabilities and Equity	$ 130,581,820	$ 20,871,965

Commitments & Contingencies *(Note 18)*
Subsequent Events *(Note 18b, 24)*

Approved by the Audit Committee of the Board of Directors on March 26, 2020:

"Lenard Boggio", Audit Committee Chair

"Graeme Currie", Director

- See Accompanying Notes to the Consolidated Financial Statements -

Pure Gold Mining Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the Twelve months ended December 31, 2019	For the Nine months ended December 31, 2018
Expenses		
Exploration and evaluation expenditures *(Note 8b)*	$ 8,860,646	$ 19,360,713
Professional fees	1,578,317	592,019
Wages, consulting and director fees	1,995,165	1,205,473
Share-based compensation *(Note 15)*	1,437,959	835,346
Listing and filing fees	846,681	129,088
Investor relations and communication	663,255	255,327
Office and rent	511,509	474,079
Administrative travel	133,405	26,535
Depreciation	149,850	7,392
Total Expenses	(16,176,787)	(22,885,982)
Other Income and Expenses		
Finance income	506,684	188,952
Administration fee	-	86,165
Change in fair value of derivative liabilities	(6,306,127)	-
Finance expense	(51,845)	(14,215)
Foreign exchange gain	247,110	-
Accretion expense *(Note 13)*	(40,870)	(38,610)
Total Other Income (Expense)	(5,645,048)	222,292
Loss before income taxes	(21,821,835)	(22,663,690)
Income tax recovery *(Note 23a)*	-	762,506
Net Loss and Comprehensive Loss for the Period	(21,821,835)	(21,901,184)
Weighted Average Number of Common Shares Outstanding	305,682,303	249,848,826
Basic and Diluted Loss per Common Share	$ (0.07)	$ (0.09)

- See Accompanying Notes to the Consolidated Financial Statements -

Pure Gold Mining Inc.

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Number of Common Shares		Share Capital		Equity Reserves		Accumulated Deficit		Total
Balance – March 31, 2018	223,319,384	$	90,066,272	$	8,139,014	$	(79,234,463)	$	18,970,823
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	91,666		20,033		-		-		20,033
Fair value of exercised stock options *(Note 15d)*	-		14,069		(14,069)		-		-
Share-based compensation *(Note 15d)*	-		-		835,346		-		835,346
Net loss for the period	-		-		-		(21,901,184)		(21,901,184)
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	-		(2,864,160)		-		-		(2,864,160)
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)*	-		-		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

- See Accompanying Notes to the Consolidated Financial Statements -

Pure Gold Mining Inc.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the Twelve months ended December 31, 2019	For the nine months ended December 31, 2018
Operating Activities		
Net loss for the period	$ (21,821,835)	$ (21,901,184)
Items not affecting cash:		
Change in fair value of derivative liabilities	6,306,127	-
Deferred income tax recovery	-	(762,506)
Shares issued pursuant to project agreement (*Note 9*)	630,000	-
Share-based compensation (*Note 15d*)	1,437,959	835,346
Depreciation (*Note 9*)	543,133	128,112
Accretion expense (*Note 13*)	40,870	38,610
Unrealized foreign exchange loss	247,110	-
Finance expense	51,845	4,288
Finance income	(506,684)	(188,952)
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	688,700	(1,612,906)
Provisions	-	126,444
Prepaid expenses	(218,957)	375,187
Amounts receivable	(358,328)	(251,053)
Net cash used in operating activities	(12,960,030)	(23,208,616)
Investing Activities		
Interest received	506,861	188,992
Reclamation deposits	-	(71,036)
Mineral properties, plant and equipment (*Note 9*)	(14,707,191)	111,936
Net cash (used in) provided by investing activities	(14,200,330)	229,892
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	20,033
Sprott Facility transaction costs (*Note 11*)	(1,735,773)	-
Share issue costs	(3,390,472)	(1,087,520)
Payment of lease liabilities (*Note 14*)	(183,744)	(55,383)
Net cash provided by financing activities	94,599,917	19,813,270
Effect of foreign exchange on cash	(1,416,462)	-
Net (Decrease) Increase in Cash	67,439,557	(3,165,343)
Cash - Beginning of the Year	4,254,624	7,420,078
Cash - End of the Year	$ 70,277,719	$ 4,254,624

Supplemental Cash Flow Information *(Note 19)*

- See Accompanying Notes to the Consolidated 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 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 located near Red Lake, Ontario. In March 2019, Pure Gold filed a technical report for a feasibility-study on the Pure Gold Red Lake Gold Project, and on August 7, 2019 the Company announced the Board of Directors approval of a decision to construct at the Pure Gold Red Lake 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. 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

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 is the comparative period for the twelve months ended December 31, 2019. The new financial year aligns the Company with its peer group in the mineral resources sector.

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"). The significant accounting policies are presented in Note 3 and have been consistently applied in each of the periods presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

a. Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets and financial liabilities measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts stated in these consolidated financial statements are expressed in Canadian dollars unless noted otherwise.

b. Basis of Consolidation

The financial statements of the Company consolidate the accounts of Pure Gold and its wholly owned subsidiary Laurentian Copper Corp., a private company incorporated under the Business Corporations Act of British Columbia in Canada until August 22, 2019. As noted above in Note 1, on August 22, 2019 the Company completed the voluntary dissolution of Laurentian Copper Corp. All intercompany transactions, balances and unrealized gains and losses are eliminated on consolidation.

Subsidiaries are those entities over which Pure Gold has control. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Pure Gold controls another entity. Pure Gold controls an entity when Pure Gold is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Pure Gold. They are deconsolidated from the date that control ceases.

c. Foreign currency translation

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The functional currency of the Company is the Canadian dollar, which is also the Company’s presentation currency. References to “$” or “CAD” are to Canadian dollars, while references to “USD” or “US$” are to United States dollars.

d. Cash and cash equivalents

Cash and cash equivalents includes cash, term deposits and short-term highly liquid investments with an original term to maturity of three months or less.

e. Short-term Investments

Short-term investments are comprised of cashable Guaranteed Investment Certificates (GICs) with original terms to maturity greater than three months, but less than one year.

f. Exploration and Evaluation Assets and Expenditures

The Company’s policy is to expense, as incurred, exploration and evaluation expenditures until a mineral property reaches the development stage. Costs related to property acquisitions are capitalized.

When it has been established that a mineral property is commercially viable and technically feasible, expenditures are reclassified to mineral properties and mine development costs within mineral properties, plant and equipment. The costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be amortized against production when ready for use as intended by management, or derecognized if the property is sold, allowed to lapse or abandoned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Exploration and Evaluation Assets and Expenditures (continued)

The establishment of the commercial viability and technical feasibility of a mineral property is assessed based on a combination of factors, including:

(i) Establishment of a proven and/or probable mineral reserves demonstrating a positive financial return; and
(ii) receipt of necessary permits.

Exploration and evaluation assets are tested for impairment immediately prior to reclassification to mineral properties.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance of historical characteristics of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

Upon disposal or abandonment, any consideration received is credited against the carrying amount of the exploration and evaluation assets, with any excess consideration greater than the carrying amount included as a gain in profit or loss.

g. Impairment of Non-Current Assets

Mineral properties, plant and equipment and exploration and evaluation assets are evaluated for impairment by management at each reporting date or whenever events or changes in circumstances indicate that the carrying value is impaired and may not be recoverable.

For mineral properties, plant and equipment, if any such impairment indicators exist, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash generating unit to which the asset belongs is determined. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal is determined as the amount that would be obtained from the sale of the asset or cash generating unit in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of the asset or cash generating unit is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for that period.

For exploration and evaluation assets, the Company follows the guidance in IFRS 6 – Exploration for and Evaluation of Mineral Resources to determine whether impairment indicators exist. This determination requires significant judgment. Impairment indicators relevant for exploration and evaluation properties include whether the rights to explore the area of interest have expired during the period or will expire in the near future, and the rights are not expected to be renewed, substantive expenditure or further exploration and evaluation is not planned or budgeted, the activities have not led to a discovery of commercial reserves and the Company has decided not to continue such activities in the area of interest or deteriorating local conditions such that it may become unsafe to continue operations. If an impairment indicator is identified, management will perform an impairment test. If the recoverable amount of the exploration and evaluation assets is less than the carrying amount, an impairment loss will be recorded in the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Impairment of Non-Current Assets (continued)

Past impairments are also considered at each reporting period and where there is an indication that an impairment loss may have decreased, the recoverable amount is calculated as outlined above to determine the extent of the recovery. If the recoverable amount of the asset is more than its carrying amount, the carrying amount of the asset is increased to its recoverable amount and the impairment loss is reversed in profit or loss for that period. The increased carrying amount due to reversal will not be more than what the depreciated historical cost would have been if the impairment had not been recognized.

h. Provisions and Constructive Obligations

Provisions for environmental restoration, restructuring costs and legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when the amount has been reasonably estimated. Provisions are not recognized for future operating losses.

Constructive obligations are obligations that derive from the Company's actions where:

(i) An established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and

(ii) As a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

The Company records provisions for closure and reclamation based on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs. The resulting costs are capitalized to the related asset. The provision for closure and reclamation is estimated using expected cash flows and discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation, the offset of which is charged to the statement of income (loss), and any changes in the amount or timing of the underlying future cash flows.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost. Expenditures on rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of the mine.

i. Share Capital

The Company records in share capital proceeds from share issuances, net of issue costs and any tax effects. The fair value of common shares issued as consideration for exploration and evaluation assets is based on the trading price of those shares on the TSX-V on the date the shares are issued. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Flow-Through Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its Canadian exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon filing of the required forms with the Government of Canada to renounce the tax deductibility of qualifying resource expenditures to investors, the Company derecognizes the liability to the extent the qualifying resource expenditures have been made as of that date and recognizes a deferred tax recovery for the amount of the tax reduction renounced to the shareholders that relates to the qualifying expenditures made.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through expenditure commitments. The Company is also subject to Part XII.6 tax on flow-through proceeds renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense until paid.

k. Share-Based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. Share-based payments to employees and others providing similar services are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to equity reserve. Stock options and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Consideration received on the exercise of stock options is recorded as share capital and the related equity reserve amount is transferred to share capital. Where awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is proportionately reversed in the period the forfeiture occurs.

l. Loss per Share

Loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. For diluted loss per share, the weighted average number of common shares used to calculate the dilutive effect assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive.

m. Resource Tax Credits

The Company recognizes resource tax credit amounts when the Company's application for such credits is approved by the relevant jurisdiction or when the amount to be received can be reasonably estimated and collection is reasonably assured. Resource tax credit amounts are accounted for as a credit to exploration and evaluation expenditures in the statement of income (loss).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Income Taxes

The Company uses the statement of financial position method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that the related tax benefit will be realized.

o. Financial Instruments

Measurement – initial recognition

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

Measurement – subsequent recognition

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

(i) Classification of Financial Assets

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

Amortized cost:

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Classification of Financial Assets (continued)

Financial assets measured subsequently at FVTOCI:

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

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

Financial assets measured subsequently at FVTPL:

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

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

(ii) Classification of Financial Liabilities

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

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

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

(iii) Impairment

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

(iv) Derivative liabilities

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

(Expressed in Canadian Dollars Unless Noted Otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iv) Derivative liabilities (continued)

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

The Company has entered into a gold stream agreement (the "Gold Stream") 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.

p. New, Amended and Future IFRS Pronouncements

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 14)		(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. New, Amended and Future IFRS Pronouncements (continued)

IFRS 16 – Leases (continued)

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

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

Property, Plant and Equipment

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

Mineral properties and development cost

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. New, Amended and Future IFRS Pronouncements (continued)

Property, Plant and Equipment (continued)

The major categories and annual depreciation rates are as follows:

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

Borrowing costs

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

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. The following discusses the most significant accounting policy judgments and accounting estimates that the Company has made in the preparation of the financial statements including those that could result in a material effect in the next financial year on the carrying amounts of assets and liabilities:

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

Accounting Policy Judgements

The Company made the following critical judgements in applying its accounting policies during the year ended December 31, 2019:

(i) Exploration and Evaluation Assets and Expenditures

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

(ii) Determination of Commercial Viability and Technical Feasibility of the Pure Gold Red Lake Gold Project

The application of the Company's accounting policy for mineral property development costs required judgment to determine when technical feasibility and commercial viability of the Pure Gold Red Lake Gold Project was demonstrable. The Company considered the positive NI 43-101 compliant Feasibility Study and the completed construction financing and concluded that commercial viability and technical feasibility of the Pure Gold Red Lake Gold Project had been confirmed on August 7, 2019 (Note 8a). At this point, the capitalized acquisition costs were assessed for impairment, and reclassified to mineral property development costs within property, plant and equipment.

Estimates and Assumptions

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

(i) Exploration and Evaluation Assets and Expenditures

As noted above, in August 2019, with the construction decision from the Board of Directors and the completion of the construction financing, the Pure Gold Red Lake Gold Project transitioned from an exploration and evaluation asset under IFRS 6 to mineral properties, plant and equipment under IAS 16. At the time of the transition from exploration and evaluation to property, plant and equipment, the Company completed an impairment test as required by IFRS 6. The impairment test compared the carrying amount of the Pure Gold Red Lake 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 impacted the resulting fair value include future gold prices, exchange rates, capital cost estimates, operating cost estimates, estimated reserves and resources and the discount rate. Upon completion of the impairment tests, the Company concluded that there was no impairment.

(Expressed in Canadian Dollars Unless Noted Otherwise)

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

Estimates and Assumptions (continued)

(ii) Decommissioning, Restoration and Similar Liabilities

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

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

(iii) 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 December 31, 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.

6. AMOUNTS RECEIVABLE

Amounts receivable are comprised of the following:

	December 31, 2019	December 31, 2018
Refundable goods and services tax/ harmonized sales tax	$ 981,591	$ 255,476
Other receivables	5,635	54,210
Total	**$ 987,226**	**$ 309,686**

(Expressed in Canadian Dollars Unless Noted Otherwise)

7. PREPAID EXPENSES

Prepaid expenses comprised of the following:

	December 31, 2019	December 31, 2018
Capital equipment purchase advances	$ 124,392	$ -
Software licenses	44,795	75,440
Insurance and benefits premiums	50,608	28,431
Investor relations and communication	56,357	10,394
Surety bond premium	48,502	44,460
Advances for Pure Gold Red Lake Work Programs	-	120,439
Other prepaid expenses	54,825	10,233
Total	**$ 379,479**	**$ 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:

	Pure Gold Red Lake 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**

	Pure Gold Red Lake 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 – December 31, 2019	**$ -**

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

At the time of the transition from exploration and evaluation to property, plant and equipment, the Company completed an impairment test as required by IFRS 6. The impairment test compared the carrying amount of the Pure Gold Red Lake 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.

(Expressed in Canadian Dollars Unless Noted Otherwise)

8. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

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 year ended December 31, 2019	Pure Gold Red Lake Gold Project(1)	Other Properties(2)	Total
Salaries, wages and benefits	$ 1,260,440	$ -	$ 1,260,440
Contractors / consultants	1,287,134	-	1,287,134
Drilling	2,697,201	-	2,697,201
Feasibility Study	395,821	-	395,821
Engineering	389,289	-	389,289
Assaying	639,946	-	639,946
Utilities	207,486	-	207,486
Preliminary Economic Assessment	170,366	-	170,366
Camp & field costs	190,771	-	190,771
Travel and accommodation	178,092	-	178,092
Depreciation	134,498	-	134,498
Equipment rental	284,465	-	284,465
Community & safety	880,858	-	880,858
Property fees	77,662	-	77,662
Administration and other	66,614	-	66,614
Expenditures for the year	**8,860,646**	**-**	**8,860,646**
Cumulative balance – December 31, 2018	77,208,536	8,258,097	85,466,633
Cumulative balance – December 31, 2019	**$ 86,069,182**	**$ 8,258,097**	**$ 94,327,279**

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

Year Ended December 31, 2019

Cost	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 ($)
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
Additions	21,342,636	7,046,309	68,102	49,952	-	-	5,331,443	321,590	34,160,032
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**

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 Pure Gold Red Lake Gold Project of $299,258 and borrowing costs of $1,144,587 have been capitalized and included in the carrying value of mineral properties.

Mineral properties

Mineral properties consists solely of the Pure Gold Red Lake Gold Project. On March 4, 2014, the Company acquired a 100% interest in the Pure Gold Red Lake Gold Project from Claude Resources Inc. Claude. The Pure Gold Red Lake 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-Pure Gold Red Lake Property from Sabina Gold and Silver Corp Sabina. The Newman-Pure Gold Red Lake Property is considered part of the Pure Gold Red Lake Gold Project.

9. MINERAL PROPERTIES, PLANT & EQUIPMENT (continued)

Certain of the Newman-Pure Gold Red Lake 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 Pure Gold Red Lake Gold Project, only the Russet South resources are subject to a 2% NSR which is capped at $2,000,000.

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 Pure Gold Red Lake 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 Pure Gold Red Lake 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 Pure Gold Red Lake 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 Pure Gold Red Lake 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 December 31, 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.

(Expressed in Canadian Dollars Unless Noted Otherwise)

11. LOANS AND BORROWINGS

	Credity Facility (a)	Production Payment Agreement (b)	Total
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**
Current	**(780,648)**	**-**	**(780,648)**
Loans and borrowing non-current	**14,135,680**	**4,097,229**	**18,232,909**

On August 6, 2019 the Company closed a project financing package with Sprott Resource Lending Corp. (“Sprott”) for the construction of the Pure Gold Red Lake Red Lake Mine. 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 have been considered together in determining their initial fair values.

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 $1,638,629 were attributed to the Credit Facility and included in deferred charges, transaction costs totalling $97,144 were attributed to the PPA and included in deferred charges. These amounts have been 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.

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 Pure Gold Red Lake 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 December 31, 2019 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”) shall be capitalized and added to the principal loan amount. At all times following the last day of the Availability Period, which is August 6, 2019 to March 31, 2021, 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.

11. LOANS AND BORROWINGS (continued)

a. Credit Facility (continued)

The floating interest rate floor of 2.5% over the base rate 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 will be fair valued with changes in fair value recorded as a gain or loss in the statement of profit or loss. On initial recognition, the fair value of the derivative was $924,964. The derivative liability was revalued at December 31, 2019, to a fair value of $703,676, resulting in a change in fair value gain of $221,288 recognized in net loss.

On August 7, 2019 the Company made an initial nominal drawdown 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. Any 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.

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.

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, 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. Those costs allocated to the initial draw have been included in the determination of the amortized cost of the Credit Facility, and will be amortized using the effective interest rate method. The balance of the deferred charges and transaction costs allocated to the initial draw was $1,540,318. The remaining balance of discounts and transaction costs of $8,471,754 is recorded as deferred finance charges in non-current assets, and will be included in the determination of the amortized cost and effective interest rate of subsequent draws as they occur. The effective interest rate on the first tranche is approximately 7.5% per annum, and the Company has incurred USD$381,048 (CAD$502,893) of unpaid and accrued interest payable in cash as at December 31, 2019. 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 Pure Gold Red Lake 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 is 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 December 31, 2019 this derivative has a fair value of nil.

11. LOANS AND BORROWINGS (continued)

b. 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 from which the Company receives payment on 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.

At inception, the fair value of the PPA was US$2,976,835 (CAD$3,945,199). The PPA has been 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 has been 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.

12. 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**

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"). 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 Pure Gold Red Lake 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.

(Expressed in Canadian Dollars Unless Noted Otherwise)

12. GOLD STREAM DERIVATIVE LIABILITY (continued)

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 Company considered whether the Gold Stream would qualify as an 'own use contract', whereby it would not require fair value accounting under IFRS. An 'own use contract' is one that results in the physical delivery of a company's non-financial asset. The Gold Stream failed to qualify under the 'own use exemption' as a result of the net settlement provisions within the Gold Stream agreement.

The fair value of the Gold Stream is calculated at each reporting date with gains and losses recorded in net earnings.

The fair value of the Gold Stream derivative at August 6, 2019 was determined to be US$24,045,186 (CAD$31,867,085). At December 31, 2019, the fair value of the Gold Stream is CAD$37,613,935, with the change in fair value of $5,746,850 recognized in net loss.

13. PROVISION FOR CLOSURE AND RECLAMATION

The Company has recognized a liability relating to its Pure Gold Red Lake 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 December 31, 2019 using a pre-tax discount rate of 1.70% 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 December 31, 2019 is $20,470,379 (December 31, 2018 - $3,231,694). The Company has estimated that payments will be made in 2032 (December 31, 2018 – 2033).

	Year Ended December 31, 2019	Fiscal Period Ended December 31, 2018
Balance, beginning of the year	$ 2,438,919	$ 2,372,958
New estimated cash flows and changes in estimates	14,029,131	27,351
Accretion on discounted obligation	40,870	38,610
Balance, end of the year	**$ 16,508,920**	**$ 2,438,919**

(Expressed in Canadian Dollars Unless Noted Otherwise)

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 (Note 16) pursuant to the Oxygen Agreement (Note 16).

Balance – January 1, 2019	$ 722,232
Depreciation	(149,066)
Balance – December 31, 2019	**$ 573,166**

b. Lease liabilities

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

Balance – December 31, 2019	$ 13,270
January 1, 2019 opening balance adjustment – IFRS 16 adoption	689,918
Principal payments	(183,744)
Finance charge	51,845
	571,289
Less: current portion	(130,847)
Long term lease liability – December 31, 2019	**$ 440,442**

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	$171,891	$492,126	$664,017
Finance charge	(41,044)	(51,684)	(92,728)
Total principal payments	**$ 130,847**	**$440,442**	**$571,289**

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 year ended December 31, 2019, the Company recognized $51,845 in interest expense on lease liabilities.

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 $111,483 of variable lease payments during the year ended December 31, 2019.

(Expressed in Canadian Dollars Unless Noted Otherwise)

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 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.

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.

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 (at that time) 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.

(Expressed in Canadian Dollars Unless Noted Otherwise)

15. EQUITY (continued)

b. Private Placements (continued)

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 year ended December 31, 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 – December 31, 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 December 31, 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 16). 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.

(Expressed in Canadian Dollars Unless Noted Otherwise)

15. EQUITY (continued)

d. Stock Options (continued)

At December 31, 2019, 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
February 10, 2020	$0.35	200,000	0.11	200,000
March 19, 2020	$0.28	650,000	0.22	650,000
December 3, 2020	$0.11	33,333	0.93	33,333
December 11, 2020	$0.11	2,700,000	0.95	2,700,000
May 26, 2021	$0.63	400,000	1.40	400,000
October 11, 2021	$0.72	300,000	1.78	300,000
November 14, 2021	$0.72	75,000	1.87	75,000
December 21, 2021	$0.44	4,635,000	1.98	4,635,000
June 16, 2022	$0.54	200,000	2.46	200,000
July 24, 2022	$0.54	100,000	2.56	66,666
December 15, 2022	$0.49	5,160,000	2.96	4,040,000
June 5, 2023	$0.65	16,667	3.43	16,667
June 11, 2023	$0.65	200,000	3.45	200,000
May 6, 2024	$0.54	200,000	4.35	-
November 18, 2024	$0.64	250,000	4.89	-
December 13, 2024	$0.74	4,735,000	4.96	2,611,668
	$0.49	**19,855,000**	**2.79**	**16,128,334**

The options exercisable at December 31, 2019 have a weighted average exercise price of $0.42.

Details of options granted, exercised, expired and forfeited during the year ended December 31, 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 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**

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 year ended December 31, 2019 and the nine months ended December 31, 2018 were as follows:

(Expressed in Canadian Dollars Unless Noted Otherwise)

15. EQUITY (continued)

d. Stock Options (continued)

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
Nov 18, 2019	5.0	$0.64	1.48%	55.03%[2]	$0.31
Dec 13, 2019	5.0	$0.74	1.59%	53.95%[2]	$0.35

[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.
(ii) The 4,735,000 options granted December 13, 2019 were subject to vesting provisions whereby one third will vest 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.

Exercise of Options

The weighted average share price on the date the stock options were exercised during the year was $0.55 (2018 - $0.64). In connection with these option exercises, the related fair value amount of $801,066 (2018 - $14,069) was transferred from equity reserves to share capital.

Forfeiture of Options

As a result of the forfeitures during the year, previously recognized share-based compensation relating to the unvested options of $11,520 (2018 - $2,692) was reversed, resulting in a net expense for the year of $1,437,959 (2018 - $1,528,798). No options were forfeited during the nine months ended December 31, 2018.

Expiry of Options

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

(Expressed in Canadian Dollars Unless Noted Otherwise)

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 December 31, 2019, Oxygen holds a refundable deposit of $305,280 on behalf of the Company (December 31, 2018 - $305,280). During the year ended December 31, 2019, a total of $1,955,340 (nine months ended December 31, 2018 - $1,508,921) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at December 31, 2019, the Company has a payable amount to Oxygen of $154,130 (December 31, 2018 - $123,567).

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:

	Year Ended December 31, 2019	Nine Months Ended December 31, 2018
Salaries and other short-term employee benefits	$ 1,456,153	$ 678,750
Directors fees	410,000	420,000
Share-based compensation	1,135,286	548,302
Total	**$ 3,001,439**	**$ 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.

(Expressed in Canadian Dollars Unless Noted Otherwise)

18. COMMITMENTS & CONTINGENCIES

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

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.

b. The Company had incurred the full qualifying resource expenditures relating to the March 29, 2019 private placement (Note 15b) by December 31, 2019. As at December 31, 2019, the Company had not yet filed its renunciation forms, and therefore, the associated flow-through liability remained on the Company's balance sheet. The renunciation forms were subsequently filed in February 2020.

19. SUPPLEMENTAL CASH FLOW INFORMATION

Non-Cash Investing and Financing Activities	Year Ended December 31, 2019	Nine Months Ended December 31, 2018
Shares issued in debt financing (Note 11)	$ 2,381,420	$ -
Change in estimate of provision for closure and reclamation	$ 14,029,130	$ 145,074

20. FINANCIAL INSTRUMENTS

a. Financial Assets and Liabilities

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

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:

20. FINANCIAL INSTRUMENTS (continued)

c. Fair Value (continued)

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

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

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

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

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

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

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

- Accretion due to passage of time
- Change in the risk-free interest rate
- Change in the Company's credit spread
- Change in any expected ounces to be delivered
- Change in expected future metal prices
- Life of mine production profile

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 year ended December 31, 2019.

21. MANAGEMENT OF CAPITAL

Capital includes all components of shareholders' equity. The Company's objective in managing capital is to safeguard the Company's ability to continue as a going concern, to maintain a flexible capital structure which optimizes cost of capital at acceptable risk, and to provide reasonable returns to shareholders and benefits for other stakeholders.

The Company invests its funds in deposits and term deposits with major financial institutions and monitors capital by gauging cash available for use. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions, foreign exchange rates, and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders. Other than what has already been disclosed in Note 11 in respect of Loans and Borrowings, the Company is not subject to externally imposed capital requirements.

22. 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:

Credit Risk

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

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

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

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its obligations as they fall due. The Company's cash and cash equivalents are invested in business accounts and term deposits which are available on demand. The Company manages liquidity risk by preparing and maintaining cash forecasts, which illustrate cash spent to date and its cash needs over the short term and over repayment dates into the future as it pertains to the Credit Facility. At December 31, 2019, the Company had cash of $70,277,719 (December 31, 2018 - $4,254,624) and short-term investments of $23,000 (December 31, 2018 - $23,000) to settle current liabilities of $7,414,432 ($6,564,795 excluding the flow-through premium liability of $849,637) (December 31, 2018 - $1,019,408).

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 cash flow interest rate risk due to the floating rate interest on the Credit Facility. For the year ended December 31, 2019, an increase of 25 basis points in market interest rates would result in approximately $25,000 in additional interest payable on the 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 year ended December 31, 2019:

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

(Expressed in Canadian Dollars Unless Noted Otherwise)

23. INCOME TAXES

a. The income tax provision for the year ended December 31, 2019 differs from the amount that would have resulted from applying combined Canadian federal and provincial income tax rates of 27% (nine months ended December 31, 2018 – 27%).

	Twelve Months Ended December 31, 2019	Nine Months Ended December 31, 2018
Loss before income taxes	$ (21,821,835)	$ (22,663,690)
Statutory Canadian federal and provincial tax rates	27%	27%
Expected tax recovery	(5,891,895)	(6,119,196)
Adjustments:		
Flow through shares	-	1,465,316
Flow through premium liabilities	-	(762,506)
Permanent differences	385,176	243,700
Change in tax rates	(69,483)	-
Benefit not recognized and other	5,576,202	4,410,180
Income tax (recovery) expense	**$ -**	**$ (762,506)**

b. Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial and tax purposes. The Company holds no deferred tax assets and liabilities.

c. The following are temporary differences, the net benefits of which have not been recognized at December 31, 2019 and December 31, 2018:

	December 31, 2019	December 31, 2018
Non-capital loss carry-forwards	$ 12,888,820	$ 7,381,458
Share issuance and other financing costs	2,725,456	686,300
Other	4,475,408	658,508
Exploration and evaluation assets	4,646,857	9,500,470
Total temporary differences	**$ 24,718,541**	**$ 18,226,736**

d. The Company has non-capital losses which may be applied to reduce future year's taxable income. At December 31, 2019, the non-capital losses amounted to $47,736,369 (December 31, 2018 – $27,338,733) which will expire between the years 2025 and 2039.

There are no income taxes owing by Pure Gold at December 31, 2019.

24. SUBSEQUENT EVENTS

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

b. Subsequent to December 31, 2019, 750,000 stock options were exercised at a weighted average exercise price of $0.23 per share.

24. SUBSEQUENT EVENTS (continued)

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