



**Pure Gold Mining Inc.**

**Condensed Interim Consolidated Financial Statements**

**For the three and six months ended June 30, 2020 and 2019**

*(Unaudited – Prepared by Management)*

*(Expressed in Canadian Dollars Unless Noted Otherwise)*

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

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

The accompanying unaudited condensed consolidated financial statements of Pure Gold Mining Inc. (the "Company") for the three and six months ended June 30, 2020 and 2019, have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of the comparative condensed interim consolidated statements of loss and comprehensive loss, changes in equity and cash flow for the three and six month periods ended June 30, 2019 and the related notes in accordance with standards established by the Chartered Professional Accountants of Canada ("CPA Canada") for a review of interim financial statements by an entity's auditor.

# Pure Gold Mining Inc.

## Condensed Interim Consolidated Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Notes	As at June 30, 2020	As at December 31, 2019
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 89,948,286	\$ 70,277,719
Short-term investments		57,500	23,000
Amounts receivable	4	1,813,207	987,226
Prepaid expenses	5	1,903,039	379,479
		93,722,032	71,667,424
<b>Non-current Assets</b>			
Mineral properties, plant and equipment	7	96,481,840	48,814,564
Reclamation deposits	8	1,322,799	1,322,799
Deferred finance charges	9	5,391,116	8,471,753
Deposits	14	396,280	305,280
<b>Total Assets</b>		<b>\$ 197,314,067</b>	<b>\$ 130,581,820</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities		\$ 14,768,608	\$ 6,433,948
Flow-through premium liability	13b, 16	3,256,579	849,637
Loans and borrowings	9	1,895,443	780,648
Lease liabilities	12	140,957	130,845
		20,061,587	8,195,078
<b>Non-current Liabilities</b>			
Loans and borrowings	9	47,769,711	18,232,909
Gold stream derivative liability	10	34,731,776	37,613,935
Provision for closure and reclamation	11	22,062,832	16,508,920
Lease liabilities	12	367,374	440,442
<b>Total Liabilities</b>		<b>124,993,280</b>	<b>80,991,284</b>
<b>Equity</b>			
Share capital	13a	181,493,959	156,770,937
Equity reserves	13c, 13d	14,816,425	15,777,081
Accumulated deficit		(123,989,597)	(122,957,482)
<b>Total Equity</b>		<b>72,320,787</b>	<b>49,590,536</b>
<b>Total Liabilities and Equity</b>		<b>\$ 197,314,067</b>	<b>\$ 130,581,820</b>

**Commitments & Contingencies** (Note 16)

**Subsequent Events** (Note 18)

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

“Lenard Boggio”, Audit Committee Chair

“Graeme Currie”, Director

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

# Pure Gold Mining Inc.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Income Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Notes	For the three months ended June 30, 2020	For the three months ended June 30, 2019	For the six months ended June 30, 2020	For the six months ended June 30, 2019
<b>Expenses</b>					
Wages, consulting and director fees		\$ 458,160	\$ 405,511	\$ 920,458	\$ 796,914
Professional fees		221,054	750,204	575,649	976,555
Investor relations and communication		216,862	181,302	523,881	308,430
Share-based compensation	13d	118,112	128,417	357,320	258,182
Office and rent		136,251	131,971	291,503	259,137
Exploration and evaluation expenditures	6	122,437	1,957,783	214,132	3,604,264
Listing and filing fees		82,758	460,337	165,857	606,907
Depreciation		37,817	38,588	76,327	77,869
<b>Operating Expenses</b>		<b>(1,393,451)</b>	<b>(4,054,511)</b>	<b>(3,125,127)</b>	<b>(6,888,258)</b>
<b>Other Income and (Expenses)</b>					
Foreign Exchange gain		2,496,410	-	1,339,305	-
Finance income		107,506	37,323	420,101	62,673
Loss on change in fair value of derivative	9,10	(10,855,746)	-	(391,496)	-
Accretion expense	11	(33,006)	(10,267)	(102,726)	(22,131)
Finance expense		(10,590)	(13,190)	(21,809)	(27,366)
Loss before Income Taxes		(9,688,877)	(4,040,249)	(1,881,752)	(6,875,082)
Income tax recovery	16b	-	-	849,637	-
<b>Net Loss and Comprehensive Loss for the Period</b>		<b>(9,688,877)</b>	<b>(4,040,249)</b>	<b>(1,032,115)</b>	<b>(6,875,082)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>		<b>367,064,182</b>	<b>267,172,425</b>	<b>362,902,159</b>	<b>261,996,426</b>
<b>Basic and Diluted Loss per Common Share</b>		<b>\$ (0.03)</b>	<b>\$ (0.02)</b>	<b>\$ (0.00)</b>	<b>\$ (0.03)</b>

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

# Pure Gold Mining Inc.

## Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Notes	Number of Common Shares	Share Capital	Equity Reserves	Accumulated Deficit	Total
Balance – December 31, 2018		256,341,050	\$ 107,996,948	\$ 10,552,337	\$ (101,135,647)	\$ 17,413,638
Common share issuance - financing	13b	86,414,000	47,527,700	-	-	47,527,700
Share issue costs – cash		-	(2,864,160)	-	-	(2,864,160)
Fair value of warrants issued with common shares	13c	-	(4,881,288)	4,881,288	-	-
Share issue costs allocated to warrants		-	293,437	(293,437)	-	-
Flow-through common share issuance	13b	7,723,975	5,175,063	-	-	5,175,063
Flow-through premium liability		-	(849,637)	-	-	(849,637)
Share issue costs – cash		-	(526,312)	-	-	(526,312)
Common shares issuance – other	7,9	4,841,000	3,011,420	-	-	3,011,420
Exercised stock options		3,146,667	1,086,700	-	-	1,086,700
Fair value of exercised stock options	13d	-	801,066	(801,066)	-	-
Share-based compensation	13d	-	-	1,437,959	-	1,437,959
Net loss for the period		-	-	-	(21,821,835)	(21,821,835)
Balance – December 31, 2019		358,466,692	\$ 156,770,937	\$ 15,777,081	\$ (122,957,482)	\$ 49,590,536
Flow-through common share issuance	13b	9,868,421	15,000,000	-	-	15,000,000
Flow-through premium liability	13b	-	(3,256,579)	-	-	(3,256,579)
Share issue costs – cash	13b	-	(1,017,226)	-	-	(1,017,226)
Exercised warrants	13c	14,475,000	12,303,735	-	-	12,303,735
Exercised stock options	13d	818,334	215,400	-	-	215,400
Fair value of exercised stock options	13d	-	129,573	(129,573)	-	-
Fair value of exercised warrants	13c	-	1,348,119	(1,348,119)	-	-
Share-based compensation	13d	-	-	517,036	-	517,036
Net loss for the period		-	-	-	(1,032,115)	(1,032,115)
Balance – June 30, 2020		383,628,447	\$ 181,493,959	\$ 14,816,425	\$ (123,989,597)	\$ 72,320,787

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

# Pure Gold Mining Inc.

## Condensed Interim Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Notes	For the Six months ended June 30, 2020	For the Six months ended June 30, 2019
<b>Operating Activities</b>			
Net loss for the period		\$ (1,032,115)	\$ (6,875,082)
Items not affecting cash:			
Unrealized foreign exchange gain		(1,339,305)	-
Deferred income tax recovery		(849,637)	-
Finance income		(420,101)	(62,673)
Change in fair value of derivative liabilities		391,496	-
Share-based compensation	13d	357,320	258,182
Accretion expense	11	102,726	22,131
Depreciation	7	119,854	148,258
Finance expense		21,809	27,366
Changes in non-cash working capital:			
Accounts payable and accrued liabilities		1,377,270	37,686
Prepaid expenses		(261,308)	(362,187)
Amounts receivable		(16,981)	136,388
Deposits		(91,000)	-
Net cash used in operating activities		(1,639,972)	(6,669,931)
<b>Investing Activities</b>			
Mineral properties, plant, and equipment	7	(35,422,195)	(8,308)
Interest received		420,101	62,850
Short-term investment		(34,500)	-
Net cash (used in) provided by investing activities		(35,036,594)	54,542
<b>Financing Activities</b>			
Proceeds from Credit Facility drawdown	9	27,820,000	-
Proceeds from equity financings	13b	15,000,000	5,175,063
Proceeds from exercised warrants	13c	12,303,736	-
Share issue costs		(1,017,226)	(526,312)
Issue Discount on Credit Facility drawdown	9	(562,640)	-
Proceeds from exercised stock options	13d	215,400	1,086,700
Payment of lease liabilities	12	(84,768)	(90,767)
Net cash provided by financing activities		53,674,502	5,644,684
Effect of foreign exchange on cash		2,672,631	-
<b>Net (Decrease) Increase in Cash</b>		<b>16,997,936</b>	<b>(970,705)</b>
<b>Cash - Beginning of the Period</b>		<b>70,277,719</b>	<b>4,254,624</b>
<b>Cash - End of the Period</b>		<b>\$ 89,948,286</b>	<b>\$ 3,283,919</b>

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

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

*(Unaudited – Prepared by Management)*

*(Expressed in Canadian Dollars Unless Noted Otherwise)*

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### 1. GENERAL INFORMATION

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

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

In August 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 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.

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### 2. BASIS OF PREPARATION

#### Statement of Compliance

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

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

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

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### 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

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

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

#### COVID-19 Estimation Uncertainty

In March 2020, the World Health Organization declared a global pandemic related to COVID-19. The current and expected impacts on global commerce are anticipated to be far reaching. To date there has been significant volatility in equity, commodity and foreign exchange markets and the global movement of people and some goods has become restricted. The Company continues to operate its business and the development of the RL Mine, with only minor project delays resulting from delays in parts fabrication due to Covid-19 which has extended the development schedule by an additional month. There remains ongoing uncertainty surrounding COVID-19 and the extent and duration of the impacts that it may have on future production, cash flows and on global financial markets. In addition, the significant volatility in commodity and foreign exchange markets may have a material impact on the fair value of the Company's embedded derivatives in the Credit Facility and the Gold Stream.

### 4. AMOUNTS RECEIVABLE

Amounts receivable are comprised of the following:

	June 30, 2020	December 31, 2019
Refundable goods and services tax/ harmonized sales tax	\$ 1,801,907	\$ 981,591
Other receivables	21,300	5,635
<b>Total</b>	<b>\$ 1,823,207</b>	<b>\$ 987,226</b>

### 5. PREPAID EXPENSES

Prepaid expenses comprised of the following:

	June 30, 2020	December 31, 2019
Exploration deposit	\$ 1,079,368	\$ -
Insurance and benefits premiums	533,141	50,608
Investor relations and communication	121,730	56,357
Software licenses	91,496	44,795
Other prepaid expenses	27,569	54,825
Corporate listing and regulatory	25,485	-
Surety bond premium	24,250	48,502
Capital equipment purchase advances	-	124,392
<b>Total</b>	<b>\$ 1,903,039</b>	<b>\$ 379,479</b>



# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

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### 6. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

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

For the six months ended June 30, 2020	Pure Gold Red Lake Gold Project <sup>(1)</sup>	Other Properties <sup>(2)</sup>	Total
Salaries, wages and benefits	\$ 40,748	\$ -	\$ 40,748
Surface drilling	69,584	-	69,584
Depreciation	43,528	-	43,528
Administration and other	60,272	-	60,272
<b>Expenditures for the period</b>	<b>214,132</b>	<b>-</b>	<b>214,132</b>
Cumulative balance – December 31, 2019	86,069,182	8,258,097	94,327,279
<b>Cumulative balance – June 30, 2020</b>	<b>\$ 86,283,314</b>	<b>\$ 8,258,097</b>	<b>\$ 94,541,411</b>

For the six months ended June 30, 2019	Pure Gold Red Lake Gold Project	Other Properties <sup>(1)</sup>	Total
Salaries, wages and benefits	\$ 750,070	\$ -	\$ 750,070
Contractors / consultants	623,378	-	623,378
Drilling	492,629	-	492,629
Feasibility Study	395,821	-	395,821
Engineering	331,290	-	331,290
Assaying	188,490	-	188,490
Utilities	178,302	-	178,302
Preliminary Economic Assessment	170,366	-	170,366
Camp & field costs	112,552	-	112,552
Travel and accommodation	91,308	-	91,308
Depreciation	70,389	-	70,389
Equipment rental	64,163	-	64,163
Community & safety	56,014	-	56,014
Property fees	55,417	-	55,417
Administration and other	24,075	-	24,075
<b>Expenditures for the period</b>	<b>3,604,264</b>	<b>-</b>	<b>3,604,264</b>
Cumulative balance – December 31, 2018	77,208,536	8,258,097	85,466,633
<b>Cumulative balance – June 30, 2019</b>	<b>\$ 80,812,800</b>	<b>\$ 8,258,097</b>	<b>\$ 89,070,897</b>

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

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

#### Van Horne Property, Ontario

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

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Six Months Ended June 30, 2020									
	Mineral Properties and Mine Development	Construction in Progress	Computer Equipment & Software	Office Furniture & Other Equipment	Buildings	Land	Mine Fleet and Vehicles	Equipment & Infrastructure	Total
Cost	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
December 31, 2019	29,329,481	7,662,959	200,782	117,085	689,918	5,048,767	5,364,839	1,496,012	49,909,843
Capitalized borrowing costs	1,881,401	-	-	-	-	-	-	-	1,881,401
Reclamation provision	5,451,186	-	-	-	-	-	-	-	5,451,186
Additions	13,960,179	24,115,598	29,658	-	-	-	3,050,565	208,399	41,364,399
Transfers	-	(190,000)	-	-	190,000	-	-	-	-
June 30, 2020	50,622,247	31,588,557	230,440	117,085	879,918	5,048,767	8,415,404	1,704,411	98,606,829
<b>Accumulated Depreciation</b>									
December 31, 2019	-	-	(141,242)	(30,457)	(145,246)	-	(262,562)	(515,772)	(1,095,279)
Depreciation	-	-	(15,859)	(4,918)	(77,363)	-	(860,307)	(71,263)	(1,029,710)
June 30, 2020	-	-	(157,101)	(35,375)	(222,609)	-	(1,122,869)	(587,035)	(2,124,989)
<b>Carrying Amounts</b>									
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
June 30, 2020	50,622,247	31,588,557	73,339	81,710	657,309	5,048,767	7,292,535	1,117,376	96,481,840
Year Ended December 31, 2019									
	Mineral Properties and Mine Development Costs	Construction in Progress	Computer Equipment & Software	Office Furniture & Other Equipment	Buildings	Land	Mine Fleet and Vehicles	Equipment & Infrastructure	Total
Cost	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
December 31, 2018	-	616,650	132,680	67,133	-	5,048,767	33,396	1,174,422	7,073,048
Right-of-use asset	-	-	-	-	689,918	-	-	-	689,918
Capitalized borrowing costs	1,144,587	-	-	-	-	-	-	-	1,144,587
Reclamation provision	14,148,952	-	-	-	-	-	-	-	14,148,952
Additions	6,049,097	7,046,309	68,102	49,952	-	-	5,331,443	321,590	18,866,493
Transfer to mineral properties	7,986,845	-	-	-	-	-	-	-	7,986,845
December 31, 2019	29,329,481	7,662,959	200,782	117,085	689,918	5,048,767	5,364,839	1,496,012	49,909,843
<b>Accumulated Depreciation</b>									
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)
<b>Carrying Amounts</b>									
December 31, 2018	-	616,650	8,794	32,134	-	5,048,767	14,314	800,243	6,520,902
December 31, 2019	29,329,481	7,662,959	59,540	86,628	544,672	5,048,767	5,102,277	980,240	48,814,564

No depreciation or depletion has been recorded for the mill as these assets are not ready for use as intended by management. Land has not been depreciated as it has an unlimited useful life. Depreciation on assets used in the development of the RL Mine Project of \$909,856 has been capitalized and included in the carrying value of mineral properties.

#### Mineral properties

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

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

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 7. MINERAL PROPERTIES, PLANT AND EQUIPMENT (continued)

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

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

### 8. RECLAMATION DEPOSITS

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

The collateral required by the Surety has resulted in a reclamation deposit balance at June 30, 2020 of \$1,322,799 (December 31, 2019 - \$1,322,799). All deposits are classified as long-term, regardless of their term, as the funds will remain on deposit until the surety bonds are extinguished.

### 9. LOANS AND BORROWINGS

	Credity Facility	Production Payment	Total
	(a)	(b)	
Loans and borrowings at January 1, 2019	-	-	-
Fair Value on initial recognition	16,181,705	3,945,199	20,126,904
Deferred charges	(1,540,319)	-	(1,540,319)
Interest and accretion	780,648	235,065	1,015,713
Gain on change in FV of derivative	(206,931)	-	(206,931)
Foreign exchange gain	(298,775)	(83,035)	(381,810)
<b>Loans and borrowings at December 31, 2019</b>	<b>14,916,328</b>	<b>4,097,229</b>	<b>19,013,557</b>
Advance on Credit Facility	27,820,000	-	27,820,000
Deferred charges	(3,643,278)	-	(3,643,278)
Interest and accretion	1,315,342	257,274	1,572,616
Change in fair value of derivative	4,281,916	-	4,281,916
Amortization of deferred charges	295,278	-	295,278
Foreign exchange loss	123,678	201,387	325,065
<b>Loans and borrowings at June 30, 2020</b>	<b>45,109,264</b>	<b>4,555,890</b>	<b>49,665,154</b>
<b>Current</b>	<b>(1,895,443)</b>	<b>-</b>	<b>(1,895,443)</b>
<b>Loans and borrowing non-current</b>	<b>43,213,821</b>	<b>4,555,890</b>	<b>47,769,711</b>

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 9. LOANS AND BORROWINGS (continued)

#### a. Credit Facility

On April 30, 2020 the Company made its second draw on the Credit Facility in the amount of USD 20,000,000, subject to an issue discount of 2%. The issue discount, along with a proportion of the deferred finance costs previously recognized on the balance sheet, have been included in the amortized cost of the second drawdown, and will be amortized on an effective interest rate basis over the life of the Credit Facility. The effective interest rate of the second drawdown was 12.29% per annum. Accrued interest has been capitalized as borrowing costs within mine properties, plant and equipment. As at June 30, 2020 the fair value of the interest rate floor derivative liability was \$4,922,098 (December 31, 2019 - \$703,676).

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 Spratt an additional amount equal to 3% of the amount of such prepayment if it is repaid anytime between August 6, 2021 and one year thereafter. Any prepayment after this date does not carry any penalty. The prepayment option has been determined to be an embedded derivative that is not closely related to the Credit Facility, and is bifurcated and accounted for separately. At each reporting period, the derivative is fair valued with changes in fair value recorded as an expense in profit or loss. As at June 30, 2020 this derivative has a nominal fair value (December 31, 2019 – nil).

At June 30, 2020 the Company was in compliance with the covenants under the Credit Facility.

#### a. Production-linked Liability (“PPA”)

Interest incurred on the PPA continues to be 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 of the PPA is approximately 11.7% per annum.

### 10. GOLD STREAM DERIVATIVE LIABILITY

	<b>Gold Stream derivative liability</b>
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)
<b>Balance at December 31, 2019</b>	<b>\$ 37,613,935</b>
Gain on change in fair value	(3,890,421)
Foreign exchange loss	1,008,262
<b>Balance at June 30, 2020</b>	<b>\$ 34,731,776</b>

As at June 30, 2020, the fair value of the Gold Stream was \$34,731,776 (December 31, 2019 - \$37,613,935), with the change in fair value during the three and six months ended June 30, 2020 of a \$7,369,395 loss and a \$3,890,421 gain, respectively, recognized in net loss (2019 – nil).

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 11. PROVISION FOR CLOSURE AND RECLAMATION

The Company has recognized a liability relating to its RL Mine Project and has determined that no significant closure and reclamation liabilities exist in connection with the activities on its other properties. The Company has calculated the present value of the closure and reclamation provision at June 30, 2020 using a pre-tax discount rate of 0.52% and inflation rate of 2.00% (December 31, 2019 – 1.70% and 2.00%, respectively). The estimated total future undiscounted, but inflation-adjusted, cash flows to settle the provision for closure and reclamation at June 30, 2020 is \$21,013,053 (December 31, 2019 - \$20,470,379). The Company has estimated that payments will be made in 2032 (December 31, 2019 – 2032).

	Six months ended June 30, 2020	Year Ended December 31, 2019
Balance, beginning of the period	\$ 16,508,920	\$ 2,438,919
New estimated cash flows and changes in estimates	5,451,186	14,029,131
Accretion on discounted obligation	102,726	40,870
<b>Balance, end of the period</b>	<b>\$ 22,062,832</b>	<b>\$ 16,508,920</b>

The new estimated cash flows and changes in estimates is a result of new disturbances from the continuing development of the RL Mine Project in addition to updates to the Company's closure plan.

### 12. LEASES

#### a. Right-of-use assets

The Company leases assets such as office space (Note 14) and equipment. These assets are classified as property, plant and equipment in the statement of financial position.

The Company's lease with respect to its head office premises is held and paid by Oxygen (Note 14) pursuant to the Oxygen Agreement (Note 14).

Balance – January 1, 2019	\$ 722,232
Depreciation	(149,066)
Balance – December 31, 2019	573,166
Depreciation	(74,523)
<b>Balance – June 30, 2020</b>	<b>\$ 498,643</b>

#### b. Lease liabilities

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

Balance – December 31, 2018	\$ 13,270
January 1, 2019 opening balance adjustment – IFRS 16 adoption	689,918
Principal payments	(183,744)
Finance charge	51,845
Balance – December 31, 2019	571,289
Principal payments	(84,768)
Finance charge	21,810
<b>Balance – June 30, 2020</b>	<b>508,331</b>
Less: current portion	(140,957)
<b>Long term lease liability – June 30, 2020</b>	<b>\$ 367,374</b>

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

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### 12. LEASES (continued)

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

	Up to 1 year	1 to 5 years	Total
Minimum lease payments	\$ 176,600	\$ 402,649	\$ 579,249
Finance charge	(35,643)	(35,275)	(70,918)
<b>Total principal payments</b>	<b>\$ 140,957</b>	<b>\$ 367,374</b>	<b>\$ 508,331</b>

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

For the three and six months ended June 30, 2020, the Company recognized \$10,590 and \$21,809, respectively, in interest expense on lease liabilities (2019 - \$13,191 and \$27,366, respectively).

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 \$28,785 and \$56,365 of variable lease payments during the three and six months ended June 30, 2020, respectively (2019 - \$23,500 and \$47,815, respectively).

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### 13. EQUITY

#### a. Share Capital

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

#### b. Private Placements

On June 17, 2020, the Company completed a non-brokered private placement of 9,868,421 Charity Flow Through Shares (the "Charity FT Shares") at a price of \$1.52 per Charity FT Share, for gross proceeds of \$15,000,000. In connection with the private placement, the Company paid commissions, legal fees and filing fees totaling \$1,017,226. As a result of the Charity FT Shares, the Company recognized a flow-through premium liability of \$3,256,579 (Note 16).

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

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

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 13. EQUITY (continued)

#### c. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the six months ended June 30, 2020 and the year ended December 31, 2019 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding Balance – December 31, 2018	14,465,000	\$0.85
Issued	43,207,000	\$0.85
Outstanding Balance – December 31, 2019	57,672,000	\$0.85
Exercised	(14,475,000)	\$0.85
<b>Outstanding Balance – June 30, 2020</b>	<b>43,197,000</b>	<b>\$0.85</b>

#### Exercise of warrants

In connection with the warrants exercised during the period, the related fair value amount of \$1,348,119 (2019 - nil) was transferred from equity reserves to share capital.

#### d. Stock Options

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

At June 30, 2020, the following options are outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Life in Years	Number of Options Exercisable
December 3, 2020	\$0.11	33,333	0.43	33,333
December 11, 2020	\$0.11	2,450,000	0.45	2,450,000
May 26, 2021	\$0.63	400,000	0.90	400,000
October 11, 2021	\$0.72	300,000	1.28	300,000
November 14, 2021	\$0.72	75,000	1.38	75,000
December 21, 2021	\$0.44	4,590,000	1.48	4,590,000
June 16, 2022	\$0.54	200,000	1.96	200,000
July 24, 2022	\$0.54	100,000	2.07	66,666
December 15, 2022	\$0.49	5,153,333	2.46	4,033,336
June 11, 2023	\$0.65	200,000	2.95	200,000
May 6, 2024	\$0.54	200,000	3.85	66,667
November 18, 2024	\$0.64	250,000	4.39	-
December 13, 2024	\$0.74	4,735,000	4.46	2,611,668
February 19, 2025	\$0.77	350,000	4.64	350,000
June 24, 2025	\$1.54	300,000	4.99	-
	<b>\$0.52</b>	<b>19,336,666</b>	<b>2.52</b>	<b>15,376,670</b>

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 13. EQUITY (continued)

#### d. Stock Options (continued)

The options exercisable at June 30, 2020 have a weighted average exercise price of \$0.47.

Details of options granted, exercised, expired and forfeited during the six months ended June 30, 2020 and the year ended December 31, 2019 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance – December 31, 2018	18,450,000	\$0.39
Granted during the year	5,185,000	\$0.73
Exercised during the year	(3,146,667)	\$0.35
Expired during the year	(590,000)	\$0.35
Forfeited during the year	(43,333)	\$0.61
Balance – December 31, 2019	19,855,000	\$0.49
Granted during the period	650,000	\$1.13
Exercised during the period	(818,334)	\$0.26
Expired during the period	(350,000)	\$0.28
<b>Balance – June 30, 2020</b>	<b>19,336,666</b>	<b>\$0.52</b>

#### 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 six months ended June 30, 2020 and the year ended December 31, 2019 were as follows:

Issue Date	Expected Life of Options in Years	Exercise Price	Risk-free Interest Rate	Volatility	Weighted Average Black-Scholes Fair Value
May 6, 2019	5.0	\$0.54	1.59%	66.89% <sup>1</sup>	\$0.30
Nov 18, 2019	5.0	\$0.64	1.48%	55.03% <sup>1</sup>	\$0.31
Dec 13, 2019	5.0	\$0.74	1.59%	53.95% <sup>1</sup>	\$0.35
Feb 19, 2020	5.0	\$0.77	1.36%	50.94% <sup>1</sup>	\$0.35
June 24, 2020	5.0	\$1.54	0.38%	49.25% <sup>1</sup>	\$0.65

<sup>1</sup>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 4,735,000 options granted December 13, 2019 were subject to vesting provisions whereby one third vested at the grant date, one third will vest one year from the grant date, and one third will vest two years from the grant date.

During the three months ended June 30, 2020, the Company recognized \$200,208 of share-based compensation (2019 - \$128,417), of which \$82,096 (2019 - nil) was capitalized to mine development within mine property, plant and equipment, and \$118,112 (2019 - \$128,417) was expensed to the statement of loss and comprehensive loss.



# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars Unless Noted Otherwise)

### 13. EQUITY (continued)

#### d. Stock Options (continued)

During the six months ended June 30, 2020, the Company recognized \$517,036 of share-based compensation (2019 - \$258,182), of which \$159,716 (2019 - nil) was capitalized to mine development within mine property, plant and equipment, and \$357,320 (2019 - \$258,182) was expensed to the statement of loss and comprehensive loss.

#### *Exercise of Options*

The weighted average share price on the date the stock options were exercised during the period was \$0.69 (2019 - \$0.55). In connection with these option exercises, the related fair value amount of \$129,573 (2019 - \$801,066) was transferred from equity reserves to share capital.

### 14. RELATED PARTY TRANSACTIONS

#### Oxygen Capital Corp (“Oxygen”).

Oxygen is a private company partially owned by one director and one officer of the Company. Oxygen provides technical and administrative services to the Company under an Amended Technical and Administrative Services Agreement (the “Oxygen Agreement”) at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. As at June 30, 2020, Oxygen holds a refundable deposit of \$396,280 on behalf of the Company (December 31, 2019 - \$305,280). During the six months ended June 30, 2020, a total of \$964,245 (2019 - \$921,976) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at June 30, 2020, the Company has a payable amount to Oxygen of \$223,009 (December 31, 2019 - \$154,130).

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

#### Compensation of key management personnel

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

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Salaries and other short-term employee benefits	\$ 623,240	\$ 602,500
Directors fees	222,833	205,000
Share-based compensation	359,735	155,892
<b>Total</b>	<b>\$ 1,205,808</b>	<b>\$ 963,392</b>

# Pure Gold Mining Inc.

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### 15. SEGMENTED INFORMATION

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

### 16. COMMITMENTS & CONTINGENCIES

	Total	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years
Loans and borrowings	\$65,594,934	3,450,244	5,979,829	8,113,954	12,170,804	11,423,576	24,456,527
Accounts payable and accrued liabilities	\$14,768,608	14,768,608	-	-	-	-	-
Production linked payments	\$ 6,814,000	510,816	989,791	1,227,103	1,035,959	1,588,528	1,461,803

As at June 30, 2020, the Company is committed to incur, on a best efforts basis, qualifying resource expenditures pursuant to the June 17, 2020 private placement (Note 13b). The Company must incur the \$15,000,000 of qualifying resource expenditures in relation to the Charity FT Shares before January 1, 2022. If the Company does not spend these funds in compliance with the Government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfil its flow-through commitments within the given time constraints.

### 17. FINANCIAL INSTRUMENTS

#### a. Financial Assets and Liabilities

At June 30, 2020, the carrying amounts of cash, short-term investments, amounts receivable, interest receivable, deposits, reclamation deposits, accounts payable, and accrued liabilities are considered to be a reasonable approximation of their fair values, due to their short-term nature.

#### b. Fair Value

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

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

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

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

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### 17. FINANCIAL INSTRUMENTS (continued)

#### b. Fair Value (continued)

**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 June 30, 2020 the fair values of the embedded derivatives in the Credit Facility and the Gold Stream are determined using Level 3 inputs. All other financial instruments are categorized as Level 1.

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

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

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

A 1% change in discount rate would have a \$110,000 impact on the fair value of the Gold Stream derivative. A 1% change in gold price would have a \$255,000 impact on the fair value of the Gold Stream derivative.

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between levels in the fair value hierarchy during the six months ended June 30, 2020.

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### 18. SUBSEQUENT EVENTS

- Subsequent June 30, 2020, 1,359,500 warrants were exercised for total proceeds of \$1,155,575
  - On July 20, 2020, the Company granted 100,000 DSU's to a director of the Company.
-