Pure Gold Mining Inc.

Consolidated Financial Statements

For the years ended December 31, 2020 and 2019

(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, 2020 and 2019, and its financial performance and its cash flows for the years then ended 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, 2020 and 2019;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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.

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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 Craig McMillan.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
March 31, 2021

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

As at December 31,	Notes	2020	2019
ASSETS			
Current Assets			
Cash		$ 44,906,055	$ 70,277,719
Amounts receivable	*6*	4,638,850	987,226
Inventories	*8*	3,166,925	-
Short-term investments and deposits	*11*	1,492,712	23,000
Prepaid expenses	*7*	986,153	379,479
		55,190,695	71,667,424
Non-current Assets			
Mineral properties, plant and equipment	*10*	192,884,141	48,814,564
Deferred finance charges	*12*	-	8,471,753
Reclamation deposits	*11*	-	1,322,799
Deposits	*19*	396,280	305,280
Total Assets		$ 248,471,116	$ 130,581,820
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities		$ 21,380,053	$ 6,433,948
Lease liabilities	*15*	5,040,685	130,845
Gold stream derivative liability	*13*	5,359,000	-
Loans and borrowings	*12*	849,300	780,648
Flow-through premium liability	*16b,21*	3,256,579	849,637
		35,885,617	8,195,078
Non-current Liabilities			
Loans and borrowings	*12*	91,282,750	18,232,909
Gold stream derivative liability	*13*	38,833,489	37,613,935
Provision for closure and reclamation	*14*	21,715,055	16,508,920
Lease liabilities	*15*	291,334	440,442
Total Liabilities		188,008,245	80,991,284
Equity			
Share capital	*16a*	192,881,924	156,770,937
Equity reserves	*16c,d,e*	17,492,027	15,777,081
Accumulated deficit		(149,911,080)	(122,957,482)
Total Equity		60,462,871	49,590,536
Total Liabilities and Equity		$ 248,471,116	$ 130,581,820

Commitments & Contingencies *(Note 21)*
Subsequent Events *(Note 9, 11, 26)*

Approved by the Board of Directors on March 31, 2021:

"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 years ended December 31,	Notes	2020	2019
Cost of Operations			
Exploration and evaluation	9b	(6,626,742)	(8,860,646)
General and administrative	17	(6,527,218)	(5,728,332)
Share-based compensation	16	(4,946,376)	(1,437,959)
Depreciation	10	(160,150)	(149,850)
Operating loss for the year		**(18,260,486)**	**(16,176,787)**
Financial income and Expenses			
Change in fair value of derivative liabilities		(16,684,323)	(6,306,127)
Foreign exchange gain		6,678,644	247,110
Finance income		682,452	506,684
Accretion expense	14	(162,419)	(40,870)
Finance expense	15	(57,103)	(51,845)
Net loss before taxes		(27,803,235)	(21,821,835)
Income tax recovery	18	849,637	-
Net loss and comprehensive loss for the year		$ (26,953,598)	$ (21,821,835)
Weighted Average Number of Common Shares Outstanding		377,297,611	305,682,303
Basic and Diluted Loss per Common Share		(0.07)	(0.07)

- 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)

	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	*16b*	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	*16c*	-		(4,881,288)		4,881,288		-		-
Share issue costs allocated to warrants		-		293,437		(293,437)		-		-
Flow-through common share issuance	*16b*	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	*10,12*	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	*16d*	-		801,066		(801,066)		-		-
Share-based compensation	*16d*	-		-		1,437,959		-		1,437,959
Net loss for the year		-		-		-		(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	*16b*	9,868,421		15,000,000		-		-		15,000,000
Flow-through premium liability	*16b*			(3,256,579)		-		-		(3,256,579)
Share issue costs – cash	*16b*			(1,017,226)		-		-		(1,017,226)
Exercised warrants	*16c*	22,794,000		19,374,885		-		-		19,374,885
Fair value of exercised warrants	*16c*	-		2,624,035		(2,624,035)		-		-
Exercised stock options	*16d*	6,351,664		2,026,065		-		-		2,026,065
Fair value of exercised stock options	*16d*	-		1,359,807		(1,359,807)		-		-
Share-based compensation	*16d*	-		-		1,927,134		-		1,927,134
Deferred Share Unit compensation	*16e*	-		-		3,771,654		-		3,771,654
Net loss for the year		-		-		-		(26,953,598)		(26,953,598)
Balance – December 31, 2020		397,480,777	$	192,881,924	$	17,492,027	$	(149,911,080)	$	60,462,871

- 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 years ended December 31,	Notes	2020	2019
Operating Activities			
Net loss for the year		$ (26,953,598)	$ (21,821,835)
Items not affecting cash:			
Change in fair value of derivative liabilities		16,684,323	6,306,127
Unrealized foreign exchange (gain) loss		(6,678,644)	247,110
Share-based compensation	*16d*	4,946,374	1,437,959
Deferred income tax recovery		(849,637)	-
Finance income		(682,452)	(506,684)
Accretion expense	*14*	162,419	40,870
Depreciation	*10*	247,206	543,133
Finance expense	15	57,103	51,845
Shares issued pursuant to a project agreement		-	630,000
Changes in non-cash working capital:			
Inventory		(3,166,925)	-
Amounts receivable		(1,295,114)	(358,328)
Accounts payable and accrued liabilities		(233,208)	688,700
Prepaid expenses		(449,740)	(218,927)
Deposits		(91,000)	-
Net cash used in operating activities		(18,302,893)	(12,960,030)
Investing Activities			
Mineral properties, plant, and equipment	*10*	(113,927,786)	(14,707,191)
Interest received		682,452	506,861
Short-term investment		(146,913)	-
Net cash (used in) provided by investing activities		(113,392,247)	(14,200,330)
Financing Activities			
Proceeds from Credit Facility drawdown	*12*	72,900,000	7,710,036
Proceeds from equity financings	*16b*	15,000,000	52,702,763
Proceeds from exercised warrants	*16c*	18,756,510	-
Share issue costs		(1,017,226)	(3,390,472)
Issue Discount on Credit Facility drawdown	*12*	(1,464,240)	-
Proceeds from exercised stock options	*16d*	2,026,065	1,086,700
Payment of lease liabilities	*15*	(963,119)	(183,744)
Proceeds from PPA	*12*	-	5,277,907
Proceeds from Gold Stream	*13*	-	33,132,500
Sprott Facility transaction costs	*12*	-	(1,735,773)
Net cash provided by financing activities		105,237,990	94,599,917
Effect of foreign exchange on cash		1,085,486	(1,416,462)
Net (Decrease) Increase in Cash		(25,371,664)	66,023,095
Cash - Beginning of the year		70,277,719	4,254,624
Cash - End of the year		$ 44,906,055	$ 70,277,719

Supplemental Cash Flow Information *(Note 23)*

- See Accompanying Notes to the Consolidated Financial Statements -

1. GENERAL INFORMATION AND LIQUIDITY RISK

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 PureGold Mine Project ("PureGold Mine") located near Red Lake, Ontario. In March 2019, Pure Gold filed a technical report for a feasibility-study on the PureGold Mine, and in August 2019 the Company announced the Board of Directors approval of a decision to construct at the PureGold Mine.

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.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At December 31, 2020, the Company had cash of $44,906,055 and short-term investments and deposits of $1,492,711 to settle current liabilities of $34,811,927 ($31,555,348 excluding the flow-through premium liability of $3,256,579). As a result of the Company's shortfall in expected gold production and therefore cash generated from gold sales during the first quarter of 2021, the Company face short-term liquidity issues as the development and ramp-up of the mining operations continues.

To address its short-term capital concerns, subsequent to year-end, the Company reached a binding letter agreement with Sprott Resource Lending Corp. to provide additional sources of financing under the Facility (see Note 26 – Subsequent Events). The Company believes that the additional financing should be sufficient to allow the Company to continue development of the PureGold Mine, to ramp-up mining operations to reach a steady state of production, and assuming production targets are hit, be sufficient to allow the Company to meet its ongoing obligations for at least twelve months from December 31, 2020.

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

2. BASIS OF PREPARATION

Statement of Compliance

The Company prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). The significant accounting policies are presented in Note 3 and have been consistently applied in each of the periods presented.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Property, Plant and Equipment (continued)

(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. 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.

Land is recorded at cost and is not depreciated as it has an unlimited useful life.

Mineral properties and mine development costs

Mine development costs consist of the PureGold Mine carried at cost, less accumulated depreciation. Costs of project development including gaining access to underground resources are capitalized to mineral properties. Once the mineral property is in production, it will be depleted using the units-of-production method. Depreciation is determined each period using gold equivalent ounces mined over the asset's estimated recoverable reserves and resources.

Plant and Equipment

Plant and equipment are measured at cost less accumulated depreciation. The initial cost of an asset is comprised of its purchase price or construction cost, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the estimated future cost of dismantling and removing the asset at the end of its useful life. The purchase price or construction cost is the fair value of consideration to acquire the asset.

Depreciation of plant and equipment commences when the asset has been fully commissioned and is available for its intended use.

A majority of mine and site infrastructure assets, including buildings and roads, are depreciated using a unit-of-production method over the life of mine. Depreciation is determined using gold ounces mined over the asset's estimated recoverable reserves and resources. The Company reviews estimated reserves and resources annually and when facts and circumstances indicate that a review should be performed. Changes to estimated reserves and resources are accounted for prospectively.

Depreciation of other assets, including those ancillary to the mine are calculated using the straight-line method to allocate costs over the estimated useful lives, as follows:

Asset class	**Estimated useful life**
Mine and mill equipment	10 - 20 years
Mine fleet and light vehicles	2 – 10 years
Office and computer equipment	3 - 20 years

When significant components of an asset have different useful lives, depreciation is calculated on each separate component. Each asset or component's estimated useful life has due regard to both its own physical life limitations and the present assessment of economically recoverable mineral reserves and resources of the PureGold Mine.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Property, Plant and Equipment (continued)

Depreciation methods and estimated useful lives and residual values are reviewed annually and when facts and circumstances indicate that a review should be performed. Changes in estimates are accounted for prospectively.

Expenditures on major maintenance or repairs includes the cost of an asset's replacement parts and overhaul costs. Where an asset or part of an asset is replaced, and it is probable that future economic benefits associated with the item will be available to the Company, the expenditure is capitalized and the carrying amount of the item replaced is derecognized. Similarly, overhaul costs associated with major maintenance are capitalized and depreciated over their useful lives where it is probable that the future economic benefits will be available and any remaining carrying amounts of the cost of previous overhauls are derecognized. All other costs are expensed as incurred.

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between net proceeds on disposal and carrying amount of the asset, is recognized in profit or loss on the consolidated statement of loss.

Construction in progress

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

h. 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.

i. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Impairment of Non-Current Assets (continued)

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.

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.

j. 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 it 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. 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. To assess whether a contract conveys the right to control the user of an identified asset, the Company assesses whether:

I. the contract involves the use of an identified asset
II. the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
III. the Company has the right to direct the use of the asset

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. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Financial Instruments

Measurement – initial recognition

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

Measurement – subsequent recognition

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

(i) Classification of Financial Assets

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

Amortized cost:

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

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

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

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

Financial assets measured subsequently at FVTOCI:

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Financial Instruments (continued)

(i) Classification of Financial Assets (continued)

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, 2020 and 2019 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 the 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.

Derivatives embedded in 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's gold stream agreement with Sprott Resource Lending Corp. (the "Gold Stream") (Note 13), allows the Company to net settle the obligation. As such, for accounting purposes, the Company determined that the Gold Stream obligation represents a standalone derivative obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. 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.

n. Flow-Through Shares

The Company will from time to time, issue flow-through common shares to finance 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 a statement of financial position date 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.

o. 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.

p. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

q. 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).

r. 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.

4. RECENTLY ADOPTED ACCOUNTING POLICIES

a. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts for mineral sales in the normal course of business. The Company produces doré which contain both gold and silver. The doré is further processed to produce refined metals for sale. The Company's performance obligations relate primarily to the delivery of mine production in refined form to its customers.

Revenue is recognized when control is transferred to the customer. Control transfers when a product is delivered to the customer, the customer has full discretion over the product and there is no unfulfilled obligation that could affect the customer's acceptance of the product.

Control over the refined gold or silver produced from doré is transferred to the customer and revenue recognized upon delivery to the customer's bullion account. Sales of refined gold are recorded at the spot price on the date of delivery to the customer's bullion account with payment received on the same day. Sales of silver are recorded at the spot price on the date of sale.

b. Inventories

Inventories include stockpiled ore, gold-in-circuit ("GIC"), gold doré, and materials and supplies inventory. The value of all production inventories includes direct production costs and attributable overhead and depreciation incurred to bring the materials to their current point in the processing cycle. General and administrative costs for the corporate office are excluded from any inventories. All inventories are valued at the lower of weighted average cost and net realizable value. Net realizable value is determined with reference to market prices, less estimated future production costs (including royalties) to convert inventories into saleable form.

Stockpiled ore represents mined ore on the surface or underground that is available for further processing. Stockpiled ore value is based on the costs incurred, including depreciation, in bringing the ore to the stockpile. Costs are added to the stockpiled ore based on current mining costs per tonne and are removed at the average cost per tonne of ore in the stockpile.

4. RECENTLY ADOPTED ACCOUNTING POLICIES (continued)

b. Inventories (continued)

GIC inventory represents ore that is being treated in the processing plant to extract the contained gold and to convert it to a saleable form. The amount of gold in the GIC inventory is determined by assay values and by measures of the various gold bearing materials in the recovery process. The GIC inventory is valued at the average cost of the beginning inventory and the cost of material fed into the processing plant plus in-circuit conversion costs including applicable mine-site overheads, and depreciation.

Gold doré inventory is gold in the form of saleable doré bars that have been poured. The valuation of gold doré inventory includes the direct costs of mining and processing operations as well as direct mine site overheads and depreciation.

A periodic review is undertaken of material and supplies inventory to determine the extent of any provision for obsolescence. Major spare parts and standby equipment are included in plant and equipment when they are expected to be used during more than one period and if they can only be used in connection with an item of plant and equipment.

c. Accounting standards issued not yet adopted during the year

On May 14, 2020, the International Accounting Standard Board (IASB) published a narrow scope amendment to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use. The amendment prohibits deducting from the cost of property, plant and equipment amounts received from selling items produced while preparing the asset for its intended use. Instead, amounts received will be recognized as sales proceeds and the related costs in profit or loss. The effective date is for annual periods beginning on or after January 1, 2022. The Company does not believe the implementation of this amendment will have a material effect on its consolidated financial statements for the year ended December 31, 2020, due to the small number of gold ounces sold by the Company during the year.

On August 27, 2020, the IASB published “Interest Rate Benchmark Reform – Phase 2” with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after January 1, 2021, with earlier application permitted. The Company does not anticipate that the adoption will have a material impact on its consolidated financial statements at this time.

5. 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 judgments 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.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

Key accounting judgments

(i) Impairment of non-financial assets

Assets are reviewed for an indication of impairment at each consolidated statement of financial position date upon the occurrence of events or changes in circumstances indicating that the carrying value of the assets may not be recoverable. The determination requires significant judgment. The review of impairment indicators includes consideration of both external and internal sources of information. Factors that could trigger an impairment review of mineral properties, plant and equipment include, but are not limited to, significant negative industry or economic trends including the price of gold, decrease in market capitalization, deferral of capital investments and/or future operating costs and production volumes.

Management has assessed impairment indicators for the Company's mineral properties, plant and equipment has concluded that no impairment indicators exist as of December 31, 2020.

(ii) Commercial Production

Prior to reaching pre-determined levels of operating capacity intended by management, costs incurred are capitalized as part of mine development costs within property, plant and equipment. Depletion of capitalized costs for mining properties begins when pre-determined levels of operating capacity intended by management have been reached. The determination of when a mine is in the condition necessary for it to be capable of operating in the manner intended by management (referred to as "commercial production") is a matter of significant judgment. Management considers several factors in determining when a mining property has reached levels of operating capacity intended by management, including:

- When the mine is substantially complete and ready for its intended use;
- The mine has the ability to sustain ongoing production at a steady or increasing level;
- The mine has reached a level of pre-determined percentage of design capacity;
- Mineral recoveries are at or near the expected production level, and;
- A reasonable period of testing of the mine, plant and equipment has been completed.

Commercial production will be achieved on the first day of the calendar month following achievement of the above milestones. Once in commercial production, the capitalization of certain mine development and construction costs cease. Subsequent costs are either regarded as forming part of the cost of inventory or expensed. However, any costs relating to mining asset additions or improvements or mineable reserve development are assessed to determine whether capitalization is appropriate.

As at December 31, 2020, the PureGold Mine had not achieved commercial production.

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.

(Expressed in Canadian Dollars Unless Noted Otherwise)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(i) 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.

(ii) 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).

(iii) 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 proceed with commissioning of the PureGold Mine. 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.

6. AMOUNTS RECEIVABLE

Amounts receivable are comprised of the following:

December 31,	2020	2019
Refundable goods and services tax/ harmonized sales tax	$ 4,016,933	$ 981,591
Other receivables	621,917	5,635
Total	**$ 4,638,850**	**$ 987,226**

The other receivables balance relates to proceeds receivable on the exercise of share purchase warrants.

(Expressed in Canadian Dollars Unless Noted Otherwise)

7. PREPAID EXPENSES

Prepaid expenses comprised of the following:

December 31,	2020	2019
Exploration deposit	$ 425,675	$ -
Insurance and benefits premiums	167,814	50,608
Software licenses	177,211	44,795
Investor relations and communication	150,200	56,357
Other prepaid expenses	65,253	103,327
Capital equipment purchase advances	-	124,392
Total	**$ 986,153**	**$ 379,479**

8. INVENTORY

Inventory is comprised of the following:

December 31,	2020	2019
Ore in stockpile	$ 1,550,311	$ -
In circuit metals	662,814	-
Total metals inventory	2,213,125	-
Materials and supplies	953,800	-
Total	**$ 3,166,925**	**$ -**

(Expressed in Canadian Dollars Unless Noted Otherwise)

9. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

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

For the year ended December 31, 2020	PureGold Mine[1]
Drilling	$ 5,144,106
Geophysics and geology	862,478
Salaries, wages and benefits	290,542
Equipment and supplies	203,494
Depreciation	87,056
Contractors/ consultants	14,696
Travel	24,370
Expenditures for the year	**$ 6,626,742**

For the year ended December, 2019	PureGold Mine
Salaries, wages and benefits	$ 1,260,440
Contractors / consultants	1,287,134
Drilling	2,697,201
Feasibility Study	395,821
Engineering	389,289
Assaying	639,946
Utilities	207,486
Preliminary Economic Assessment	170,366
Camp & field costs	190,771
Travel and accommodation	178,092
Depreciation	134,498
Equipment rental	284,465
Community & safety	880,858
Property fees	77,665
Administration and other	66,614
Expenditures for the year	**$ 8,860,646**

(1) *Subsequent to August 7, 2019, exploration expenditures at the PureGold Mine relate to expenditures on satellite deposits that were not part of the original PureGold Mine 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 (completed). Kinross may also satisfy the expenditures by making a cash payment to the Company. Subsequent to year end, Kinross provided notice to the Company that it had completed it's earn-in to 70% of the project.

(Expressed in Canadian Dollars Unless Noted Otherwise)

10. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Year Ended December 31, 2020

Cost	Mineral Properties and Mine Development ($)	Construction in Progress ($)	Plant and Equipment ($)	Land ($)	Total ($)
December 31, 2019	29,329,481	7,662,959	7,868,636	5,048,767	49,909,843
Capitalized borrowing costs	5,735,955	-	-	-	5,735,955
Reclamation provision	5,043,716	-	-	-	5,043,716
Additions	50,100,593	74,597,053	11,173,907	-	135,871,553
Transfers	-	(190,000)	190,000	-	-
December 31, 2020	90,209,745	82,070,012	19,232,544	5,048,767	196,561,066
Accumulated Depreciation					
December 31, 2019	-	-	(1,095,279)	-	(1,095,279)
Depreciation	-	-	(2,581,645)	-	(2,581,646)
December 31, 2020	-	-	(3,676,924)	-	(3,676,925)
Carrying Amounts					
December 31, 2019	**29,329,481**	**7,662,959**	**6,773,357**	**5,048,767**	**48,814,564**
December 31, 2020	**90,209,745**	**82,070,012**	**15,555,619**	**5,048,767**	**192,884,141**

Year Ended December 31, 2019

Cost	Mineral Properties and Mine Development ($)	Construction in Progress ($)	Plant and Equipment ($)	Land ($)	Total ($)
December 31, 2018	-	616,650	1,407,631	5,048,767	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	5,771,087	-	18,866,493
Transfer to mineral properties	7,986,845	-	-	-	7,986,845
December 31, 2019	29,329,481	7,662,959	7,868,636	5,048,767	49,909,843
Accumulated Depreciation					
December 31, 2018	-	-	(552,146)	-	(552,146)
Reclassification	-	-	-	-	-
Depreciation	-	-	(543,133)	-	(543,133)
Disposals	-	-	-	-	-
December 31, 2019	-	-	(1,095,279)	-	(1,095,279)
Carrying Amounts					
December 31, 2018	-	**616,650**	**855,485**	**5,048,767**	**6,520,902**
December 31, 2019	**29,329,481**	**7,662,959**	**6,773,357**	**5,048,767**	**48,814,564**

Depreciation on assets used in the development of the PureGold Mine of $2,337,799 has been capitalized and included in the carrying value of mineral properties (2019 - $299,258).

Mineral properties

Mineral properties consist solely of the 100% owned PureGold Mine. The PureGold Mine 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 PureGold Mine.

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

(Expressed in Canadian Dollars Unless Noted Otherwise)

10. 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 PureGold Mine. The 11 claims acquired are subject to a royalty arrangement based on a Net Smelter Return ("NSR") of 3%.

The Company has a project agreement (the "Agreement") with Wabauskang First Nation and Lac Seul First Nation (together the "First Nations") with respect to the PureGold Mine. 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 PureGold 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.

11. RECLAMATION DEPOSITS

During the year, the Company entered into an agreement with a third-party agent (the "Surety") with respect to the financial assurance obligations in its closure plans for the PureGold Mine totaling $21.2 million, which replaces its $2.4 million surety bond held with its former surety agent. As part of the new surety agreement, the Company has agreed to indemnify the Surety against any and all losses, fees, costs and expenses of any kind and nature which the Surety might sustain or incur upon the execution of surety bonds issued.

Subsequent to December 31, 2020, the $1,322,799 deposit that was held as collateral relating to the original surety bond was returned to the Company's treasury.

12. LOANS AND BORROWINGS

	Credity Facility (a)	Interest rate floor derivative (b)	Production Payment Agreement (c)	Total
Loans and borrowings at January 1, 2019	-	-	-	-
Fair Value on initial recognition	15,256,741	924,964	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	(284,417)	(14,358)	(83,035)	(381,810)
Loans and borrowings at December 31, 2019	**14,212,653**	**703,675**	**4,097,229**	**19,013,557**
Advance on Credit Facility	72,900,000	-	-	72,900,000
Deferred charges	(9,935,994)	-	-	(9,935,994)
Interest and accretion	4,358,940	-	513,936	4,872,876
Loss on change in fair value of derivative	-	8,128,569	-	8,128,569
Amortization of deferred charges	769,001	-	-	769,001
Foreign exchange gain	(2,954,163)	(557,011)	(104,785)	(3,615,959)
Loans and borrowings at December 31, 2020	**79,350,437**	**8,275,233**	**4,506,380**	**92,132,050**
Current	**-**	**-**	**(849,300)**	**(849,300)**
Loans and borrowing non-current	**79,350,437**	**8,275,233**	**3,657,080**	**91,282,750**

12. LOANS AND BORROWINGS (continued)

a. Credit Facility

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

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

Pursuant to the terms of the Credit Facility, the Company borrowed US$65,000,000. Interest accrues on the outstanding principal amount of the Credit Facility at a floating rate equal to a base rate of:

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

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

The Credit Facility is accounted for as a financial liability subsequently measured at amortized cost under IFRS 9.
As at December 31, 2020, the full amount of the US$65 million Credit Facility had been drawn. All draws on the Credit Facility were subject to an issue discount of 2%. The issue discount, along with all deferred finance costs, have been proportionately included in the amortized cost of each of the drawdowns, and are amortized on an effective interest rate basis over the life of the Credit Facility. The weighted average effective interest rate of the drawdowns was 11.1% (2019 – 7.45%). Accrued interest has been capitalized as borrowing costs within mine properties, plant and equipment, until the mine assets are available for their intended use, at which point, interest will be recognized in the statement of profit or loss.

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

The Company may elect to prepay the outstanding principal balance in whole or in part provided that the Company makes such prepayment during the period commencing August 6, 2021. The Company is required to pay 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 December 31, 2020 this derivative has a nominal fair value (December 31, 2019 – nil).

At December 31, 2020 the Company was in compliance with all covenants relating to the Credit Facility.

(Expressed in Canadian Dollars Unless Noted Otherwise)

12. LOANS AND BORROWINGS (continued)

b. Interest rate floor derivative

The floating interest rate floor of 2.5% over the base rate was determined to be an embedded derivative that is not closely related to the Credit Facility, and as such was bifurcated and accounted for separately. At each reporting period, the derivative is fair valued with changes in fair value recorded as a gain or loss in the statement of profit or loss. The fair value of the interest rate floor derivative liability as December 31, 2020 was $8,275,233 (December 31, 2019 - $703,676). During the year ended December 31, 2020, the Company recognized a $8,128,569 loss on the change in fair value of derivative (December 31, 2019 - $221,288 gain).

c. Production Payment Agreement

On August 7, 2019, the Company entered into a PPA with Sprott, whereby the Company received an advance payment of US$3,982,422 from Sprott. Repayment of the advanced will be completed through monthly production payments, equal to US$10 multiplied by the number of ounces of gold sold during the period from August 6, 2019 until 500,000 ounces of gold has been produced (the “Participation Amount”).

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

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

13. 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	**$**	**37,613,935**
Loss on change in fair value		8,555,753
Foreign exchange gain		(1,977,199)
Balance at December 31, 2020	**$**	**44,192,489**
Current		**(5,359,000)**
Gold stream derivative non-current	**$**	**38,833,489**

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.

13. GOLD STREAM DERIVATIVE LIABILITY (continued)

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 PureGold Mine. 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 the Company to pay in cash, an amount equal to the product arrived at by multiplying the number of ounces of refined gold to be sold by the difference between the Gold Reference Price and the Fixed Gold Price.

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

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

The Gold Stream was accounted for as 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.

As at December 31, 2020, the fair value of the Gold Stream was $44,192,489 (December 31, 2019 - $37,613,935), with a loss on change in fair value during the year ended December 31, 2020 of $6,578,554 (2019 – $5,746,850).

14. PROVISION FOR CLOSURE AND RECLAMATION

The Company has recognized a liability relating to its PureGold Mine 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, 2020 using a pre-tax discount rate of 0.67% 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 December 31, 2020 is $23,528,031 (December 31, 2019 - $20,470,379). The Company has estimated that payments will be made in 2032 (December 31, 2019 – 2032).

December 31,	2020	2019
Balance, beginning of the year	$ 16,508,920	$ 2,438,919
New estimated cash flows and changes in estimates	5,043,716	14,029,131
Accretion on discounted obligation	162,419	40,870
Balance, end of the year	**$ 21,715,055**	**$ 16,508,920**

(Expressed in Canadian Dollars Unless Noted Otherwise)

15. LEASES

a. Right-of-use assets

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

Balance – January 1, 2019	$ 722,232
Depreciation	(149,066)
Balance – December 31, 2019	573,166
Additions	5,565,129
Depreciation	(284,047)
Balance – December 31, 2020	**$ 5,854,248**

The Company's lease with respect to its head office premises is held and paid by Oxygen (Note 19) pursuant to the Oxygen Agreement (Note 19).

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
Additions	5,565,129
Principal payments	(963,119)
Finance charge	158,720
Balance – December 31, 2020	5,332,019
Less: current portion	(5,040,685)
Long term lease liability – December 31, 2020	**$ 291,334**

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	$ 5,416,523	$ 313,171	$ 5,729,694
Finance charge	(375,838)	(21,837)	(397,675)
Total principal payments	**$ 5,040,685**	**$ 291,334**	**$ 5,332,019**

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, 2020, the Company recognized $158,720, in interest expense on lease liabilities (2019 - $51,845).

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 $107,807 of variable lease payments during the year ended December 31, 2020 (2019 - $111,483).

(Expressed in Canadian Dollars Unless Noted Otherwise)

16. 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.

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).

c. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the years ended December 31, 2020 and 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	(22,794,000)	$0.85
Outstanding Balance – December 31, 2020	**34,878,000**	**$0.85**

Exercise of warrants

In connection with the warrants exercised during the period, the related fair value amount of $2,624,035 (2019 - nil) was transferred from equity reserves to share capital.

(Expressed in Canadian Dollars Unless Noted Otherwise)

16. EQUITY (continued)

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. 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 December 31, 2020, the following options are outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Life in Years	Number of Options Exercisable
May 26, 2021	$0.63	400,000	0.40	400,000
November 14, 2021	$0.72	75,000	0.87	75,000
December 21, 2021	$0.44	2,730,000	0.97	2,730,000
July 24, 2022	$0.54	100,000	1.56	100,000
December 15, 2022	$0.49	4,775,000	1.96	4,775,000
May 6, 2024	$0.54	133,334	3.35	-
November 18, 2024	$0.64	250,000	3.88	83,333
December 13, 2024	$0.74	4,575,001	3.95	3,550,001
February 19, 2025	$0.77	350,000	4.14	350,000
June 24, 2025	$1.54	300,000	4.48	-
December 17, 2025	$2.84	1,955,000	4.96	975,000
	$0.86	**15,643,335**	**2.79**	**13,038,334**

The options exercisable at December 31, 2020 have a weighted average exercise price of $0.71.

Details of options granted, exercised, expired and forfeited during the years ended December 31, 2020 and 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 year	2,605,000	$2.41
Exercised during the year	(6,351,664)	$0.31
Expired during the year	(350,000)	$0.28
Forfeited during the year	(115,001)	$0.65
Balance – December 31, 2020	**15,643,335**	**$0.86**

(Expressed in Canadian Dollars Unless Noted Otherwise)

16. EQUITY (continued)

d. Stock Options (continued)

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 years ended December 31, 2020 and 2019 were as follows:

Issue Date	Expected Life of Options in Years	Exercise Price	Risk-free Interest Rate	Volatility	Weighted Average Black-Scholes Fair Value
May 6, 2019	5.0	$0.54	1.59%	66.89%[1]	$0.30
Nov 18, 2019	5.0	$0.64	1.48%	55.03%[1]	$0.31
Dec 13, 2019	5.0	$0.74	1.59%	53.95%[1]	$0.35
Feb 19, 2020	5.0	$0.77	1.36%	50.94%[1]	$0.35
June 24, 2020	5.0	$1.54	0.38%	49.25%[1]	$0.65
December 18, 2020	4.6	$2.84	0.45%	41.75%[1]	$1.01

[1]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.

During the year ended December 31, 2020, the Company recognized $1,927,136 of share-based compensation (2019 - $1,437,959), of which $475,128 (2019 - nil) was capitalized to mine development within mineral properties, plant and equipment, and $1,452,008 (2019 - $1,437,959) was expensed to the statement of loss and comprehensive loss.

Exercise of Options

During the year ended December 31, 2020, 6,351,664 stock options were exercised (2019 – 3,146,667) for total proceeds of $2,026,065 (2019 - $1,086,700). The weighted average share price on the date the stock options were exercised during the year was $2.25 (2019 - $0.55). In connection with these option exercises, the related fair value amount of $1,359,807 (2019 - $801,066) was transferred from equity reserves to share capital.

e. Deferred Share Units ("DSU")

The Company has established a deferred share unit plan (the "DSU Plan") whereby the board of directors may, from time to time, grant DSUs to non-employee directors of the Company. The DSUs vest immediately and can be redeemed by the holder during the period commencing immediately following a termination of the holders' position as a director and ending on the 90th day following such termination date. The current maximum number of common shares authorized for issue under the DSU plan is 3,000,000.

A summary of DSU activity during the period is as follows:

	Number of DSUs
Outstanding Balance – December 31, 2019	-
Granted	1,078,306
Outstanding Balance – December 31, 2020	**1,078,306**

(Expressed in Canadian Dollars Unless Noted Otherwise)

16. EQUITY (continued)

e. Deferred Share Units ("DSU") (continued)

During the year ended December 31, 2020, the Company granted 1,078,306 DSUs, to directors of the Company. The weighted average fair value of each DSU granted during the year was $2.77.

DSU expense for the year ended December 31, 2020 was $2,990,174 (2019 - $nil) which was recorded within Share-based payment expense in the Statement of Loss and Comprehensive Loss.

d. Restricted Share Units ("RSU")

The Company has established a restricted share unit plan (the "RSU Plan") whereby the board of directors may, from time to time, grant RSUs to employees of the Company. The board of directors may determine the time during which the RSUs shall vest and the method of vesting, or that no vesting restriction shall exist. The current maximum number of common shares authorized for issue under the RSU plan is 7,000,000.

A summary of RSU activity during the period is as follows:

	Number of RSUs
Outstanding Balance – December 31, 2019	-
Granted	1,134,930
Outstanding Balance – December 31, 2020	**1,134,930**

On December 17, 2020, the Company granted 1,134,930 RSUs, to employees of the Company. The weighted average fair value of each RSU granted during the period was $2.84.

Of the 1,134,930 RSUs that were granted, 254,930 RSUs vested immediately, with the remaining 880,000 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.

RSU expense for the year ended December 31, 2020 was $781,480 (2019 - $nil) which was recorded within Share-based payment expense in the Statement of Loss and Comprehensive Loss.

17. GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs for the years ended December 31, comprised the following:

		2020		2019
Wages, consulting and director fees	$	2,535,998	$	1,995,165
Professional fees		1,800,573		1,578,317
Investor relations		1,182,122		796,660
Office costs		663,433		511,509
Corporate listing and filing fees		345,092		846,681
Total	**$**	**6,527,218**	**$**	**5,728,332**

(Expressed in Canadian Dollars Unless Noted Otherwise)

18. INCOME TAXES

a. The income tax provision for the year ended December 31, 2020 differs from the amount that would have resulted from applying combined Canadian federal and provincial income tax rates of 27% (year ended December 31, 2019 – 27%).

Year ended December 31,	2020	2019
Loss before income taxes	$ (27,803,235)	$ (21,821,835)
Statutory Canadian federal and provincial tax rates	27%	27%
Expected tax recovery	(7,506,874)	(5,891,895)
Adjustments:		
Flow through shares	1,397,267	-
Flow through premium liabilities	(849,637)	-
Permanent differences	1,330,663	385,176
Difference in tax rates	919,786	(69,483)
Benefit not recognized and other	3,859,158	5,576,202
Income tax (recovery) expense	**$ (849,637)**	**$ -**

b. The following are deferred income tax assets, the benefits of which have not been recognized at December 31, 2020 and 2019:

	2020	2019
Non-capital loss carry-forwards	$ 16,708,328	$ 12,888,820
Share issuance and other financing costs	6,650,575	2,725,456
Reclamation provision	5,863,065	4,475,408
Exploration and evaluation assets	-	4,628,857
Total deferred tax assets	**$ 29,221,968**	**$ 24,718,541**

c. The Company has non-capital losses which may be applied to reduce future year's taxable income. At December 31, 2020, the non-capital losses amounted to $82,707,277 (December 31, 2019 – $47,736,369) which will expire between the years 2025 and 2040.

There are no income taxes owing by the Company at December 31, 2020.

(Expressed in Canadian Dollars Unless Noted Otherwise)

19. 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, 2020, Oxygen holds a refundable deposit of $396,280 on behalf of the Company (December 31, 2019 - $305,280). During the year ended December 31, 2020, a total of $1,812,944 (2019 - $1,955,340) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at December 31, 2020, the Company has a payable amount to Oxygen of $144,137 (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:

Year Ended December 31,	2020	2019
Salaries and other short-term employee benefits	$ 1,647,400	$ 1,456,153
Directors fees	547,833	410,000
Share-based compensation	5,220,344	1,135,286
Total	**$ 7,415,577**	**$ 3,001,439**

20. SEGMENTED INFORMATION

The Company conducts its business in a single operating segment which is the development of the PG Mine. 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)

21. COMMITMENTS & CONTINGENCIES

	Total	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years
Loans and borrowings	**$119,828,804**	7,266,050	11,548,828	19,762,409	22,898,199	21,393,924	36,959,394
Accounts payable and accrued liabilities	**$21,380,053**	21,380,053	-	-	-	-	-
Production linked payments	**$ 6,288,885**	849,300	981,933	1,150,339	1,000,400	1,694,250	612,663

As at December 31, 2020, the Company is committed to incur, on a best efforts basis, qualifying resource expenditures pursuant to the June 17, 2020 private placement (Note 16b). 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. As at December 31, 2020, the Company had incurred $6,344,413, with the remaining $8,655,587 to be spent in 2021.

22. FINANCIAL INSTRUMENTS

Fair value measurements

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

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

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

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

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

(Expressed in Canadian Dollars Unless Noted Otherwise)

22. FINANCIAL INSTRUMENTS (continued)

Fair value measurements (continued)

Year Ended December 31,	2020		2019	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Cash	$ 44,906,055	$ 44,906,055	$ 70,277,719	$ 70,277,719
Short-term investments and deposits	1,492,712	1,492,712	23,000	23,000
Financial liabilities				
Accounts payable and accrued liabilities	21,379,953	21,379,953	6,433,948	6,433,948
Lease liabilities	5,332,019	5,332,019	571,287	571,287
Credit Facility	87,625,670	88,936,115	19,013,557	18,868,186
Production Payment Agreement	4,506,380	4,722,075	4,097,229	4,260,019
Interest rate floor derivative	8,275,233	8,275,233	703,675	703,675
Gold stream derivative liabilities	$ 44,192,489	$ 44,192,489	$ 37,613,935	$ 37,613,935

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

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

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 year ended December 31, 2020.

23. SUPPLEMENTAL CASH FLOW INFORMATION

Non-Cash Investing and Financing Activities	Year Ended December 31, 2020	Year Ended December 31, 2019
Recognition of lease liability	$ 5,565,129	$ 1,745,519
Change in estimate of provision for closure and reclamation	$ 5,043,716	$ 14,029,130
Shares issued in debt financing	$ -	$ 2,381,420

24. 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 12 in respect of Loans and Borrowings, the Company is not subject to externally imposed capital requirements.

25. 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.

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, 2020, the Company had cash of $44,906,055 (December 31, 2019 - $70,277,719) and short-term investments and deposits of $1,492,711 (December 31, 2018 - $23,000) to settle current liabilities of $34,811,927 ($31,555,348 excluding the flow-through premium liability of $3,256,579) (December 31, 2019 - $7,414,432). Refer to Note 1.

25. FINANCIAL RISK MANAGEMENT (continued)

Interest Rate Risk

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

The Company is exposed to cash flow interest rate risk due to the floating rate interest on the Credit Facility. For the year ended December 31, 2020, an increase of 25 basis points in market interest rates would result in approximately $10,000 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, 2020:

Cash	$	(4,154,061)
Credit Facility	$	8,867,511
PPA	$	450,435
Gold Stream	$	4,508,160

26. SUBSEQUENT EVENTS

The following items occurred after December 31, 2020:

i) On January 1, 2021, the Company granted 400,000 stock options at an exercise price of $2.60 to an officer of the Company;

ii) Subsequent to year-end, directors and officers of the Company exercised stock options to acquire 800,000 Common Shares of the Company at exercises prices ranging from $0.44 to $0.63 per share and 375,000 stock options were forfeited by an employee.

iii) Subsequent to year-end, employees exercised 46,479 RSU's of the Company and 75,000 RSU's were forfeited.

iv) Subsequent to year-end, a total of 2,485,000 warrants were exercised at a price of $0.85 per share.

v) Signed a binding letter agreement (the "**Amendment**") with Sprott to amend the terms of the Facility to increase the amount available to the Company by a further US$20 million, with US$12.5 million to be available to the Company upon closing and the remainder to be available upon satisfaction of certain conditions (detailed below). The Amendment also provides for the deferral of cash interest payments until September 30, 2021 and minor changes to certain covenants. All other key terms and conditions of the Facility remain unchanged. In consideration of the Amendment, PureGold will pay to Sprott an amount equal to 4% of the additional debt amount payable in shares. The Amendment is subject to TSX-V approval.

The Lender will make available an additional US$0.50 of aggregate principal amount, up to a maximum of US$7.5 million, for every US$1.00 raised by the Company through the combination of equity offerings, the exercise of existing share purchase warrants, and/or the exercise of existing stock options.