



Pure Gold Mining Inc.

TSX-V: PGM; LSE: PUR

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the fiscal year ended December 31, 2020

Dated March 31, 2021

Pure Gold Mining Inc.
Management's Discussion and Analysis
For the year ended December 31, 2020

This Management's Discussion and Analysis (the "**MD&A**"), dated as of March 31, 2021, is for the fiscal year ended December 31, 2020 and should be read in conjunction with the audited financial statements as at and for the fiscal year ended December 31, 2020 and fiscal period ended December 31, 2019 of Pure Gold Mining Inc. (also referred to as "**PureGold**", or the "**Company**", or "**we**", or "**our**", or "**its**" or "**us**" within this MD&A), including the related notes thereto (together, the "**Annual Financial Statements**") and our other corporate filings including our Annual Information Form for the fiscal year ended December 31, 2020 dated March 31, 2021 (the "**AIF**"), available under PureGold's profile on SEDAR at www.sedar.com.

This MD&A contains forward looking statements that involve numerous risks and uncertainties. The Company continually seeks to minimize its exposure to business risks, but by nature of its business and exploration activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties, including those described under the heading "**Risk factors**" in our AIF and those set forth in this MD&A under the headings "**Cautionary Notes Regarding Forward-Looking Statements**" and "**Industry and Economic Factors that May Affect our Business**" materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in forward-looking statements.

The disclosure of technical information in this MD&A has been approved by Darin Labrenz, P. Geo, President and Chief Executive Officer of the Company and a Qualified Person ("**QP**") for the purposes of National Instrument 43-101, Standards of Disclosure for Mineral Projects ("**NI 43-101**"). Readers are directed to the section entitled "Scientific and Technical Disclosure" included within this MD&A.

The Company is listed on the TSX Venture Exchange ("**TSX-V**") in Canada under the symbol PGM and on the London Stock Exchange ("**LSE**") under the symbol PUR. All dollar amounts stated in this MD&A are expressed in Canadian dollars unless noted otherwise.

Cautionary Notes Regarding Forward-Looking Statements

This MD&A, contains "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws, which include, but are not limited to, statements or information concerning, future effect of the COVID-19 pandemic, future financial or operating performance of PureGold and its business, operations, cash flows and properties and statements with respect to those that address potential quantity and/or grade of minerals, potential size and expansion of a mineralized zone, proposed timing of exploration and development plans, the growth potential of the PureGold Mine Project (as defined below) and opportunities for scalability and expansion, the potential to increase after-tax net present value to the PureGold Mine Project, the potential for Russet South, Fork and Wedge to be economically viable, planned mining methods, mineral processing and sources of power, expected annual production, potential profitability of the PureGold Mine Project at lower metal prices, expected capital costs, expected IRR, anticipated permitting requirements and timing thereof, expected development and production schedule, anticipated timeframe for declaring commercial production at the PureGold Mine, statements under the heading "**Outlook**", timing of production guidance, completion of a global resource update,, potential conversion of inferred resources to measured and indicated resources, potential extension and expansion of mineral resources and the focus of the Company in the coming months, as well as specific historic data associated with and drill results from those properties, and the reliance on technical information provided by other third parties; the timing and amount of estimated capital, operating and exploration expenditures, costs and timing of the development of new deposits and of future exploration, acquisition and development activities, estimated exploration budgets and timing of expenditures and community relations activities, requirements for additional capital; completion of expenditure obligations under an option agreement and earn-in agreements to which the Company is a party; government regulation of mining operations, environmental risks and reclamation expenses, title disputes, the ability to maintain exploration licences for its properties in accordance with the



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requirements of applicable mining laws in Canada; government regulation of exploration and mining operations; environmental risks, including satisfaction of requirements relating to the submissions and successful defence of environmental impact assessment ("EIA") reports and other claims or existing, pending or threatened litigation or other proceedings, limitations of insurance coverage, future issuances of Common Shares to satisfy earn-in obligations or the acquisition of exploration properties and the timing and possible outcome of regulatory and permitting matters and any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements, and involve known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of PureGold to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking statements and information. Except for statements of historical fact, information contained herein or incorporated by reference herein constitutes forward-looking statements and forward-looking information. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "will", "projects", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events, results or conditions "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Statements relating to mineral reserves and resources are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral reserves and resources described exist in the quantities predicted or estimated and may be profitably produced in the future. Estimated values of future net revenue do not represent fair market value. There is no certainty that it will be commercially viable to produce any portion of the resources.

Forward-looking statements and forward-looking information are not guarantees of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including among other things, assumptions about future prices of gold, copper, silver, molybdenum and other metal prices, changes in the worldwide price of other commodities such as coal, fuel and electricity fluctuations in resource prices, currency exchange rates and interest rates, favourable operating conditions, political stability, obtaining governmental approvals and financing on time, obtaining renewals for existing licences and permits and obtaining required licences and permits, labour stability, stability in market conditions, availability of equipment, accuracy of any mineral resources and mineral reserves, successful resolution of the challenges to the EIAs described in this MD&A, if any, anticipated costs and expenditures, the impact of the COVID-19 pandemic and our ability to achieve our goals. While we consider these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking statements and forward-looking information. Many assumptions are based on factors and events that are not within the control of PureGold and there is no assurance they will prove to be correct.

Furthermore, such forward-looking statements and forward-looking information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or forward-looking information.



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Such factors include, among others: risks related to operations as a result of the COVID-19 pandemic, general business, economic, competitive, political, regulatory and social uncertainties; disruptions or changes in the credit or securities markets and market fluctuations in prices for PureGold's securities; judgement of management when exercising discretion in their use of proceeds from a financing; potential dilution of Common Share (as defined below) voting power or earnings per share as a result of the exercise of stock options, restricted share units, deferred share units and share purchase warrants, future financings or future acquisitions financed by the issuance of equity; discrepancies between actual and estimated mineral reserves and resources; the Company is an exploration and development stage company with no history of pre-tax profit and no significant income from its operations and there can be no assurance that the Company's operations will be profitable in the future; changes in project parameters as plans continue to be refined; changes in labour costs or labour availability or other costs of production; possible variations of mineral grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry, including but not limited to environmental risks and hazards, cave-ins, flooding, rock bursts and other acts of God or natural disasters or unfavourable operating conditions and losses; political instability, hostilities, insurrection or acts of war or terrorism; the speculative nature of mineral exploration and development, including the risk of diminishing quantities or grades of mineralization; PureGold's ability to renew existing licences and permits or obtain required licences and permits; changes in government legislation and regulation; fluctuations in commodity prices; requirements for future funding to satisfy contractual obligations and additional capital needs generally; changes or disruptions in market conditions; market price volatility; the Company currently has a shareholder with greater than 10% holdings; uncertainties associated with minority interests and joint venture operations; risks associated with the Company's indemnified liabilities; increased infrastructure and/or operating costs; reclamation costs; the Company has limited operating history and no history of earnings; reliance on a finite number of properties; limits of insurance coverage and uninsurable risk; contests over title to properties; environmental risks and hazards; limitations on the use of community water sources; the need to obtain and maintain licences and permits and comply with laws and regulations or other regulatory requirements; competitive conditions in mineral exploration and mining business; the ability of the Company to retain its key management employees and shortages of skilled personnel and contractors; potential acquisitions and their integration with the Company's current business; influence of third party stakeholders; risks of litigation; the Company's system of internal controls; conflicts of interest; credit and/or liquidity risks; changes to the Company's dividend policy; the risks involved in the exploration, development and mining business generally; and the factors discussed in the section entitled "Risk Factors" in our AIF available on PureGold's SEDAR profile at www.sedar.com. Although we have attempted to identify important factors that could cause actual performance, achievements, actions, events, results or conditions to differ materially from those described in forward looking statements or forward-looking information, there may be other factors that cause performance, achievements, actions, events, results or conditions to differ from those anticipated, estimated or intended.

Forward-looking statements and forward-looking information contained herein are made as of the date of this MD&A and we disclaim any obligation to update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by applicable law. There can be no assurance that forward-looking statements or forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information. All forward-looking



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statements and forward-looking information attributable to us is expressly qualified by these cautionary statements.

PureGold disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Readers should not place undue reliance on forward-looking information.

Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources

Mineral resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. It is reasonably expected that the majority of inferred mineral resources could be upgraded to indicated mineral resources with continued exploration; however, there is no certainty that these inferred mineral resources will be converted into mineral reserves once economic considerations are applied. The mineral resource estimates referenced in this MD&A use the terms "Indicated Mineral Resources" and "Inferred Mineral Resources". While these terms are defined in and required by Canadian regulations (under NI 43-101), these terms are not recognized by the U.S. Securities and Exchange Commission ("SEC"). "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. U.S. investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. Accordingly, information contained in this MD&A will not be comparable to similar information made public by U.S. companies reporting pursuant to SEC disclosure requirements. PureGold is not an SEC registered company.

2020 Highlights and Significant Subsequent Events

During the fiscal year ended December 31, 2020 and up to the date of this MD&A, the Company completed and advanced a number of key milestones at its 100%-owned PureGold Mine Project (the "**PureGold Mine Project**" or "**PureGold Mine**", formerly referred to as the Madsen Mine or Pure Gold Red Lake Mine) as follows:

- Received all permits, including the (i) Environmental Compliance Approval (ECA) for Industrial Sewage Works, (ii) ECA for Air and Noise, and approval of the Mine Closure Plan, allowing the Company to begin production at the PureGold Mine on December 20, 2020.
- By the end of the fourth quarter of 2020, PureGold successfully introduced ore to the mill and poured its first gold doré bar, meeting its planned objective of pouring gold by the fourth quarter of 2020. The initial recovery of gold was entirely from the mill gravity circuit, allowing carbon to load-up within the CIP circuit. Mill throughput averaged 200 tonnes per day for the short operating period in December 2020.
- By December 31, 2020, the Company and its contractors had completed 524,415 exposure hours during construction and development work at the PureGold Mine with no lost time accidents.



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- Substantially completed construction of the PureGold Mine surface facilities with only commissioning of the backfill plant, water treatment plant, sewage treatment plant and a small tailings dam lift, remaining to be completed in 2021.
- Successfully managed the construction activities through to production with minimal interruption and exposures at site due to COVID-19.
- Completed 2,319.6 metres of general underground development, including 1,094.5 metres of ramp development and 1,094.5 metres of longhole sill development, during the year.
- Closed a \$15.0 million bought deal flow-through share financing and raised a further \$20.7 million from the exercise of share purchase warrants and stock options during the year and to the date of this MD&A.
- Continued to successfully explore the property, intersecting numerous high-grade gold intercepts from both surface and underground drilling.
- The Company drew down the balance of its US\$65 million project finance debt facility (the "**Facility**").
- Subsequent to year-end, to address the need for additional liquidity as a result of operational issues encountered during the first quarter of 2021, the Company reached a binding letter agreement with Sprott Lending Corp. ("**Sprott**"), to amend the terms of the Facility (the "**Amendment**") 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 (see further discussion under *Liquidity and Capital Resources* below).

Outlook

The Company expects to continue to ramp up production at the PureGold Mine until declaring commercial production expected in the second quarter of 2021. 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 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
- the completion of a reasonable period of testing of the mine plant and equipment.

Commercial production will be declared 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.



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The PureGold Mine Project comprises in excess of 4,600 hectares of primarily patented mineral claims in the prolific Red Lake gold district of Northwestern Ontario and hosts two significant former gold producers including the PureGold Mine which had previous gold production of 2.5 million ozs¹.

As at December 31, 2020, the Company spent a total of \$145.6 million on developing the PureGold Mine Project compared to a revised project budget of \$141.3 million, slightly over budget and reflecting a slightly longer build time than forecast due to the timing of receipt of permits and delays because of COVID-19. Although first gold was planned for and achieved by late December 2020, a number of non-critical subsystems are scheduled for completion in early 2021, including the hydraulic backfill plant, HVAC systems, the Water Treatment Plant, and the Sewage Treatment Plant. The Company anticipates the cost to complete these remaining items at \$3.3 million and are reflected as an extension of the EPCM contractor budget.

Now that the Company is nearing completion of construction and nearing commercial production, it can turn its attention to other key opportunities identified to enhance the PureGold Mine Project over the project life including:

- Potential expansion of the PureGold Mine resource, through application of the Company's geologic model to target extensions to the known resource, including:
 - Potential conversion of the inferred resources in the PureGold Mine deposit to measured and indicated, currently totalling 241,000 ozs of gold (0.9 million tonnes at 8.4 g/t gold);
 - High-grade 8 Zone expansion potential beyond the reserve scheduled to commence mining in year four of operations;
 - Potential depth extensions of the PureGold Mine deposit which remains open at depth and along strike;
 - Continue exploration at Russet South, Fork, Wedge and other targets across the +5-kilometre mineral system in place at the PureGold Mine property, where strong potential exists for continued growth;
 - Review and optimization of the mine plan with an opportunity for additional mine flexibility, potential for increased milling rates and annual gold production; and
- In addition, the Company plans to begin a search for new projects that may be available for acquisition to enhance shareholder value.

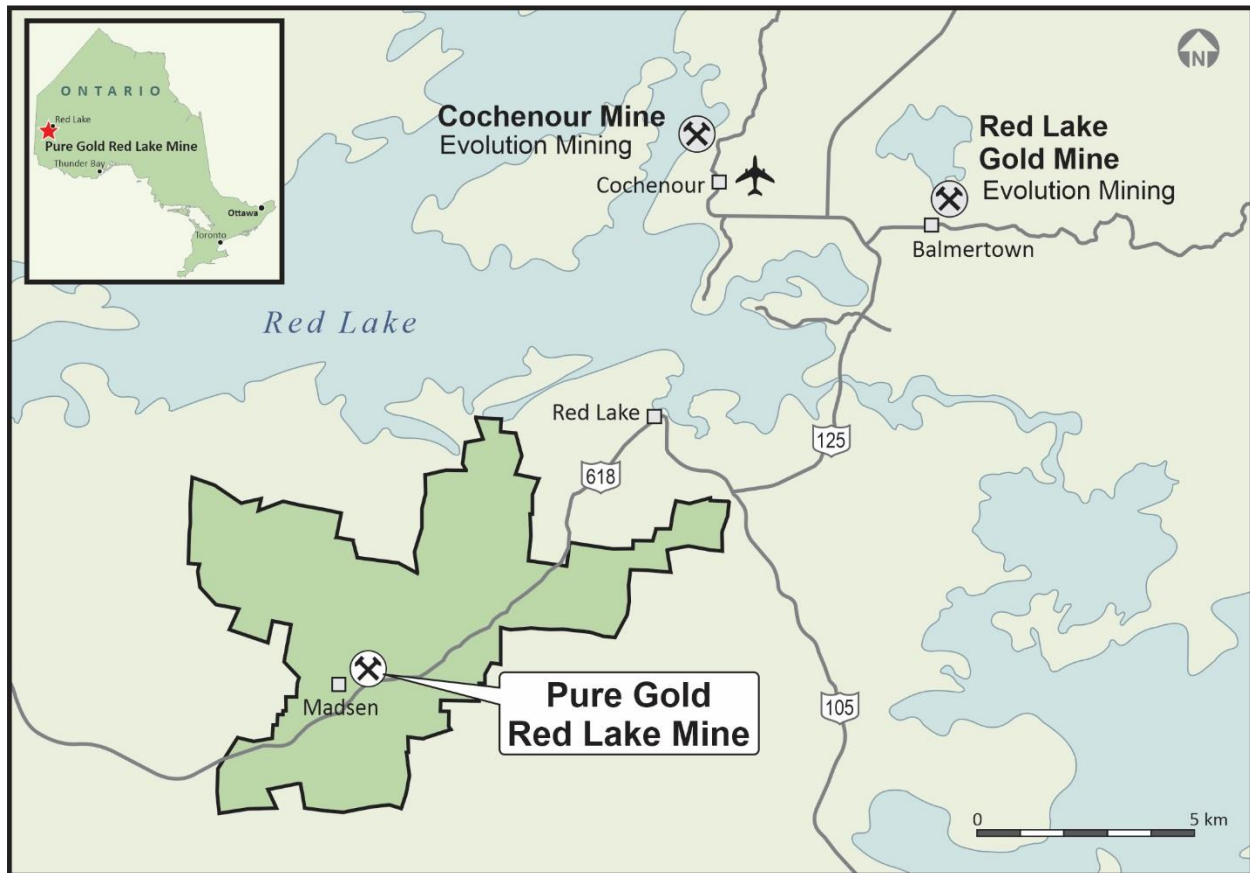
With the Fork, Russet South, and Wedge zones and the recent target identified up-dip of the 8-Zone, PureGold has the potential to either add mine life or improve annual production throughput at the PureGold Mine with positive results from further exploration and development. Subject to availability of funds, the Company plans to continue exploring these zones to potentially define further mineralization and upgrade the resource classification with the goal of determining the feasibility of adding production from these zones to the PureGold Mine production profile, as early as practical, in the mine life.

¹ Historic drill hole results and production figures and other details from the Mine and Starratt-Olsen mine disclosed in this document were completed prior to the implementation of NI 43-101. A full discussion and cautionary language can be found in the Mine Technical Report (as defined below), which can be found on PureGold's website at www.puregoldmining.ca or profile on SEDAR at www.sedar.com.

The Company plans to complete a resource update to include drilling completed over the last two years, since completion of the feasibility study.

Overall Performance

PureGold Mine Project, Red Lake, Ontario



After a series of transactions in fiscal 2014 through 2017, the PureGold Mine property now comprises 251 mining leases, mining patents and unpatented mining claims (but predominantly patented and with accompanying surface rights) owned or controlled 100% by PureGold, covering an area in excess of 4,600 hectares in the prolific Red Lake gold camp of Northwestern Ontario. The PureGold Mine property hosts two former gold producers including the PureGold Mine.

There are no royalties payable on claims hosting known mineral resources at the PureGold Mine property except for a 2% Net Smelter Royalty on resources from Russet South, that is capped at \$2.0 million. Certain claims acquired in the Newman-Madsen and Derlak transactions are subject to royalties ranging from 0.5% - 3%, a portion of which may be bought back by the Company.



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On February 11, 2019, PureGold announced the results of its feasibility study for the PureGold Mine deposit². The feasibility study supports the development of a high-grade underground mining operation that benefits from significant mining, milling and tailings infrastructure already in place.

In December 2019, the basic detailed engineering phase of the project was completed, and JDS Energy and Mining Inc. ("**JDS**"), the chosen EPCM contractor, presented an updated capital budget totaling \$124.6 million and Project schedule to the Company. A further \$2.5 million was later budgeted for a sewage lagoon to deal with the elimination of sewage from the nearby town of Madsen that was being deposited into the tailings facility.

Construction ramped up in 2020 with the goal of pouring gold before the end of the fourth quarter.

As construction progressed, the Company and JDS continued to refine the project schedule and forecast to complete construction throughout 2020. As a result of some minor project delays primarily a result of delays in parts fabrication due to COVID-19 in China, the budget was again re-forecast in July 2020 to \$141.3 million to get first ore to the mill. This included an additional month of underground development added to the capital period which was originally considered either operating expense or sustaining capital.

As of December 31, 2020, the Company has spent a total of \$145.6 million on developing the underground and constructing surface facilities since the commencement of construction and is forecasting a further \$3.3 million to be spent on the PureGold Mine Project to bring the remaining project facilities online.

During the year, the Company advanced the main ramp by 1,094.5 metres down to 5 Level, completed 2,319.61 metres of general waste development and 654.69 metres of ore development. On December 31, 2020, the Company had an estimated 19,067 tonnes of ore stockpiled on surface at an average grade of 3.32 g/t gold for 2,035 contained gold ounces .

The Company received final permits in December 2020 and successfully had its Closure Plan approved. With final permits in hand, the Company initiated commissioning of the mill and on December 15, 2020 began processing ore through the mill³. Total mill throughput for December 2020 was 3,535 tonnes at a grade of 7.80 g/t Au. The overall plant recovery was 96.6%. The mill has initially outperformed the feasibility study recovery from favorable grind (< 75 mesh) and substantial leach kinetics and retention time.

The gold production was estimated at 860 ounces for December of which 712 ounces remained in gold-in-circuit inventory and 148 ounces poured as the first gold pour from the new PureGold Mine. The poured ounces were sent to the Royal Canadian Mint in January 2021, for refining. The lower poured ounces versus produced ounces was a result of pouring gold only from the gravity circuit to allow for higher loadings on carbon in the CIP circuit, before stripping.⁴

² For further information refer to the press releases dated February 11, 2019 available on the Company's website at www.puregoldmining.ca or the Company's SEDAR profile at www.sedar.com.

³ See press release dated December 16, 2020 available on the Company's website at www.puregoldmining.ca or under the Company's Sedar profile at www.sedar.com.

⁴ See press release dated December 30, 2020 available on the Company's website at www.puregoldmining.ca or under the Company's Sedar profile at www.sedar.com.



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Ongoing capital projects in the first quarter of 2021 consisted of commissioning non-gold critical systems, such as the sewage treatment plant, water treatment plant, and hydraulic backfill plant.

Gold production during the first quarter of 2021 has not met expectations. Mill feed to date has come from the lower grade upper portion of the mine through both mine development as well as from three longhole stopes. The Company completed surveys of the first two stopes mined by longhole via the Main Ramp and determined that that significant overbreak occurred resulting in increased mine dilution and a reduction of grade from plan. Additionally, one of the three longhole stopes encountered a significant volume of non-mineralized dykes resulting in internal dilution. The Company is adjusting its blasting practices to reduce dilution from overbreak and is reviewing some planned stopes for conversion to mechanized cut and fill mining methodology. Additional drilling is being conducted on several stopes planned for early production and this has resulted in delays in access to high grade stopes.

Additionally, the timing of receipt of final permits resulted in reduced mine flexibility as fewer working faces were available during the first few months of operations, including from the Company's East ramp. As a consequence of the above factors, significant mill feed in the first quarter has been sourced from the Company's low-grade stockpiles.

During the first quarter to March 29, 2021, the Company produced an estimated total of 4,011 gold ounces (including estimated gold in circuit) compared to 13,715 gold ounces per the feasibility study, a reduction of 9,704 gold ounces. This shortfall has dramatically affected the Company's positive cash flows and cash resources. See further discussion under "**Liquidity and Capital Resources**" below.

Fortunately, the East ramp is now progressing ahead of the revised schedule and the Company expects to gain access to stopes accessible by the East portal in April, which should significantly increase the mine flexibility through the addition of working faces, alleviating pressure on the Main Ramp to provide mill feed exclusively. The Company expects that increased development from the Main ramp, local use of a more selective mining method, and the addition of these stopes from the East ramp will bring production back in line with plan.

The milling facility continued its ramp-up during the quarter. Since late January, the milling facility at the PureGold Mine has been operating on average at greater than 75% of nameplate capacity, including multiple consecutive days at greater than 800 tonnes per day (tpd) and a peak daily throughput of 897 tpd. Minor ramp-up issues first related to water balance and undersized pumps in January and more recently related to mis-calibrated power draw controls on the mill in early March, have been identified and solutions implemented effectively. The milling facility is now operating reliably at design capacity, with a peak daily throughput in March of 897 tonnes. Interstage screens for the CIP tanks and a trommel screen for the SAG discharge are scheduled to be installed in May which will further enhance operational stability and will position the milling facility for potential expansions beyond 800 tpd in the future. Gold recoveries have been tracking in line with expectations with both the gravity and CIP circuits performing well. Gold pours have continued on a regular basis during the entire commissioning period.

The Company continues to revise its plans for the years and anticipates being in a position to provide further guidance for the balance of 2021 once commercial production is declared.



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During 2021, the Company plans to complete a global resource update to incorporate drilling results since 2018 and plans to initiate the permitting process to increase mill throughput to at least 1,000 tonnes per day. The results of both initiatives may necessitate updating the global mine plan which would also be completed.

Surface Exploration activities

Surface exploration outside of the mine reserve footprint commenced in July 2020 following a successful raise of flow through funds in June 2020, with a total of 21,417 metres drilled from surface with two drill rigs for a total of 88 drill holes to the end of December 2020. Surface drilling was focused outside of the existing PureGold Mine footprint, primarily targeting the Wedge, Starrat, Roberts, Gap, and Treasure Box targets. Underground drilling occurred in campaigns from June 2020 through the year as new access was opened from the West portal and ramp. Underground drilling focussed on stope both infill and step-out extension drilling in areas of the Madsen deposit Austin and McVeigh resource domains in close proximity to the West ramp. Results from the underground drilling helped to refine short term mine plans and identified potential extensions to stopes that may be incorporated into future short term mine plans. Extension and infill drilling is ongoing with two PureGold operated diamond drill rigs and one drill from Hy-Tech Drilling.

In the third quarter of 2020, a 2D seismic survey was completed on a longitudinal control line and two cross section lines over the Gap and Derlak targets by HiSeis Pty of Perth, Australia. The survey was highly successful in imaging deep structures related to gold mineralization. Geological interpretation of the results has provided important targeting support for these two high priority growth targets. A 3D magnetics inversion model was completed in late 2020 by Hardrock Geophysics of Toronto, Ontario. which is also supporting these deeper targeting efforts. Further interpretive work is planned in 2021 and advance preparation, including line clearing, for a large 3D seismic survey in January 2022 is underway.

Total exploration expense for the year ended December 31, 2020 totaled \$6.6 million, which was consistent with the budget for the period. Underground drilling costs incurred during the year, within the PureGold Mine footprint, were capitalized as part of development costs of the PureGold Mine. Underground drilling focused on stope delineation and expansion near the main ramp targeting stopes identified in the near term mine plan.

The Company resumed surface exploration in February 2021 with a planned \$8.7 million program for the year which will include up to 21,300 metres of drilling and line clearing for the 3D seismic survey. Areas targeted for exploration include Wedge, Treasure Box, Starrat, the 8-Zone and the No. 1 Vein target, which will be drilled for the first time by PureGold. Most of the work under this program will be completed in the second half of the year as cash flows allow.

Other Mineral Property Interests

On March 12, 2018, the Company signed an option agreement with KG Exploration Canada Inc. ("Kinross") a subsidiary of Kinross Gold Corp. whereby Kinross has the option to acquire up to a 70% interest in the Company's Van Horne property. To earn its 70% interest Kinross must spend a total of \$4.0 million on



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Van Horne over a four-year period and pay PureGold \$100,000 with a committed minimum of \$750,000 in year one (completed).

Subsequent to December 31, 2020, Kinross provided documentation to support expenditures in excess of the \$4 Million required to earn a 70% interest in Van Horne. The \$100,000 option payment due on vesting was received from Kinross in December 2020. A formal joint venture agreement is now being drafted to govern the 70% Kinross / 30% PureGold joint venture, going forward. At this time, the Company has no plans to participate in the joint venture and expects to dilute its position as the project is funded.

Selected Financial Information

Management is responsible for the Annual Financial Statements referred to in this MD&A and provides officers' disclosure certifications filed with the Canadian provincial securities commissions. Although the Company's Audit Committee reviews the Annual Financial Statements and MD&A and makes recommendations to the Company's Board of Directors, (the "Board"), it is the Board which has final approval of the Annual Financial Statements and MD&A.

The Annual Financial Statements have been prepared using accounting policies in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB"). Our significant accounting policies are presented in Note 3 of the Annual Financial Statements; we followed these accounting policies consistently throughout the year.

The financial data presented below for the current and comparative periods was derived from the financial statements prepared in accordance with IFRS. PureGold raises its financing and incurs head office expenses in Canadian dollars and therefore, it has been determined to have a Canadian dollar functional currency.

The Company's policy is to expense, as incurred, exploration and evaluation expenditures until the mineral property reaches the development stage, when proven and probable reserves have been established that demonstrate a positive return; and necessary permits critical to the resources and environmental programs exist or are reasonably obtainable.

The Company's operations are in one industry – the exploration for gold, and other precious and base metals. At December 31, 2020, 2019 and 2018, PureGold had one geographic location being Canada. .

Results of Operations

The following financial data is derived from our annual financial statements for the fiscal year ended December 31, 2020 and 2019 and the nine months ended December 31, 2018, respectively:



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	For the year ended December 31, 2020	For the year ended December 31, 2019	For the nine months ended December 31, 2018
Total Revenue	\$ -	\$ -	\$ -
Exploration and evaluation expenditures	\$ 6,626,742	\$ 8,860,646	\$ 19,360,713
General and administration	\$ 6,527,218	\$ 5,728,332	\$ 2,682,531
Change in fair value of derivative liabilities	\$ 16,684,323	\$ 6,306,127	\$ -
Net loss and comprehensive loss for the period attributable to shareholders	\$ 26,953,598	\$ 21,821,835	\$ 21,901,184
Basic and Diluted Loss per Share	\$ (0.07)	\$ (0.07)	\$ (0.09)

Fiscal year-ended December 31, 2020 vs. fiscal period ended December 31, 2019

Net loss and comprehensive loss for the year ended December 31, 2020 totaled \$26.9 million, compared to \$21.8 million for the same period in the prior year. The most significant contributors to the loss for the years ended December 31, 2020 were (i) exploration and evaluation expenditures, (ii) general and administrative expenditures consisting of wages, consulting and director fees, professional fees, corporate listing and filing fees, investor relations and communications expenses and office costs, (iii) share based compensation expense, (iv) changes in the fair value of derivatives, (v) gains on foreign exchange and (vi) income tax recoveries. Explanations for material variances period over period are described below.

The Company commenced surface exploration at the PureGold Mine Project in July of 2020 and had drilled approximately 21,417 metres by the end of the 2020 with two drill rigs encompassing 88 drill holes. The amount expensed in 2020, totaling \$6.6 million was consistent with budget for the year and relates only to exploration from surface outside of the known mineral reserve footprint of the PureGold Mine. Underground drilling completed during the year was capitalized as a development cost as the drilling targeted known stope shapes for better resource delineation and potential stope expansion.

The Company did not formally announce construction of the PureGold Mine until August of 2019. Prior to August 2019, all exploration activities and feasibility study costs were expensed as exploration and evaluation expenditures, resulting in a larger expense in 2019.

Wages, consulting and director fees totalled \$2.5 million and \$2.0 million for the years ended December 31, 2020 and 2019, respectively, reflecting increased staffing at the Company's head office in 2020 compared to 2019, salary increases year over year, and slightly higher annual bonuses paid in 2020 compared to 2019. In addition, the Company's director fees were increased in 2020 to address and reflect greater demands on director's time as the PureGold Mine was under construction.



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Professional fees for the year ended December 31, 2020 totalled \$1.8 million compared to \$1.6 million in 2019, reflecting a slight increase as a result of fees paid for various business development activities, that were not incurred in 2019.

Corporate listing and filing fees fell to \$0.3 million in 2020 compared to \$0.8 million in 2019. In 2019, the Company incurred significant listing fees as a result of its LSE listing that were not incurred in 2020.

Investor relations and communication expenditures totalled \$1.2 million in 2020, compared to \$0.8 million in 2019, reflecting increased costs of re-designing the Company's website, and undertaking promotional video production work that was not incurred in 2019, offset somewhat by savings due to scaled back travel for investor relations activities as a result of COVID-19.

Share-based compensation expenses totalled \$5.0 million in 2020 compared to \$1.4 million in 2019. Share-based compensation expense relates to stock option grants from current and previous periods in which stock options were granted to directors, employees, and consultants and current grants of Restricted Share Units ("RSU") and Deferred Share Units ("DSU") to employees and directors. Stock options and RSUs granted to employees and consultants are subject to vesting periods ranging from immediate vesting to vesting over three years. DSU grants vest only when an individual ceases to be a director of the Company. Stock option grants to directors vest immediately on grant.

Generally, share-based compensation expense should be expected to vary from period to period depending on several factors, including whether options are granted in a period and whether options have fully vested or are cancelled in a period. In determining the fair market value of share-based compensation granted to directors and employees, management makes significant assumptions and estimates. These estimates have an effect on the share-based compensation expense recognized and the equity reserves balance on our statements of financial position. Management has made estimates of the life of the options, the expected volatility and the expected dividend yields that could materially affect the fair market value of this type of security. The estimates were chosen after reviewing the historical life of the options and analyzing share price history from that of a peer group to determine volatility.

In 2020, the Company's shareholders approved the DSU and RSU plans and as a result, employees and directors were granted RSUs and DSUs respectively, during 2020, in addition to a smaller number of option grants compared to the prior year. The issuance of RSUs and DSU's during 2020, significantly impacted the share-based compensation expense in 2020, compared to 2019.

During the year ended 2020, the Company realized foreign exchange gains of \$6.7 million, compared to a gain of \$0.2 million in 2019, as a result of significant weakening of the US\$ in 2020 compared to the prior year. The gains on foreign exchange arose as a result of the effect of changes to the United States dollar versus Canadian dollar exchange rate on the Company's Facility and Callable Gold Stream (as defined below), partially offset by the effect of changing exchange rates on the Company's United States dollar denominated cash balance.

For the same periods in 2019, the Company had only a small balance of US\$ denominated assets and liabilities. For the year ended December 31, 2020, the Company recognized a \$16.6 million loss on the change in fair value of various derivative liabilities within the Company's Facility and Callable Gold Stream compared to a \$6.3 million for the prior year. The Company revalues its derivative liabilities on a quarterly



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basis with changes in the derivative values resulting from changes in market volatility and future gold price assumptions.

The net loss for the year ended December 31, 2020 was reduced due to a \$0.8 million deferred income tax recovery arising on the reversal of a flow-through share premium liability recognized in relation to the Company's March 2019 financing, as the expenditures were completed and renounced during the period.

Fiscal year-ended December 31, 2019 vs. fiscal period ended December 31, 2018

Net losses totalled \$21.8 million for the year ended December 31, 2019, compared to \$21.9 million for the fiscal period ended December 31, 2018. The most significant contributors to the loss for the year ended December 31, 2019 and fiscal period ended December 31, 2018 were (i) exploration and evaluation expenditures, (ii) professional fees (iii) wages, consulting and directors' fees (iv) share based compensation expense (v) listing and filing fees (vi) investor relations expenses, (vii) finance income and (viii) loss on derivative revaluation. Explanations for material variances are described below:

The Company's exploration and evaluation expenditures at the PureGold Mine property during the year-ended December 31, 2019 totalled \$8.9 million compared to \$19.4 million for the nine months ended December 31, 2018. Effective August 7, 2019, with the decision to construct being made by the Board and supporting mineral reserves established through a feasibility study and with a pathway to the necessary permits for construction being established and relatively certain, the Company began to capitalize exploration and development expenses that related directly to that portion of the PureGold Mine property that was included in the feasibility study. After August 7, 2019, only exploration and evaluation expenditures relating to the portion of the PureGold Mine property that were not included in the feasibility study, were expensed. For the nine months ended December 31, 2018, all exploration and development expenditures related to the PureGold Mine property were expenses as incurred. During the 9 months ended December 31, 2018, the Company incurred significant costs related to ongoing surface exploration, the commencement and completion of the bulk sample program, and continued work on the feasibility study.

Professional fees for the year ended December 31, 2019 totalled \$1.6 million, a 167% increase over the \$0.6 million incurred during the nine months ended December 31, 2018. Professional fees have increased as the Company engaged financial advisors to evaluate its various strategic alternatives and to assist with project financing. Additionally, the Company engaged contractors to assist with implementation of Enterprise Resource Planning ("ERP") software in preparation for mining operations at the PureGold Mine. Legal fees increased as a result of the LSE listing process and subsequent requirement for a prospectus to qualify additional shares for listing on the LSE that were issued as part of the Company's equity raises in 2019.

Wages, consulting and director's fees were \$2.0 million for the year ended December 31, 2019 compared to \$1.2 million for the nine months ended December 31, 2018. The amount for the year ended December 31, 2019 reflects a full 12 months of activity and increases to staff salaries and headcount over the December 31, 2018 fiscal period.

Share-based compensation expense increased to \$1.4 million during the year ended December 31, 2019, compared to \$0.8 million in the nine-month fiscal period ended December 31, 2018. The difference



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reflects additional employee and director stock option grants in December 2019. There were no significant stock option grants during the fiscal period ended December 31, 2018.

Share-based compensation expense relates to grants from current and previous periods in which stock options were granted to directors, employees, and consultants. During the year ended December 31, 2019, the Company granted 5.2 million stock options with a weighted average exercise price of \$0.73 compared to only 0.3 million stock options in the fiscal period ended December 31, 2018 with a weighted average exercise price of \$0.65. Stock options granted to employees and consultants in 2019 were subject to vesting restrictions over a two-year period with the corresponding share-based compensation expense being recognized over this period, while director grants vest immediately on grant with the corresponding expenses recognized at the time of grant.

Listing and filing fees for the year ended December 31, 2019 totalled \$0.8 million compared to \$0.1 million for the nine months ended December 31, 2018. The increase was primarily due to the Company's admission to trading on the London Stock Exchange in May 2019.

Investor relations and communication expenditures were \$0.7 million for the year ended December 31, 2019 compared to \$0.3 million for the nine months ended December 31, 2018. The Company incurred additional costs in support of its listing on the LSE, as well as increased investor relations travel and marketing efforts once the financing package was secured and the Company announced the commencement of construction at the PureGold Mine. Additionally, the December 31, 2018 balance does not reflect costs of conferences and marketing activities which typically occur in January, February and March of each year given the shortened year end transition period.

Finance income, consisting of interest earned on cash deposits, totalled \$0.5 million for the year ended December 31, 2019 compared to \$0.2 million for the nine months ended December 31, 2018, reflecting the higher average cash balance in fiscal 2019 as a result of the sizeable equity raise and project financing completed during the year, compared to 2018.

For the year ended December 31, 2019, the Company realized a loss of \$6.3 million attributed to the change in fair value of various derivative liabilities relating to the Company's Facility and Callable Gold Stream completed in 2019. See Notes 11 and 12 to the Annual Financial Statements for further information.

Financial Position

The following financial data are derived from our Annual Financial Statements for the fiscal year ended December 31, 2020 and 2019:



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	As at December 31, 2020	As at December 31, 2019
Total assets	\$ 248.5 million	\$ 130.6 million
Current liabilities	\$ 35.9 million	\$ 8.2 million
Non-current liabilities	\$ 152.1 million	\$ 72.8 million
Cash dividends declared	\$ -	\$ -

Total assets increased by \$117.9 million at December 31, 2020 to \$248.5 million compared to \$130.6 million at December 31, 2019, primarily due to the drawdown of the full balance of the Facility totaling \$72.9 million, the receipt of \$18.8 million in cash on the exercise of outstanding share purchase warrants, a net \$14.0 million raised through a flow through equity issuance during the year and \$2.0 million received from the exercise of employee and director stock options. The Company capitalized \$114.0 million within Mineral properties, plant and equipment as construction and mine development expenditures and capital equipment purchases occurred during the year, funded by \$70 million from the cash balance at December 31, 2019 and \$44 million from cash received in the year. Offsetting these asset inflows was the outflow of cash used in operating activities of \$18.3 million.

Current liabilities increased by \$27.7 million to \$35.9 million at December 31, 2020 compared to \$8.2 million at December 31, 2019. Accounts payable and accrued liabilities increased by \$14.9 million due to an increase in the Company's ongoing construction activities at the PureGold Mine.

The Company has also recognized a flow-through share premium liability of \$3.3 million in regard to a flow through share financing completed in June 2020, compared to a flow-through share premium liability of \$0.8 million recognized in 2019 as a result of the flow through share offering completed in March 2019.

Additionally, the Company's lease liability increased by \$4.9 million due to equipment leases entered into during 2020. The Company's current portion of the gold stream derivative liability increased by \$5.4 million reflecting the amount to be paid under the gold stream in the next 12 months based on current projected gold production.

Non-current liabilities increased by \$79.3 million between December 31, 2019 and December 31, 2020, primarily due to the draw-down of the remaining balance of the Facility and an increase in the gold stream derivative liability as a result of changes in market volatility and gold price assumptions in the valuation model, offset by foreign exchange impacts.

In addition, as the construction activities at the PureGold Mine continued during the year, the Company increased its provision for closure and reclamation to reflect an estimate of the closure costs for the changes due to the construction as well as a reduction in discount rate for future cash flows.

Shareholders' Equity

During the year ended December 31, 2020, the Company issued 39,014,085 common shares including 9,868,421 common shares issued pursuant to the May 2020 flow through share offering, at \$1.52 per



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share, 6,351,664 common shares upon the exercise of employee, director, and consultant stock options with a weighted average exercise price of \$0.31, and 22,794,000 shares issued pursuant to the exercise of warrants at a price of \$0.85.

Refer also to the discussion in this MD&A under the heading, "Outstanding Share Data". The Company has not declared any dividends since incorporation.

Summary of Quarterly Results

The following information is derived from and should be read in conjunction with the Annual Financial Statements of PureGold and the interim condensed financial statements for each of the past eight quarters which have been prepared in accordance with IFRS applicable to interim financial reporting including IAS 34.

For the three months ended (\$ million except per share data)								
	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	Jun 30, 2019	Mar 31, 2019
Total revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating expenses	\$(10.3)	\$(4.9)	\$(1.4)	\$(1.7)	\$(3.5)	\$(5.7)	\$(4.0)	\$(2.8)
Total comprehensive income (loss) for the period	\$(16.2)	\$(9.7)	\$(9.7)	\$8.7	\$(6.0)	\$(8.8)	\$(4.0)	\$(2.8)
Basic and diluted income (loss) per share	\$(0.04)	\$(0.02)	\$(0.03)	\$0.02	\$(0.01)	\$(0.03)	\$(0.02)	\$(0.01)

The Company's operating expenses increased by \$5.4 million in the three months ended December 30, 2020. The largest contributors to the increase were exploration and evaluation expenditures which increased by \$2.0 million reflecting the increased activity of surface drilling and exploration at the PureGold Mine property. In addition, share based compensation expense for the quarter totaled \$1.2 million reflecting the grant of fully vested stock options and DSU's to directors, partially vested RSUs to employees and unvested stock options to employees, during the quarter. The realized increase in the Company's share price over the period resulted in higher volatility weightings, leading to increased Black Scholes values for the options granted. Wages and director fees increased by \$0.2 million in the quarter, reflecting a slight increase of annual bonus rates to staff and professional fees increased by \$0.4 million reflecting consulting fees paid in support of various business development matters during the quarter. In addition to the above, also affecting the net loss and comprehensive loss for the period, was a \$10.8 million loss on the revaluation of its derivative liabilities, offset somewhat by a \$3.9 million foreign



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exchange gain as the US\$ continued to weaken during the quarter which benefited the Company as many of its long-term liabilities are denominated in US\$.

The Company's operating expenses for the three months ended September 30, 2020 increased by 228.5% over the three months ended June 30, 2020. The Company's exploration activities ramped up in July 2020 and were \$2.7 million higher than in the three months ended June 30, 2020. Professional fees also increased in the quarter ended September 30, 2020 reflecting fees paid in relation to certain corporate development opportunities investigated by the Company. Another significant area of variance, quarter over quarter is the recognition of changes in the fair value of certain financial derivative liabilities held by the Company. The value of the liabilities can fluctuate significantly as the assumptions used in the various valuation models, such as estimates of market volatility, future gold price and foreign exchange rates, change over time. The Company realized a loss on the change in the fair value of derivatives of \$6.4 million for the quarter ended September 30, 2020 compared to a loss of \$10.9 million for the quarter ended June 30, 2020. As foreign exchange rates change period over period, the Company's foreign exchange gain or loss on its various financial assets and liabilities also changes. For the quarter ended September 30, 2020, the Company recorded a foreign exchange gain of \$1.5 million compared to a \$2.5 million gain for the quarter ended June 30, 2020.

The Company's operating expenses for the quarter ended June 30, 2020, decreased by 20% compared to the total expenses for the quarter ended March 31, 2020. The Company incurred lower share-based compensation expense as a result of a lower number of stock options vesting compared to the quarter ended March 31, 2020. Professional fees were lower during the quarter ended June 30, 2020 compared to March 31, 2020 as a result of annual audit fees incurred in the prior quarter that did not exist in the quarter ended June 30, 2020, as well as higher consulting fees incurred with the implementation of the Company's ERP software in preparation for mining operations at the PureGold Mine. The Company recognized a total net loss for the quarter ended September 30, 2020 compared to total net income for the quarter ended March 31, 2020 as a result of a \$10.9 million loss on the change in fair value of its derivative liabilities relating to the Facility and Callable Gold Stream, compared to a \$10.5 million gain on the change of fair value in the prior quarter. This was partially offset by a \$2.5 million foreign exchange gain largely attributed to the Company's Facility and Callable Gold Stream which are contracted in United States dollars.

The Company's total expenses for the quarter ended March 31, 2020 decreased by 50% compared to the total expenses for the quarter ended December 31, 2019. The Company incurred significantly lower exploration costs when compared to the prior quarter as the Company did not have an active exploration program in the first quarter of 2020 as it focussed on its development activities at the PureGold Mine Project. Additionally, share-based compensation expense decreased as a result of a lower number of stock options vesting compared to the quarter ended December 31, 2019 as a result of the December 13, 2019 stock option grant. The Company recognized total net income for the quarter ended March 31, 2020 compared to a net loss in the prior quarter as a result of a \$10.5 million gain on the change in fair value of its derivative liabilities relating to the Facility and Callable Gold Stream. This was partially offset by a \$1.2 million foreign exchange loss of which \$4.3 million was attributed to the Company's Facility and



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Callable Gold Stream which are held in US\$, partially offset by a \$3.1 million positive movement in the US\$ / CDN\$ exchange rate and its corresponding effect on US\$ cash balances.

The Company's net loss and total expenses for the quarter ended December 31, 2019 decreased by 32% and 39%, respectively, compared to the net loss and total expenses for the quarter ended September 30, 2019, the Company incurred significantly lower professional fees when compared to the prior quarter as a result of the completion of a US\$90 million financing package (the "**Financing**", and discussed below) in July 2019, which resulted in higher transaction costs leading up to the completion of the Financing. Additionally, the Company incurred lower exploration costs when compared to the prior quarter as the exploration drilling program at the Wedge, Fork and Russet South deposits completed during the quarter. These were partially offset by higher share-based compensation expense resulting from the December 13, 2019 stock option grant.

The Company's net loss and total expenses for the quarter ended September 30, 2019 increased by 119% and 41%, respectively compared to the net loss and total expenses for the quarter ended June 30, 2019. During the quarter ended September 30, 2019 The Company incurred significant professional fees relating to the completion of the Financing and various business development initiatives and realized a \$3.3 million expense related to the change in fair value of various derivatives recognized on closing of the Facility and Callable Gold Stream that was not present in earlier quarters. The Company also recognized an additional expense in the quarter ended September 30, 2019, in regard to the common shares issued to the Lac Seul and Waubaskang First Nations.

The Company's net loss and total expenses for the quarter ended June 30, 2019 increased by 43% compared to the net loss and total expenses for the quarter ended March 31, 2019. During the quarter ended June 30, 2019, the Company's exploration expenditures of \$2.0 million were primarily focused on the commencement of exploration drilling directed at the Wedge, Fork and Russet South deposits, and continued engineering studies to support the finalization of the feasibility study. During the quarter ended March 31, 2019, the Company's exploration expenditures of \$1.6 million were primarily focused on completion of the feasibility study and early-stage studies related to the Russet South, Fork and Wedge deposits. During the quarter ended June 30, 2019 the Company also incurred additional professional, listing and filing fees in connection with the Company's admission to trading on the London Stock Exchange.

Fourth Quarter Results

See discussion above under *Summary of Quarterly Results* for an analysis of significant fourth quarter results.

During the quarter, the Company drew down the remaining balance under the Facility and owed US\$65.0 million in principal and US\$2.9 million in capitalized interest at December 31, 2020.

During the quarter, the Company completed constructing the necessary surface infrastructure and received all of the necessary permits to allow for delivery of first ore to the PureGold Mine mill in



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December. A total of 148 ozs of gold was poured during the quarter and sold with proceeds from the sale, netted against capitalized development costs for the mine.

Liquidity and Capital Resources

As at the date of this MD&A, the Company has approximately \$11.8 million in cash \$1.9 million in GST / HST receivable offset by \$11.6 million in accounts payable and accrued liabilities.

On August 7, 2019, PureGold secured a US\$90 million financing package for the PureGold Mine with Sprott . The Financing is comprised of the Facility for US\$65 million, and a US\$25 million callable gold stream (the "Callable Gold Stream").

The US\$90 million in proceeds from the Financing combined with existing cash on hand, fully funded the initial capital costs to develop the PureGold Mine. The Callable Gold Stream provided immediate cash to the Company allowing for the commencement of development activities ahead of finalizing our permit amendments. The Callable Gold Stream can be repurchased once the PureGold Mine is in production and generating cash flow.

During 2020, the Company drew down the full amount of the US\$65 million Facility (see further discussion below) and had no other facility available to it. The Facility includes financial covenants that include, amongst others, requiring the Company to maintain minimum cash and working capital balances. At December 31, 2020 and the date of this MD&A, the Company is in compliance with these covenants.

For details of the accounting for the Facility and the Callable Gold Stream, please see Notes 12 and 13 of the Annual Financial Statements.

As a direct 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 faces short-term liquidity issues as the development and ramp-up of the mining operation continues.

To address its short-term capital concerns, subsequent to year-end, the Company reached a binding letter agreement with Sprott to amend the terms of the Facility (the "**Amendment**") 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 for a period of three months after closing, 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 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.

Additional key terms of the Amended Agreement include:



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- Interest rate, principal repayment schedule, 2% arrangement fee payable pro-rata on each drawdown, and fixed per ounce production-linked payment to remain unchanged from the original Facility;
- No changes to the Callable Gold Stream or Purchase Price Agreement unless such changes are required to bring definitions in line with the Amendment;
- Interest may be capitalized up to and including June 30, 2021; thereafter, interest may only be capitalized at the discretion of the Lender; and
- Reduced minimum cash balance and working capital covenants for the balance of 2021

The Company believes that the additional US\$12.5 million should be sufficient to allow the Company to continue development by way of the Main and East ramp, continue 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 the twelve months from December 31, 2020.

The Company's risk exposure and impact on the Company's financial instruments are summarized in note 25 of the Annual Financial Statements for the year ended December 31, 2020.

Contractual Obligations

As at December 31, 2020, the Company had the following contractual obligations outstanding, which are expected to be settled as set out in the table (amounts may not cross add due to rounding):

	Total	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5+ years
Loans and borrowings	\$119.8 million	\$7.2 million	\$11.5 million	\$19.8 million	\$22.9 million	\$21.4 million	\$37.0 million
Accounts payable and accrued liabilities	\$21.3 million	\$21.3 million	-	-	-	-	-
Production linked payments	\$6.3 million	\$0.8 million	\$1.0 million	\$1.2 million	\$1.0 million	\$1.7 million	\$0.6 million

Under the Facility, interest is accrued and capitalized until March 31, 2021, and afterwards paid out quarterly. As at December 31, 2020, the Company has accrued US\$2.9 million in interest payable under the Facility. The Company is also obligated to pay Sprott the PPA, a fixed US\$10 per ounce production-linked payment on the first 500,000 ounces of gold produced from the PureGold Mine.



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The terms of the Callable Gold Stream require the Company to deliver gold or cash to Sprott in accordance with the terms of the agreement. In the event the Company does not deliver sufficient value over the life of mine (equal to the difference between the ounces of gold delivered times the difference in the spot price of an ounce of gold and 30% of the spot price) to Sprott to offset the US\$25 million received under the Callable Gold Stream, the balance must be paid in cash.

Other than previously disclosed above, the Company has entered into an Amended Technical and Administrative Services Agreement (the "**Oxygen Agreement**") with Oxygen Capital Corp. ("**Oxygen**"), a private company of which a director and an officer of the Company are shareholders. Pursuant to the Oxygen Agreement, and without limiting or abrogating the duties of PureGold's President and Chief Executive Officer or its Chief Financial Officer and Corporate Secretary, Oxygen provides the Company:

- access to, and the use of the assets contained in, office space leased by Oxygen; and
- services, staff, and expertise as determined necessary to manage the assets, operations, business and administrative affairs of PureGold properly and efficiently.

The Company pays Oxygen for the cost of management and technical services, including the wage allocations of employees seconded by Oxygen to the Company (plus tax and applicable benefits) at cost; There is no mark-up or additional direct charge to the Company from Oxygen under the Oxygen Agreement.

The Oxygen Agreement is intended to provide the Company with a number of technical and administrative services and access, on an as-needed basis, to Oxygen's roster of geologists, mining engineers, investor relations and financial and business development professionals that would not necessarily otherwise be available to PureGold at this stage of the Company's development.

The Oxygen Agreement is for an initial term of two years and shall be automatically renewed from time to time thereafter for an additional term of two years unless otherwise terminated. The Oxygen Agreement may be terminated by either party giving at least 180 days' prior written notice of such termination subject to PureGold being liable for its share of committed lease costs and contractual obligations entered into on its behalf by Oxygen, as well as an amount equal to the average general and administrative monthly costs incurred under the Oxygen Agreement for the previous six month period, and any employee termination fees due under the Oxygen Agreement as a result of the termination as such term is defined under the Oxygen Agreement. The amount pertaining to the non-cancellable head office lease is included in the table below.

Agreement with First Nations

The Company entered into a Project Agreement with respect to the PureGold Mine with the Waubaskang and Lac Seul First Nations. The Project Agreement establishes a long-term, mutually beneficial partnership between PureGold and the First Nations. In turn, both First Nations acknowledge and support PureGold's rights and interests in the development and future operation of the PureGold Mine. The Project Agreement provides for communication, cooperation, and collaboration between the First Nations and PureGold, 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.



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Highlights of the Project Agreement include:

- Confirms the First Nations collaboration with PureGold in support of the operational permitting process for the PureGold Mine Project and all subsequent regulatory authorizations;
- Establishes a foundation for employment opportunities, direct contracting opportunities, and PureGold's commitment and support for education and training initiatives;
- Confirms PureGold's commitment to sustainable development, to protecting the environment, and direct support for environmental monitoring; and
- Provides for the issuance of 500,000 shares of PureGold to each First Nation (issued); and,
- Establishes future financial contributions by PureGold commensurate with production.

PureGold estimates the total cost of the Project Agreement, over the life of the PureGold Mine as outlined in the feasibility study, to be approximately \$14 million.

Leases

The Company leases assets such as office space and equipment. These assets are classified as Property, Plant and Equipment in the statement of financial position.

The Company's lease with respect to its head office premises is paid by Oxygen pursuant to the Oxygen Agreement.

Below is a maturity analysis of the Company's lease payments at December 31, 2020:

	Up to 1 year	1 to 5 years	Total
Minimum lease payments	\$5.42 million	\$0.31 million	\$5.73 million
Finance charge	\$(0.38) million	\$(0.02) million	\$(0.40) million
Total principal payments	\$5.04 million	\$0.29 million	\$5.33 million

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 recognized in the statement of financial position. The Company expensed \$0.1 million of variable lease payments during the year ended December 31, 2020 (2019 - \$0.1 million).

Surety Bonds

The Company has entered into an agreement with a third-party agent (the "Surety") with respect to the financial assurance obligations in its Closure Plan as filed with the Ministry of Energy, Northern



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Development and Mines ("MNDM") totaling \$21.3 million. The obligations associated with this instrument is generally related to performance requirements that the Company addresses through its ongoing operations. As specific requirements are met, the MNDM as beneficiary of the bonds will return the bonds to the issuing entity. As this instrument is associated with a property undergoing active development and future operations, it will remain outstanding until the earlier of the date that the Company has discharged its remediation obligations under its Closure Plan or determines to self-fund the underlying bonding obligations. 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 year end, the MENDM returned to the original Surety agent, the two surety bonds totalling \$2.4 million that were in place for when the PureGold Mine was in temporary suspension and the Surety agent returned to the Company's treasury, the \$1.3 million deposit plus interest relating to these original bonds. There is no deposit requirement by the current Surety agent.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as defined by NI 51-102 requirements as at December 31, 2020 or as at the date hereof.

Proposed Transactions

As is typical of the mineral exploration and development industry, we are continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. We are also continually reviewing and discussing opportunities with third parties regarding the sale of non-strategic properties in our portfolio. There is no guarantee that any contemplated transaction will be concluded.

At present, there is no proposed asset or business acquisitions or dispositions before the Board for consideration.

Related Party Transactions

Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

Oxygen Capital Corp

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 at cost, including providing some staff who are seconded to the Company, office facilities and other administrative functions. As at December 31, 2020, Oxygen holds a refundable deposit of \$0.4 million (December 31, 2019 - \$0.3 million), on behalf of the Company. During the year ended December 31, 2020, a total of \$1.8 million (year ended December 31, 2019 - \$2.0 million) 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 held a payable amount to Oxygen of \$0.1 million (December 31, 2019 - \$0.2 million). This amount was paid subsequent to December 31, 2020.



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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 aggregate total compensation paid or payable to key management for employee services directly or via Oxygen is as follows:

	Year ended December 31, 2020	Year ended December 31, 2019
Salaries and short-term employment benefits	\$1.7 million	\$1.5 million
Director fees	\$0.5 million	\$0.4 million
Share-based compensation	\$5.2 million	\$1.1 million
Total	\$7.4 million	\$3.0 million

New Accounting Policies adopted.

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 gold and silver. These products are 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.

Inventories

Inventories currently 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 cost and net realizable value, with net realizable value 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 is based on the costs incurred, including depreciation, in bringing the ore to the stockpile.



Management's Discussion and Analysis

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.

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.

Accounting standards not yet adopted during the year

Property, Plant and Equipment – Proceeds before Intended Use

The IASB has published 'Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)' regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management. The amendment to the standard prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective 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 at December 31, 2020, due to the small number of gold ounces sold by the Company during the year.

Interest Rate Benchmark Reform

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 provide specific guidance on how to treat financial assets and financial liabilities where the basis for determining the contractual cash flows changes as a result of interest rate benchmark reform.

The Company's Facility is currently subject to interest rates that fluctuate with the three month LIBOR rate and as a result, the Company will be required to apply IFRS 9:B5.4.5, such that the change in the basis for determining the contractual cash flows for its Facility is applied prospectively by revising the effective interest rate. The amendments are effective for annual periods beginning on or after January 1, 2021.



Management's Discussion and Analysis

The Company does not anticipate that the adoption will have a material impact on its consolidated financial statements at this time.

Significant Accounting Judgments, Estimates and Assumptions

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

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

Key accounting judgments

(i) Going Concern

The assessment of the Company's ability to continue as a going concern requires significant judgment. The Company considers the factors outlined in the "Liquidity and Capital Resources" section above when making its going concern assessment.

(ii) 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, plan 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.

The Company's recoverable amount measurement with respect to the carrying amount of non-financial assets is based on numerous assumptions and may differ significantly from actual recoverable amounts. The recoverable amount is based, in part, on certain factors that may be partially or totally outside of the Company's control. The evaluation involves a comparison of the estimated recoverable amount of non-financial assets to its carrying values. The Company's recoverable amount estimates are based on numerous assumptions such as, but not limited to, estimated realized gold prices, operating costs, gold recovery, mineral reserves and resources, capital and site restoration expenditures, and estimated future foreign exchange rates and may differ from actual values. These differences may be significant and could have a material impact on the Company's financial position and results of operation. Mineral reserve and



Management's Discussion and Analysis

resource estimates are the most important variable in the Company's recoverable amount estimates. A decrease in the reserves or resources may result in an impairment charge.

Management's estimates of future cash flows are subject to risk and uncertainties. Therefore, it is reasonably possible that changes could occur with evolving economic conditions, which may affect recoverability of the Company's non-financial assets.

(iii) Commercial Production

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 such levels of operating capacity, 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.

As at December 31, 2020, the PureGold Mine Project had not reached 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.

(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



Management's Discussion and Analysis

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 makes 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).

Risks associated with financial instruments

We are exposed to a variety of financial instrument related risks. The Board provides oversight for our 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 an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. At December 31, 2020, the Company had cash of \$44.9 million (December 31, 2019 - \$70.3 million) and short-term investments of \$1.5 million (December 31, 2019 - \$23,000) to settle current liabilities of \$34.7 million (\$31.4 million excluding the flow-through premium liability of \$3.3 million) (December 31, 2019 - \$7.3 million) and long term liabilities of \$154.9 million, including advances under the Facility and Callable Gold Stream (December 31, 2018 - \$72.8 million). At December 31, 2020 there was sufficient cash on hand to fund the Company's current commitments.

As at December 31, 2020, the Company had not yet reached positive cash flows from operations. The Company has incurred negative cash flows from operations of \$15.3 million (2019 - \$12.9 million) and a loss of for the year ended December 31, 2020 of \$28.7 million (2019 - \$21.8 million) and expects to incur further losses in carrying out its planned business objectives until positive cash flows are achieved through production of gold at the PureGold Mine.

The Company introduced the first ore to the mill in December 2020 and anticipates reaching commercial production in Q2 of 2021. Should the Company not reach this milestone, there is no guarantee that the



Management's Discussion and Analysis

Company can continue as a going concern and have the ability to discharge its obligations as they become due, without additional financing.

Interest Rate Risk

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

The Company is exposed to interest rate risk due to the floating rate interest on the 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 Facility.

Foreign Currency Risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instrument will fluctuate because of changes in foreign exchange rates. The Company also holds cash and cash equivalents that are denominated in US dollar currencies which are subject to currency risk. Accounts payable and other current and non-current liabilities may be denominated in US dollars. The Company is further exposed to currency risk through non-monetary assets and liabilities and tax bases of assets, and liabilities. Changes in exchange rates give rise to temporary differences resulting in a deferred tax liability or asset with the resulting deferred tax charged or credited to income tax expense.

During the year-ended December 31, 2020, the Company recognized a net foreign exchange gain of \$6.7 million (December 31, 2019 – \$0.02 million).

The following table shows the impact of a plus or minus 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
Production Payment Agreement	\$	450,435
Callable Gold Stream	\$	4,508,160

Fair Value Estimation

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.

At December 31, 2020, the carrying amounts of cash, short-term investments, amounts receivable, interest receivable, deposits, reclamation deposits, accounts payable, and accrued liabilities are considered to be a reasonable approximation of their fair values, due to their short-term nature.



Management's Discussion and Analysis

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.

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

At December 31, 2020, the carrying amounts of cash, short-term investments, interest receivable, deposits, reclamation deposits, accounts payable, and accrued liabilities are considered to be a reasonable approximation of their fair values, due to their short-term nature.

At December 31, 2020 the fair values of the embedded derivatives in the Facility and the Gold Stream are determined using Level 3 inputs.

The fair value of the embedded derivatives in the 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.

Management of Capital

PureGold considers the items included in the statement of shareholders' equity as capital. Management of the Company manages the capital structure and adjusts in light of changes in economic conditions 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. The Company does have minimum working capital requirements required under the Facility.



Management's Discussion and Analysis

PureGold's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

Outstanding Share Data

PureGold's authorized capital is unlimited common shares without par value. As at March 31, 2021 the following common shares and stock options were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares	400,812,256	N/A	N/A
Stock Options	200,000	\$0.63	May 26, 2021
	75,000	\$0.72	November 14, 2021
	2,230,000	\$0.44	December 21, 2021
	100,000	\$0.54	July 24, 2022
	4,775,000	\$0.49	December 15, 2022
	133,334	\$0.54	May 6, 2024
	250,000	\$0.64	November 18, 2024
	4,575,001	\$0.74	December 13, 2024
	350,000	\$0.77	February 19, 2025
	1,880,000	\$2.84	December 17, 2025
400,000	\$2.60	January 1, 2026	
Deferred Share Units	1,078,306	Not applicable	
Restricted Share Units	1,088,451	Not applicable	December 31, 2023
Warrants	32,393,000	\$0.85	July 18, 2022
Fully Diluted	450,340,348		

Industry and Economic Factors That May Affect Our Business

Economic and industry risk factors that may affect our business, in particular those that could affect our liquidity and capital resources, are as described under the heading "Risk Factors" in our AIF dated March 31, 2021, available on the Company's SEDAR profile at www.sedar.com. In particular, there are currently significant uncertainties in the global economy, increased volatility and general changes in the prices of gold and other precious metals which may impact our business going forward including those uncertainties created by the COVID-19 pandemic.

On March 11, 2020, the World Health Organization ("WHO") assessed COVID-19 as a pandemic. This assessment by the WHO was not unexpected given the virus had been circulating in various parts of the world. The effect of the COVID-19 virus and the actions recommended to combat the virus are changing rapidly.



Management's Discussion and Analysis

To date, the Company has been minimally affected by COVID-19 and the Company's PureGold Mine is located in a jurisdiction which has seen relatively few cases of COVID-19. Overall, the key risks related to the PureGold Mine currently relate to (a) the procurement of goods and potential supply chain issues and (c) impact to both site-based personnel and head office personnel.

As the Company is ramping up to commercial production, should the Company's personnel be directly impacted by COVID-19, it may result in delays to reaching this milestone, depending upon the extent of infection to mine staff. There are numerous examples of mines being shut down for extended periods because of COVID-19. If this were to occur, the Company has minimal cash resources to outlast an extended shutdown and the Company would need to take actions to immediately reduce cash outflows, including temporary layoffs which would directly affect production of gold.

In addition, the actual and threatened spread of COVID-19 globally could continue to negatively impact stock markets, including the trading price of the Company's Common Shares, and could adversely impact the Company's ability to raise additional capital, if needed. Any of these developments, and others, could have a material adverse effect on the Company's business and results of operations.

Legal Matters

PureGold is not currently and has not at any time during our most recently completed financial year, been party to, nor has any of its property interests been the subject of, any material legal proceedings or regulatory actions.

Management's Responsibility for the Financial Statements

The preparation and presentation of the accompanying financial statements, MD&A and all financial information in the financial statements are the responsibility of management and have been approved by the Board following the report and recommendation of the Audit Committee. The financial statements have been prepared in accordance with IFRS. Financial statements by nature are not precise since they include amounts based upon estimates and judgments. When alternative treatments exist, management has chosen those it deems to be the most appropriate in the circumstances.

Subsequent Events Not Otherwise Described Herein

Other than disclosed above, the following items of financial significance 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.



Management's Discussion and Analysis

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is responsible for the design of PureGold's internal controls over financial reporting ("**ICFR**") as required by National Instrument 52-109—Certification of Disclosure in Issuers' Annual and Interim Filings ("**NI 52-109**"). ICFR is intended to provide reasonable assurance regarding the preparation and presentation of material financial information for external purposes in accordance with applicable generally accepted accounting principles. Internal control systems, no matter how well designed, have inherent limitations. PureGold's officers certify the design of PureGold's ICFR using the Internal Control – Integrated Framework (2013) issued by The Committee for Sponsoring Organizations of the Treadway Commission. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management has determined that the Company's internal controls over financial reporting have been effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. During the year ended December 31, 2020, PureGold began the implementation of a new ERP system. The implementation of that system is expected to, among other things, improve user access security and automate a number of accounting, back office and reporting processes and activities, thereby decreasing the number of manual processes previously required. Except for the implementation of the new system, there were no changes to the internal controls over financial reporting that occurred during the year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

However, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness in future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Disclosure Controls and Procedures

Disclosure controls and processes have been designed to ensure that information required to be disclosed by PureGold is compiled and reported to management as appropriate to allow timely decisions regarding required disclosure. PureGold's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of December 31, 2020, that the disclosure controls and procedures are effective in providing reasonable assurance that material information related to PureGold is made known to them by employees and third-party consultants working for PureGold and its subsidiaries. There have been no significant changes in our disclosure controls and procedures during the year ended December 31, 2020.

While PureGold's Chief Executive Officer and Chief Financial Officer believe that our disclosure controls and processes will provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and processes will prevent all errors and frauds. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.



Management's Discussion and Analysis

Scientific and Technical Disclosure

Except for the PureGold Mine Project, the Company's other projects and those in which we have an interest are early stage and do not contain any mineral resource estimates as defined by NI 43-101.

Unless otherwise indicated, PureGold has prepared the technical information in this MD&A ("**Technical Information**") based on information contained in the following technical report:

"Madsen Gold Project Technical Report Feasibility Study for The Madsen Deposit, Red Lake, Ontario, Canada ", effective February 5, 2019, and dated March 21, 2019, and revised July 5, 2019, filed under the Company's profile on SEDAR at www.sedar.com and available on the Company's website at www.puregoldmining.ca (the "**Technical Report**").

Technical Information was also based on information contained in news releases (collectively the "Disclosure Documents") available under PureGold's company profile on SEDAR at www.sedar.com. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

Our Disclosure Documents were in part prepared by or under the supervision of an independent QP. Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability.

The disclosure in this MD&A has been made in accordance with NI 43-101. NI 43-101 is a rule developed by the Canadian Securities Administrators that establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. These standards differ significantly from the disclosure requirements of the SEC. Additional disclosure and cautionary notes relating to the PureGold Mine are summarized in our AIF, available on PureGold's SEDAR profile at www.sedar.com.

The SEC's disclosure standards normally do not permit the inclusion of information concerning "measured mineral resources", "indicated mineral resources" or "inferred mineral resources" in documents filed with the SEC, unless such information is required to be disclosed by the law of the Company's jurisdiction of incorporation or of a jurisdiction in which its securities are traded. Consequently, mineral resource and mineral reserve information contained in this MD&A is not comparable to similar information that would generally be disclosed by U.S. companies in accordance with the rules of the SEC.

The SEC's Industry Guide 7 applies different standards in order to classify mineralization as a reserve. As a result, the definitions of proven and probable reserves used in NI 43-101 differ from the definitions in Industry Guide 7. Under SEC standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Accordingly, mineral reserve estimates contained in this MD&A may not qualify as "reserves" under SEC standards.



Management's Discussion and Analysis

This MD&A uses the terms “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources” to comply with the reporting standards in Canada. The SEC’s Industry Guide 7 does not recognize these terms and U.S. companies are generally not permitted to use these terms in documents they file with the SEC. Investors are cautioned not to assume that any part or all the mineral deposits in these categories will ever be converted into SEC defined mineral “reserves.” Further, “inferred mineral resources” have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically.

Therefore, investors are also cautioned not to assume that all or any part of an inferred mineral resource exists. In accordance with reporting standards in Canada, estimates of “inferred mineral resources” cannot form the basis of feasibility or other economic studies, except in rare cases. In addition, disclosure of “contained ounces” or “contained pounds” in a mineral resource estimate is permitted disclosure under NI 43-101 provided that the grade or quality and the quantity of each category is stated; however, the SEC normally only permits issuers to report mineralization that does not constitute “reserves” by SEC standards as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and resources contained in this MD&A may not be comparable to information made public by US domestic companies subject to the reporting and disclosure requirements of the SEC.

Darin Labrenz, P.Geo, PureGold’s President & CEO, is the Company’s QP for the purposes of NI 43-101 and has reviewed and validated that the scientific or technical information contained in this MD&A related to the PureGold Mine Technical Report, is consistent with that provided by the independent QPs responsible for preparing the PureGold Mine Technical Report and has verified the technical data disclosed in this document relating to those projects in which the Company holds an interest. Mr. Labrenz has consented to the inclusion of the Technical Information in the form and context in which it appears in this MD&A.

Approval

The Board of Directors of PureGold has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Additional Information

Additional information relating to PureGold can be obtained on the SEDAR website at www.sedar.com or by contacting:

PureGold Mining Inc.
Attention: Darin Labrenz, President and Chief Executive Officer
Suite 1900 - 1055 West Hastings Street
Vancouver, BC, Canada V6E 2E9
Tel: (604) 646-8000
Fax: (604) 632-4678
Website: www.puregoldmining.ca
Email: info@puregoldmining.ca



Management's Discussion and Analysis

PURE GOLD MINING INC.

/s/ "Darin Labrenz"

Darin Labrenz

President and Chief Executive Officer

PURE GOLD MINING INC.

/s/ "Sean Tetzlaff"

Sean Tetzlaff

Chief Financial Officer