



This is the 6<sup>th</sup> affidavit of  
C. Haubrich in this case and was  
made on March 24, 2023

No. S-228723  
Vancouver Registry

**IN THE SUPREME COURT OF BRITISH COLUMBIA**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c.  
C-36

AND

IN THE MATTER OF THE *BUSINESS CORPORATIONS ACT*, S.B.C. 2002, c. 57

AND

IN THE MATTER OF THE PLAN OF COMPROMISE AND ARRANGEMENT OF  
PURE GOLD MINING INC.

PETITIONER

**AFFIDAVIT**

I, Chris Haubrich, of Suite 1900 – 1055 West Hastings, Vancouver, British Columbia, AFFIRM  
THAT:

**I. INTRODUCTION AND OVERVIEW**

1. I am the Vice President of Business Development and Chief Financial Officer of Pure Gold Mining Inc. ("**Pure Gold**"), the petitioner in this proceeding. As such, I have personal knowledge of the matters deposed to in this affidavit, except where stated to be based upon information provided to me, in which case I believe the same to be true.

2. Capitalized terms not defined in this Affidavit shall have the meanings given to them in my first Affidavit made October 30, 2022 (my "**Affidavit #1**").

3. This Affidavit is made in support of Pure Gold's applications for two orders:

- (a) an order (the "**SERP Order**") approving a Site Employee Retention Plan (the "**SERP**") to provide "**Bonus Payments**" to Pure Gold's Key Site Employees (as defined below) and granting a change in an amount not to exceed \$2.2 million over

Pure Gold's Property (as defined in the Amended and Restated Initial Order of this Court dated November 9, 2022 (the "**ARIO**")) to secure the amounts payable under the SERP; and

- (b) an order (the "**CAO Order**") approving the Consulting Agreement between Pure Gold and Jonathan Singh (the "**Consulting Agreement**"), appointing Mr. Singh as the Chief Administrative Officer (the "**CAO**") of Pure Gold.

4. The SERP Order and the CAO Order are part of a coordinated path forward reflecting both Pure Gold's current resources and its operational needs as it continues to work towards its restructuring goals. In consultation with, and with the support of, the Monitor and Sprott, Pure Gold's senior secured creditor and Interim Lender, Pure Gold has sought to reduce costs while maintaining the value of the Mine, which remains on care and maintenance.

5. Pure Gold significantly reduced its employee workforce when it made the decision to put the Mine on care and maintenance. The Mine has been operating with a limited but sufficient number of employees since. The SERP is designed to encourage the current on-site employees as well as one necessary corporate employee (the "**Key Site Employees**") to continue working at the Mine or providing essential corporate services, as applicable. The retention of the Key Site Employees is necessary to keeping the Mine in a safe and stable state and to preserving asset value. The SERP provides for the Key Site Employees receiving "**Bonus Payments**" which become payable in April, September and December 2023 as an incentive for remaining with Pure Gold.

6. Pure Gold believes the terms of the SERP and the amounts payable thereunder are commercially reasonable and that court approval of the SERP is appropriate and necessary in the circumstances. As mentioned above, the SERP was developed in consultation with the Monitor and Sprott, each of whom supports its approval.

7. In addition to approval of the SERP, Pure Gold also seeks approval of the Consulting Agreement and the appointment of Mr. Singh as CAO. As discussed in greater detail below, given the recent and anticipated departures from Pure Gold's leadership team, it is Pure Gold's view that appointing Mr. Singh as CAO will provide for the leadership and oversight necessary to continue these CCAA proceedings. The Consulting Agreement was also entered into in consultation with the Monitor and Sprott, and they each support approval of the relief sought in the CAO Order.

## II. THE NEED FOR THE SERP

8. Pure Gold has been under CCAA protection since October 31, 2022. Days before it filed for CCAA protection, on October 24, 2022, Pure Gold decided to place the Mine on care and maintenance status. As is discussed in my Affidavit #1, in October 2022 Pure Gold significantly reduced its employee workforce at the mine site from approximately 275 employees to 50 employees when it made this decision. Pure Gold presently has 40 employees and is anticipated to have 38 by the end of March 2023 (excluding the CAO).

9. Given that the company remains in CCAA protection, there is significant uncertainty surrounding the future employment of Pure Gold's on-site employees at the Mine, particularly in light of the large number of terminations and resignations that have already occurred and a potential transaction for a sale of the Mine. Indeed, certain employees have resigned in recent weeks, including the General Manager of the Mine, the Mill Superintendent and the Underground General Foreman.

10. Pure Gold has therefore determined that it is in its and its stakeholders' best interests that steps be taken to retain the Key Site Employees so that the Mine remains in a stable and secure state. In consultation with the Monitor, Pure Gold has determined that all remaining on-site employees should be considered Key Site Employees and be entitled to participate in the SERP.

11. There are a total of 38 Key Site Employees. They include employees in the fields of geology, environmental management, safety, human resources, mill operation, water treatment plant operation, and management of the Mine. The Key Site Employees also include one member of Pure Gold's corporate team who provides administrative and financial support.

12. The Key Site Employees' collective responsibilities include the following:

- (a) Mine site management and leadership, including a technical services leader, an underground operations leader, and a surface maintenance leader;
- (b) key technical services to maintain Mine integrity, including water management, tailings management, environmental compliance, project management, geology and records management, ventilation, ground control and survey;
- (c) around the clock operation of the mill and water treatment plant at the Mine;

- (d) maintenance of all critical pumps, motors, dewatering lines, water treatment plant, electrical and other infrastructure on site;
- (e) regular inspection of all underground infrastructure;
- (f) regular inspection of all surface infrastructure including tailings storage facilities;
- (g) mechanical services required to maintain critical on-site equipment;
- (h) safety of all on-site staff and visitors;
- (i) environmental compliance and completing work required by the Ministry of the Environment, Conservation, and Parks of Ontario;
- (j) maintaining historical knowledge of the Mine site necessary for due diligence by potential purchasers and facilitating conduct of said due diligence;
- (k) maintaining key relationships with contractual counterparties, suppliers, lessors and materials suppliers, as well as with First Nations; and
- (l) payroll, payments, tax issues, public filings, regulatory compliance, human resources, IT services.

13. Pure Gold is concerned that the Key Site Employees may have other employment opportunities available to them which they might be inclined to accept unless granted the benefit of the SERP. In addition, as is discussed in greater detail below, a significant number of Pure Gold's management team has recently announced their departure, which could contribute to concerns of the Key Site Employees with respect to their continued employment and long-term prospects.

14. It would be difficult and costly to replace the Key Site Employees. This is due to both the remote location of the Mine and the specific nature of the training and experience of the Key Site Employees. Many of the Key Site Employee have a detailed knowledge of the Mine site, including its operation, and electrical, mechanical and technical needs that cannot be replicated in short order and are therefore necessary to preserve value and to maintain the safety of the Mine.

### III. THE SERP TERMS AND CHARGE

15. The SERP terms, which are set out in greater detail in **Exhibit "A"** of my Affidavit, contemplate Bonus Payments becoming payable to most of the Key Site Employees on three separate "**Payment Dates**": April 30, 2023, September 30, 2023, and December 31, 2023.

16. Pure Gold believes that almost all of the 38 Key Site Employees should be retained at least until December 30, 2023, as is reflected in the Bonus Payment structure, so they can continue their various roles and responsibilities at the Mine set out above. However, three of the Key Site Employees (the "**Alternative Timeline Key Site Employees**") are not required for that entire length of time and therefore will not receive all three Bonus Payments. Two of the Alternative Timeline Key Site Employees are anticipated to depart in or around the end of April and will only receive the first Bonus Payment. One additional Alternative Timeline Key Site Employee is anticipated to depart in or around the end of September and will not receive the last Bonus Payment.

17. Each of the Bonus Payments has two components: a "**Retention Bonus**" and a "**Performance Bonus**".

18. The Retention Bonus is based on a percentage of each Key Site Employee's annual salary (with the percentage being the same for each Key Site Employee) and is not linked to specific employee performance criteria.

19. The Performance Bonus is payable to the Key Site Employees based on their collective performance during the applicable period. It is similarly based on a percentage of each Key Site Employee's salary (again, with the percentage being the same for each Key Site Employee) and will be paid in addition to the Retention Bonus if certain "**Performance Criteria**" are met. The Performance Criteria, which include safety, cost reductions, environmental, and asset value preservation metrics, are set out in greater detail in **Exhibit "B"** to this Affidavit. Assessment of the Performance Criteria is to be considered collectively for all Key Site Employees and will be done by site management prior to the payment of each Bonus Payment.

20. Payment of the Bonus Payments under the SERP will only be made if at the date the relevant Bonus Payment is due the Key Site Employee has fulfilled their employment obligations and not resigned or been terminated for cause. If a Key Site Employee is terminated without cause, the full amount of their Bonus Payments will be payable to them on termination.

21. It is anticipated that the Bonus Payments under the SERP will be funded out of Pure Gold's cash flow, which is currently being funded by Sprott through interim financing advances. However, given Pure Gold's insolvency, to ensure that the SERP participants receive reasonable assurance that their entitlements under the SERP are secure, Pure Gold is seeking a charge (the "**SERP Charge**") on the Property in an amount not to exceed \$2.2 million.

22. The proposed SERP Charge would rank after the Administration Charge, the D&O Charge, the Interim Lender's Charge (each as defined in the ARIO), *pari passu* with the KERP Charge (as defined in the Order (Key Employee Retention Plan Approval) of this Court dated November 9, 2022), in priority to the Sales Agent Charge (as defined in the Order (SISP and Sales Agent Approval) of this Court dated November 9, 2022).

#### **IV. THE NEED FOR A CAO**

23. In addition to approval of the SERP, Pure Gold seeks approval of the Consulting Agreement and the appointment of Mr. Singh as CAO as part of its plan to reduce operational costs on a go-forward basis while ensuring that Pure Gold has the requisite leadership and oversight of operations at the Mine.

24. Mr. Singh's appointment as CAO aligns with the resignations and terminations at the management level at Pure Gold, including:

- (a) on March 6, 2023, Pure Gold issued a Press Release advising that the following members of its management team had recently resigned their employment with Pure Gold:
  - (i) the Chief Operating Officer, who submitted his resignation to Pure Gold effective March 10, 2023; and
  - (ii) the VP Mine General Manager, who submitted his resignation to Pure Gold effective March 16, 2023;
- (b) on March 17, 2023, Pure Gold issued a Press Release advising that the following members of its management had recently departed from their employment with Pure Gold:
  - (i) the President and Chief Executive Officer;
  - (ii) the VP Exploration & Technical Services;
  - (iii) the Chief Geoscientist; and
  - (iv) the Director of Marketing and Communications.

25. As is also set out in the March 17, 2023 Press Release, Ashley Kates, VP Financing & Corporate Secretary, and I will be departing from Pure Gold effective March 31, 2023,

although both of us will be available for a period of time to assist in transitioning our roles to the proposed CAO on an orderly basis.

26. In light of these departures and the need to maintain operational integrity while minimizing costs, Pure Gold, in consultation with the Monitor and with Sprott, has entered into the Consulting Agreement with Mr. Singh to provide for his appointment as CAO. Both the Monitor and Sprott support the approval of the Consulting Agreement and the ancillary relief sought in the CAO Order.


27. In addition to the departures mentioned above, I understand that Pure Gold's Board of Directors has indicated an intention to resign upon the granting of the CAO Order and appointment of Mr. Singh as the CAO.


28. I understand that a copy of the Consulting Agreement will be attached to the Fourth Report of KSV.

29. It is proposed that the amounts payable under the Consulting Agreement be secured by the Administration Charge (as defined in the ARIO).

30. It is Pure Gold's view that approval of the Consulting Agreement and appointment of Mr. Singh as Pure Gold's CAO are appropriate and necessary in the circumstances.

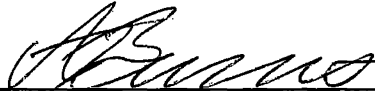
AFFIRMED BEFORE ME at Vancouver,  
British Columbia on March 24, 2023

  
\_\_\_\_\_  
A Commissioner for taking Affidavits for  
British Columbia

  
\_\_\_\_\_  
CHRIS HAUBRICH

**ALISON BURNS**  
*Barrister & Solicitor*  
**BLAKE, CASSELS & GRAYDON LLP**  
Suite 2600, Three Bentall Centre  
595 Burrard St., P.O. Box 49314  
Vancouver, B.C. V7X 1L3  
(604) 631-3390

This is **Exhibit "A"** referred to in the Affidavit of Chris Haubrich made before me at Vancouver, British Columbia, this 24<sup>th</sup> day of March.



---

A Commissioner for the taking of Affidavits for  
*British Columbia*



**EXHIBIT "A": TERMS OF SITE EMPLOYEE RETENTION PLAN ("SERP")**

**General**

1. The SERP "**Bonus Payments**" include two different forms of compensation, payable together to the Key Site Employees in one single payment on the terms set out below:
  - (a) a "**Retention Bonus**"; and
  - (b) a "**Performance Bonus**".
2. Assuming the maximum payout of all Performance Bonuses, the total of all Bonus Payments shall be equal to 50% of the annual base salary of each Key Site Employee or equivalent based on their hourly rate (hourly rate multiplied by 2080 hours per year).
3. The Bonus Payments will be triggered on each of the following dates (except as set out in section 8 below with respect to the three Alternative Timeline Key Site Employees):
  - (a) April 30, 2023 (the "**First Payment Date**");
  - (b) September 30, 2023 (the "**Second Payment Date**"); and
  - (c) December 31, 2023 (the "**Third Payment Date**")(collectively, the "**Payment Dates**").
4. The periods of time that occur from:
  - (a) March 27, 2023 to the First Payment Date;
  - (b) the First Payment Date to the Second Payment Date; and
  - (c) the Second Payment Date and the Third Payment Dateshall be referred to as the "**Bonus Periods**" for the purposes of the SERP and for calculating the Performance Bonuses, as discussed below.
5. The Bonus Payments for each Payment Date will be paid on a date that is consistent with the normal pay cycle and will be paid approximately four weeks following the Payment Dates.
6. Bonus Payments will only be made if the Key Site Employee has fulfilled his or her employment obligations and has not resigned or been terminated for cause. If a Key Site Employee is terminated without cause, the full amount of their Bonus Payment will be payable to them on termination, with the Performance Bonuses calculated at the maximum amount as described in section 14 below.
7. Should any of the Key Site Employees resign or be terminated for cause prior to full payment of their respective Bonus Payments, Pure Gold is permitted to pay any such remaining Bonus Payments to one or more alternative employees, including other Key

Site Employees, provided that the total amount of all Bonus Payments shall not exceed \$2.2 million.

8. Two of Alternative Timeline Key Site Employees, whose employment is only necessary until approximately April 30, 2023, shall only be entitled to the Bonus Payment payable on the First Payment Date and shall not be entitled to any further Bonus Payments. One additional Alternative Timeline Key Site Employee, whose employment is only necessary until approximately September 30, 2023, shall only be entitled to the Bonus Payments payable on the First Payment Date and the Second Payment Date and shall not be entitled to receive any further Bonus Payments.

### Calculation of Bonus Payments

#### A) Retention Bonus:

9. All Key Site Employees who remain employed as of the Payment Dates shall be awarded a Retention Payment as follows:
  - (a) **First Retention Payment:** 7.5% of annual base salary (or equivalent) on the First Payment Date;
  - (b) **Second Retention Payment:** 7.5% of annual base salary (or equivalent) on the Second Payment Date; and
  - (c) **Third Retention Payment:** 15% of annual base salary (or equivalent) on the Third Payment Date.

#### B) Performance Bonus:

10. On each Payment Date, in addition to the Retention Payment, all Key Site Employees will be considered for an additional Performance Bonus.
11. The Performance Bonus will be calculated as the Performance Rating (expressed as a percentage). The Performance Rating will be based on the "**Performance Criteria**", which are set out in Exhibit "B" to this Affidavit.
12. The Performance Rating will be assessed on a collective basis and all Key Site Employees will receive the same Performance Rating. The Performance Rating will be determined by the following Pure Gold site management (or their successors), in consultation with the Monitor and Sprott: Mike Procyk (Mine General Manager), Rod Chwan (Mill Superintendent), and Jill Christmann (Chief Geologist).
13. The Performance Rating for each Bonus Period is to be determined no later than two weeks after the end of each Bonus Period.
14. Once a Performance Rating has been assessed and agreed to by the parties set out in section 12 above, that Performance Rating will be applied to a "**Maximum Performance Bonus Percentage**" of each Key Site Employee's annual base salary (or equivalent). The Maximum Performance Bonus Percentages are as follows:
  - (a) Maximum Performance Bonus Percentage for First Payment Date: 5%

- 3 -

(b) Maximum Performance Bonus Percentage for Second Payment Date: 5%

(c) Maximum Performance Bonus Percentage for Third Payment Date: 10%

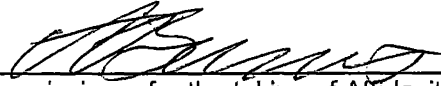
For example, if the Performance Rating is assessed at 100% for the First Bonus Period, each Key Site Employee will receive, as of the First Retention Payment Date, a Performance Bonus equal to 5% of their annual salary (or equivalent), for a total Bonus Payment equal to 12.5% of their annual salary (or equivalent). If the Performance Rating is assessed at 80%, each Key Site Employee will receive a Performance Bonus equal to 4% of their annual salary (or equivalent), for a total Bonus Payment equal to 11.5% of their annual salary (or equivalent).

**Total Bonus**

15. Assuming maximum payment of the Performance Bonuses, the total of the Bonus Payments will be equal to 50% of the annual salary (or equivalent) of each Key Site Employee, broken down as follows:

	April 30, 2023	Sep. 30, 2023	Dec. 31, 2023	Total
<b>Retention</b>	7.5%	7.5%	15%	30%
<b>Performance (Max)</b>	5%	5%	10%	20%
<b>Total</b>	<b>12.5%</b>	<b>12.5%</b>	<b>25%</b>	<b>50%</b>

This is **Exhibit "B"** referred to in the Affidavit of Chris Haubrich made before me at Vancouver, British Columbia, this 24<sup>th</sup> day of March.



A Commissioner for the taking of Affidavits for  
*British Columbia*

**EXHIBIT "B": PERFORMANCE CRITERIA**

Retention Strategy	
To ensure the organization retains its key assets, including employees, and physical assets, and continues to thrive over the long term.	
Possible Score	Score
20	<b>1. Safety: The safety of employees and visitors is a top priority. To ensure safety, the organization will:</b>
	Meet or improve on current industry and site reportable statistics.
	Implement safety protocols that are in line with industry standards and regulations.
20	<b>2. Further cost reductions: In order to reduce costs and improve profitability, the organization will:</b>
	Conduct regular safety audits to identify and address potential safety hazards.
	Continuously monitor and evaluate expenses to identify areas where further cost reductions can be made.
20	<b>3. Environmental compliance: The organization recognizes its responsibility to protect the environment and will:</b>
	Implement strategies to reduce waste, streamline processes, and improve efficiency.
	Use financial data to identify areas where costs can be optimized.
20	<b>4. MECP Project completion: The successful completion of these projects are critical to the organization's success, and it will:</b>
	Comply with all relevant environmental regulations and standards.
	Conduct regular environmental audits to identify areas for improvement.
20%	<b>5. Preservation of the asset: The organization's physical and digital assets, including its buildings, equipment, and technology, are valuable and will be preserved by:</b>
	Ensure that all projects are clearly defined and have a realistic timeline and budget.
	Assign clear roles and responsibilities.
20%	<b>5. Preservation of the asset: The organization's physical and digital assets, including its buildings, equipment, and technology, are valuable and will be preserved by:</b>
	Provide regular progress updates to all stakeholders to ensure alignment and transparency.
	Implementing a maintenance schedule to ensure that all assets are properly maintained and repaired as needed.
20%	Conducting regular assessments to identify potential risks and develop risk mitigation strategies.
	Preservation, maintenance, and continued development of digital assets.
	Developing a long-term asset management plan that takes into account expected useful life of assets and the need for replacement or upgrade.
<b>Total 100%</b>	