

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

APPLICATION RESPONSE

Application response of: West Red Lake Gold Mines Ltd., (the “**application respondent**” or “**WRLG**”)

THIS IS A RESPONSE TO the notice of application of Pure Gold Mining Inc. filed May 18, 2023 (the “**Notice of Application**”).

Part 1: ORDERS CONSENTED TO

The application respondent consents to the granting of the orders set out in the paragraphs 1-2 of Part 1 of the Notice of Application.

Part 2: ORDERS OPPOSED

The application respondent opposes the granting of the orders set out in Part 1 of the Notice of Application: N/A

Part 3: ORDERS ON WHICH NO POSITION IS TAKEN

The application respondent takes no position on the granting of the orders set out in Part 1 of the Notice of Application: N/A

Part 4: FACTUAL BASIS

1. The application respondent concurs with and adopts the factual basis set out in the Notice of Application. Any capitalized terms used but not defined herein shall have the meaning set out in the Notice of Application.

Background

2. WRLG was incorporated under *the Business Corporations Act* of Ontario and continued under the *Business Corporations Act* of British Columbia.
3. WRLG is listed on the TSX Venture Exchange under the symbol 'WRLG'.
4. On December 30, 2022, the Company completed the acquisition of West Red Lake Gold Mines Inc. ("**RLG**"), pursuant to which WRLG acquired all of the issued and outstanding common shares of RLG, and became focused on gold exploration and development in the prolific Red Lake Gold District of Northwestern Ontario (the "**Rowan Property**"). On March 8, 2023, the Company completed the purchase of the remaining interest from Evolution Mining Limited in certain claims on the Rowan Property.
5. On April 17, 2023, WRLG announced that it had entered into a binding letter agreement with the Petitioner and Sprott to acquire the shares of the Petitioner through a reverse vesting order in the above-captioned CCAA proceedings that would ensure that the liabilities and claims that WRLG did not want retained by the Petitioner would be vested off on closing (the "**LOI**").

Ability to Fund Pure Gold Mining Inc.

6. In connection with the Transaction, WRLG has entered into a "bought deal" engagement letter with Canaccord Genuity Corp. for a private placement of 71,429,000 subscription receipts (the "**Subscription Receipts**") at a price of \$0.35 per Subscription Receipt for aggregate gross proceeds of \$25,000,150 (the "**Offering**").
7. The proceeds of the Offering will be used, in large part, to fund pre-production development with a plan to restart the Madsen mine, care and maintenance, and other ongoing operational expenses of the Petitioner post closing of the Transaction.
8. WRLG has leading technical experts as part of its management team, who are already working with site staff to further develop the underground mine for eventual restart.

9. WRLG already has operations on the neighbouring Rowan Property, leading to operational synergies and enabling WRLG to bring the Madsen mine forward efficiently.

Structure of Transaction and Retained Contracts

10. WRLG required that the Transaction be structured by way of a reverse vesting order to preserve essential non-transferable permits and licenses.
11. In particular, the ability to retain existing permits and licenses with respect to the mining operations at the Madsen Mine, along with existing environmental bonding and like, was a deciding factor in whether to work towards a binding agreement with the Transaction Parties.
12. The ability to bring forward the existing permits, and the mine closure plan bonding were the two primary factors in going ahead with a Transaction on the pricing that WRLG offered.
13. WRLG intends to cause the Petitioner to continue operating without interruption, and in particular to continue care and maintenance activities at the mine. The structure of the Transaction was negotiated to avoid any business interruptions and enable such continuation.
14. WRLG worked with representatives of the Petitioner to determine what contracts were necessary for the ongoing care and maintenance activities at the mine. To the best of my knowledge, those contracts, identified in the SPA as assumed contracts, are critical to the ability of the Petitioner to continue to satisfy environmental requirements post-closing. WRLG views these contracts as a critical element to the Transaction.

Royalties

15. Pursuant to the LOI, WRLG expected to acquire the Petitioner without liens, charges, and other interests registered as against the Petitioner's assets.

16. Upon conducting due diligence, WRLG became aware of six royalties related to certain of the Petitioner's mineral claims, that reduced the value to WRLG of the shares of the Petitioner.
17. After significant negotiation regarding the royalties, and in view of their history, documentation, registration (or lack thereof), WRLG agreed to retain one of the royalties that was registered against title to certain mineral claims.
18. WRLG supports the vesting in ResidualCo of the other five royalties, and to the extent any of these royalties are supported by a lien, charge, or interest against the mineral claims of the Petitioner, the vesting off of the Petitioner's assets such liens, charges or interests.

Part 5: LEGAL BASIS

1. The application respondent concurs with and adopts the legal basis set out in the Notice of Application.

Part 6: MATERIAL TO BE RELIED ON

1. Affidavit #1 of Thomas Meredith, made May 25, 2023;
2. The Sixth Report of the Monitor dated May 19, 2023; and
3. Such materials as are identified in Part 4 of the Notice of Application.

The application respondent estimates that the application will take 1 day.

- The application respondent has filed in this proceeding a document that contains the application respondent's address for service.
- The application respondent has not filed in this proceeding a document that contains an address for service. The application respondent's ADDRESS FOR SERVICE is:
Farris LLP
Barristers & Solicitors
2500 - 700 West Georgia Street
Vancouver, British Columbia V7Y 1B3
Email: tjeffries@farris.com

Dated: May 25, 2023


Signature

Application respondent

Lawyer for application respondent

Tevia Jeffries

THIS APPLICATION RESPONSE is prepared and delivered by TRj1 of the firm Farris LLP, Barristers & Solicitors, whose place of business and address for service is 2500 – 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3. Telephone: (604) 684-9151. **Attention: Tevia Jeffries.** Email: tjeffries@farris.com