



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

NOTICE OF APPLICATION

Name of applicant: Pure Gold Mining Inc. (the "Applicant" or "Pure Gold")

To: The Service List

TAKE NOTICE that an application will be made by the Applicant to the Honourable Justice Walker at the courthouse at 800 Smithe Street, Vancouver, British Columbia on March 7th, 2023 at 9:00 am for the orders set out in Part 1 below.

Part 1: ORDERS SOUGHT

1. The Applicant seeks the following orders:
 - (a) an order, substantially in the form attached as **Schedule "A"**, extending the stay of proceedings with respect to the Applicant from March 10, 2023 until and including May 8, 2023, and
 - (b) an order, substantially in the form attached as **Schedule "B"**, approving the Amended and Restated Interim Financing Term Sheet dated February 28, 2023 (the "**Amended DIP Term Sheet**") between the Applicant, as borrower, and Sprott Private Resource Lending II (Collector), LP as "**Interim Lender**".
2. The Applicant seeks such other orders, directions, and declarations as counsel for the Applicant may advise and this Court may deem appropriate in the circumstances.

Part 2: FACTUAL BASIS

Background

3. On October 31, 2022, this Court pronounced an order (the "**Initial Order**") granting the Applicant protection under the *Companies' Creditors Arrangement Act*, RSC 1985, c. C-36 (the

"**CCAA**"). On that date, this Court also approved an interim credit facility in an amount not to exceed US \$2 million (the "**Interim Facility**") provided by the Interim Lender, an affiliate of "**Sprott**", the Applicant's senior secured lender and largest creditor.

4. On November 9, 2022, in furtherance of the Applicant's restructuring objectives, this Court approved, among other things, (a) a sales and investment solicitation process (the "**SISP**") in respect of the Applicant's business and property; and (b) an amendment to the Interim Facility to increase permitting borrowings to an amount not to exceed US \$10 million unless otherwise ordered by this Court.

5. On January 23, 2023, the Applicant sought an extension of the stay of proceedings up to and including March 10, 2023 to permit it to continue to advance its restructuring efforts.

Update on the Applicant's Restructuring Efforts

6. The Applicant has continued to make good faith efforts towards the implementation of its restructuring objections. These efforts have been with the assistance of National Bank Financial Inc., the Applicant's Court-approved "**Sales Agent**", and in consultation with KSV Restructuring Inc., the "**Monitor**" in these proceedings and Sprott in its capacity as the Applicant's senior secured lender, Interim Lender, and largest creditor.

7. The Applicant's restructuring efforts have included:

- (a) operating its mine on a care and maintenance basis;
- (b) engaging with stakeholders including secured creditors, unsecured creditors, suppliers, the Interim Lender, the government, and employees;
- (c) advancing the Court approved SISP including by maintaining an active electronic "**Data Room**" containing information of interest to potential bidders and entering into multiple confidentiality agreements with parties interested in the opportunity provided for by the SISP;
- (d) engaging with the Monitor;
- (e) engaging with the Sales Agent;
- (f) engaging with consultants and considering technical matters such as a new Life-of-Mine plan for the mine; and
- (g) complying with its reporting obligations and other requirements under applicable court orders.

8. In addition to the above, the Applicant has also completed a "**Scoping Study**" with respect to the mine. Completion of the Scoping study was intended to accomplish the goal of re-establishing the Applicant's long-term development and production plans (including a detailed restart plan) to a level of detail that will be sufficient to assist parties interested in completing a transaction with the Applicant, or in respect of its assets. The Scoping Study is now available to all interested parties with access to the Data Room and the Applicant has facilitated several diligence sessions pertaining to the Scoping Study.

The Proposed Stay Extension

9. The Applicant's restructuring efforts to date have benefitted from the "breathing room" provided for by the stay of proceedings. Given the status of its restructuring efforts, the Applicant continues to require a stay of proceedings and the other protections afforded by this Court's orders as it consults with the Sales Agent, Sprott, and the Monitor on the future direction of these CCAA proceedings including the SISP.

10. In the circumstances, the Applicant is requesting that the stay of proceedings granted by this Court be extended from March 10, 2023 to May 8, 2023.

11. With the benefit of the extended stay period, the Applicant intends to continue to engage in discussions with Sprott and interested third parties concerning a possible transaction. It expects that a transaction or defined path forward for these proceedings will be known in advance of the expiry of the proposed stay period.

Amendment to Interim Financing Facility

12. Based on its updated cash flow projections, the Applicant will require an amendment to the Interim Facility to provide access to additional working capital to carry it through the proposed stay extension period.

13. To provide for the required working capital, the Applicant has agreed with Sprott, in consultation with the Monitor, to the terms of the Amended DIP Term Sheet.

14. The terms of the Amended DIP Term Sheet, which were developed in consultation with the Monitor, provide for an increase to the authorized borrowings under the Interim Facility from US\$10 million to US\$15 million. The commercial terms of the Amended DIP Term Sheet are on substantially similar terms to the Interim Financing Term Sheet approved by this Court on October 31, 2022 and November 9, 2022, with amendments as negotiated between Pure Gold and Sprott.

Part 3: LEGAL BASIS

The Stay of Proceedings Should be Extended

15. A stay of proceedings is the "central tool" by which this Court maintains the status quo for a debtor company, allowing it the necessary time, flexibility, and "breathing room" to carry out a supervised restructuring or organized sales process while continuing its ongoing operations.

1057863 B.C. Ltd. (Re), 2022 BCSC 876, paras. 31, 35 [1057863], citing Timminco Limited (Re), 2012 ONSC 2515, para. 15.

16. The baseline considerations and requirements for a stay extension are that a stay is "appropriate" and that the debtor company subject to the CCAA is acting in good faith and with due diligence.

CCAA, ss. 11.02(2)-(3).

17. In the present case, the Applicant has been acting in good faith and with due diligence in these CCAA proceedings.

18. The proposed stay extension is necessary to maintain the status quo as the Applicant pursues restructuring efforts for the benefit of its stakeholders and is appropriate given the status of such efforts.

The Amendment to the Interim Facility Should be Approved

19. The Applicant believes that the increase in the amount of authorized borrowings under the Interim Facility and the terms of the Amended DIP Term Sheet are reasonable and appropriate in the circumstances given:

- (a) the status of the Applicant's restructuring efforts;
- (b) the need for funding to preserve the value of Pure Gold's mine and its operational and environmental integrity; and
- (c) the provision of the Interim Facility by Sprott, as the company's Interim Lender, senior secured lender, and largest creditor.

20. Having regard to the Applicant's current financial needs, the way the Applicant's business and financial affairs are to be managed as it continues to implement its restructuring efforts, and the nature and value of its property, the Applicant is of the view that approval of the Amended DIP Term Sheet is the best available option to preserve its value and enhance the prospects of a successful restructuring of its business in the interest of its stakeholders.

21. The Applicant submits that approval of the Amended DIP Term Sheet meets the non-exhaustive list of statutory factors set out in section 11.2(4) of the CCAA.

Part 4: MATERIAL TO BE RELIED ON

- 1. Affidavit #5 of Chris Haubrich made March 2, 2023;
- 2. Third Report of the Monitor, to be filed; and
- 3. Such further materials as counsel for the Applicant may advise.

The Applicant estimates that the application will take an hour.

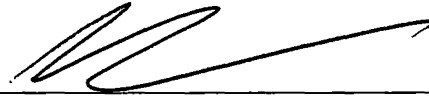
This matter is not within the jurisdiction of a master. Justice Walker is seized of this matter.

TO THE PERSONS RECEIVING THIS NOTICE OF APPLICATION: If you wish to respond to this notice of application, you must, within 5 business days after service of this notice of application or, if this application is brought under Rule 9-7, within 8 business days after service of this notice of application,

- (a) file an application response in Form 33,
- (b) file the original of every affidavit, and of every other document, that

- (i) you intend to refer to at the hearing of this application, and
 - (ii) has not already been filed in the proceeding, and
- (c) serve on the applicant 2 copies of the following, and on every other party of record one copy of the following:
- (i) a copy of the filed application response;
 - (ii) a copy of each of the filed affidavits and other documents that you intend to refer to at the hearing of this application and that has not already been served on that person;
 - (iii) if this application is brought under Rule 9-7, any notice that you are required to give under Rule 9-7(9).

Date: 2/Mar/2023



Signature of Peter Bychawski
Lawyer of Pure Gold Mining Inc.

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To be completed by the court only:	
Order made	
<input type="checkbox"/>	in the terms requested in paragraphs of Part 1 of this notice of application
<input type="checkbox"/>	with the following variations and additional terms:

Date: _____	Signature of <input type="checkbox"/> Judge <input type="checkbox"/> Master

APPENDIX

THIS APPLICATION INVOLVES THE FOLLOWING:

- discovery: comply with demand for documents
- discovery: production of additional documents
- extend oral discovery
- other matter concerning oral discovery
- amend pleadings
- add/change parties
- summary judgment
- summary trial
- service
- mediation
- adjournments
- proceedings at trial
- case plan orders: amend
- case plan orders: other
- experts

Schedule “A” to Notice of Application

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ORDER MADE AFTER APPLICATION

BEFORE)))
) THE HONOURABLE JUSTICE WALKER))
)))

March 7, 2023

ON THE APPLICATION of the petitioner, Pure Gold Inc. (the “**Applicant**”), coming on for hearing at Vancouver, British Columbia on the 7th day of March 2023; AND ON HEARING Peter Bychawski and Peter L. Rubin, counsel for the Applicant, and those other counsel listed on Schedule “A” hereto; AND UPON READING Affidavit #5 of Chris Haubrich, affirmed on March 2, 2023 (the “**Fifth Haubrich Affidavit**”), and the Third Report of KSV Restructuring Inc. dated March 2, 2023; AND pursuant to the *Companies’ Creditors Arrangement Act*, RSC 1985 c. C-36, as amended, the British Columbia *Supreme Court Civil Rules*, and the inherent jurisdiction of this Honourable Court;

THIS COURT ORDERS AND DECLARES that:

1. The Stay Period (as defined in paragraph 13 of the Amended and Restated Initial Order of this Court pronounced on November 9, 2022) is hereby extended until and including May 8, 2023.
2. Endorsement of this Order by counsel appearing on this application other than counsel for the Applicant is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

Signature of Peter Bychawski
Lawyer for the Applicant

BY THE COURT.

Registrar

Schedule "A"

Counsel Name	Party Represented

Schedule "B" to Notice of Application

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PETITIONER

ORDER MADE AFTER APPLICATION

BEFORE) THE HONOURABLE JUSTICE WALKER) March 7, 2023
))

ON THE APPLICATION of the petitioner, Pure Gold Inc. (the "Applicant"), coming on for hearing at Vancouver, British Columbia on the 7th day of March 2023; AND ON HEARING Peter Bychawski and Peter L. Rubin, counsel for the Applicant, and those other counsel listed on Schedule "A" hereto; AND UPON READING Affidavit #5 of Chris Haubrich, affirmed on March 2, 2023 (the "Fifth Haubrich Affidavit"), and the Third Report of KSV Restructuring Inc. dated March 2, 2023; AND pursuant to the *Companies' Creditors Arrangement Act*, RSC 1985 c. C-36, as amended, the *British Columbia Supreme Court Civil Rules*, and the inherent jurisdiction of this Honourable Court;

THIS COURT ORDERS AND DECLARES that:

Capitalized Terms

1. Capitalized terms not otherwise defined in this Order shall have the meanings ascribed to them in this Court's Amended and Restated Initial Order (the "ARIO") granted in these proceedings on November 9, 2022.

Amendment to Interim Financing Facility Approved

2. The Amended and Restated Interim Financing Term Sheet dated February 28, 2023 (the "Amended DIP Term Sheet") between the Applicant, as borrower, and Sprott Private Resource Lending II (Collector), LP (the "Interim Lender"), as Interim Lender, in substantially the form of

the Amended DIP Term Sheet attached as Exhibit "A" to the Fifth Haubrich Affidavit, is hereby approved.

3. The Applicant is hereby authorized and empowered to obtain and borrow under the credit facility provided for by the Amended DIP Term Sheet in order to finance the continuation of the Business and the preservation of the Property, provided that borrowings under such credit facility shall not exceed US \$15,000,000 unless otherwise permitted by further Order of this Court.

4. The provisions of the ARIO applicable to the credit facility provided for by the Interim Financing Term Sheet, including but not limited to paragraphs 4(c), 24(c), 24(d), 27, and 32 – 43, shall apply, *mutatis mutandis*, to the Amended DIP Term Sheet.

5. Endorsement of this Order by counsel appearing on this application other than counsel for the Applicant is hereby dispensed with.

THE FOLLOWING PARTIES APPROVE THE FORM OF THIS ORDER AND CONSENT TO EACH OF THE ORDERS, IF ANY, THAT ARE INDICATED ABOVE AS BEING BY CONSENT:

Signature of Peter Bychawski
Lawyer for the Applicant

BY THE COURT.

Registrar

Schedule "A"

Counsel Name	Party Represented