



**No. VLC-S-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, AS AMENDED**

- 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

**FIRST REPORT OF KSV RESTRUCTURING INC.
AS MONITOR**

November 7, 2022

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1.0 Introduction

1. Pursuant to an order (the “**Initial Order**”) issued by the Supreme Court of British Columbia (the “**Court**”) on October 31, 2022 (the “**Filing Date**”), Pure Gold Mining Inc. (the “**Company**”) was granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and KSV Restructuring Inc. (“**KSV**”) was appointed monitor of the Company (in such capacity, the “**Monitor**”).
2. The comeback application (the “**Comeback Application**”) is scheduled to be heard on November 9, 2022.
3. The principal purpose of these CCAA proceedings is to create a stabilized environment to enable the Company to secure urgently required financing and to pursue a sale and/or restructuring of its business and assets through a Court-supervised sale and investment solicitation process.
4. Pursuant to the terms of the Initial Order, *inter alia*, the Court:
 - a) granted a stay of proceedings in favour of the Company and its directors and officers (the “**Stay of Proceedings**”) to and including November 10, 2022 (the “**Stay Period**”);
 - b) approved an interim financing loan facility (the “**Interim Financing Facility**”) in the maximum principal amount of US\$10 million made available by Sprott Private Resource Lending II (Collector), LP (“**Sprott**” or the “**Interim Lender**”) pursuant to a term sheet dated October 30, 2022, but limited borrowings by the Company thereunder to US\$2 million during the Stay Period;
 - c) granted charges on all of the Company’s current and future assets, property and undertaking (collectively, the “**Property**”) in the following priorities:
 - i. a charge in the amount of \$750,000 in favour of the Company’s legal counsel, the Monitor and its legal counsel to secure payment of their fees and disbursements (the “**Administration Charge**”);
 - ii. a charge in the amount of \$650,000 in favour of the Company’s directors and officers to secure the Company’s indemnity obligations to such persons (the “**D&O Charge**”); and
 - iii. a charge in favour of the Interim Lender to secure the Company’s obligations to the Interim Lender in respect of advances made under the Interim Financing Facility (the “**Interim Lender’s Charge**”).

5. On November 4, 2022, the Company filed materials in support of the Comeback Application seeking a series of orders, among other things:
 - a) amending and restating the terms and provisions of the Initial Order (the “**ARIO**”), including to provide for: (i) an extension of the Stay of Proceedings to January 27, 2023 (the “**Stay Extension**”); and (ii) an increase in the amount of the authorized borrowings under the Interim Financing Facility from US\$2 million to US\$10 million (the “**IFF Increase**”);
 - b) approving a sales and investment solicitation process in respect of the Property (the “**SISP**”);
 - c) approving the agreement dated November 1, 2022 (the “**Sales Agent Agreement**”) between the Company and National Bank Financial Inc. (“**NBF**”), in respect of NBF’s engagement as sales agent in relation to the SISP (in such capacity, the “**Sales Agent**”) and including, without limitation, the payment of certain fees set out in the Sales Agent Agreement (collectively, the “**Sales Agent Compensation**”) to be secured by a charge on the Property as security for the Sales Agent Compensation (the “**Sales Agent Charge**”), which is proposed to rank in priority behind the Administration Charge, D&O Charge, Interim Lender’s Charge and KERP Charge (defined below, and collectively, the “**CCAA Charges**”); and
 - d) approving a key employee retention plan (“**KERP**”) and a corresponding charge in the maximum amount of \$750,000 (the “**KERP Charge**”) as security for amounts payable to the KERP Employees (as therein defined), which is proposed to rank behind the Administration Charge, D&O Charge, and the Interim Lender’s Charge.
6. In July 2022, the Company commenced a strategic review process to explore a potential sale or merger of the Company, or a sale of its mine, which is located on approximately 4,600 hectares in the Red Lake mining district of Northwestern Ontario, just east of the Manitoba border (the “**Mine**”). The Company intends to further that process in accordance with the SISP.
7. Effective October 24, 2022, the Company suspended active mining operations and placed the Mine on care and maintenance with a materially reduced workforce. The Mine is expected to remain on care and maintenance throughout these proceedings.
8. KSV is filing this report (the “**First Report**”) as Monitor.

1.1 Purposes of this Report

1. The purposes of this First Report are to:
 - a) provide the Court with an update on the Company’s and the Monitor’s activities since the Initial Order;

- b) discuss and provide the Monitor's recommendations regarding the proposed:
- Stay Extension to January 27, 2023;
 - SISP and KERP, including the KERP Charge and the Company's request that certain aspects of the terms of the KERP be filed on a confidential basis;
 - engagement of NBF by the Company to act as Sales Agent pursuant to the Sales Agent Agreement, as well as the proposed Sales Agent Charge and the Company's request that certain aspects of the Sales Agent Agreement be filed on a confidential basis;
 - IFF Increase; and
- c) report on the Company's updated cash flow projection for the period October 31, 2022 to January 27, 2023 (the "**Cash Flow Forecast**").

1.2 Restrictions

1. In preparing this First Report, the Monitor has relied upon the Company's unaudited financial information, books and records, information available in the public domain and discussions with the Company's management and legal counsel.
2. The Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied on to prepare this First Report in a manner that complies with Canadian Auditing Standards ("**CAS**") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Monitor expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party wishing to place reliance on the financial information should perform its own diligence.
3. An examination of the Company's Cash Flow Forecast as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based upon the Company's assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Monitor expresses no opinion or other form of assurance on whether the Cash Flow Forecast will be achieved.

1.3 Currency

1. Unless otherwise noted, all currency references in this First Report are in Canadian dollars.

2.0 Background

1. The Company is a British Columbia corporation principally engaged in the acquisition, exploration, development and operation of Canadian precious metal properties, or interests in companies controlling mineral properties, which feature high metal grades, meaningful size and access to existing infrastructure. The Company's shares were formerly traded on the TSX Venture Exchange under the symbol PGM and on the London Stock Exchange under the symbol PUR. On October 31, 2022, the TSX Venture Exchange (the "TSXV") advised the Company that trading of the Company's common shares will be transferred to the NEX Board of the TSXV effective at the opening of the market on November 2, 2022. The trading symbol for the Company changed from PGM to PGM.H at that time.
2. The Company's principal business is operation of the Mine. The Mine's infrastructure includes two ramp accesses from surface, an ore processing facility with design capacity of 800 tonnes of ore per day and tailings and rock storage facilities.
3. The Company presently has 61 employees¹. Prior to placing the Mine on care and maintenance on October 24, 2022, the Company had approximately 271 employees. The Company's workforce is not unionized and the Company does not maintain any registered pension plans.
4. The Affidavit #1 of Chris Haubrich, the Company's CFO, sworn October 30, 2022 in support of the Initial Order (the "**First Haubrich Affidavit**"), provides, *inter alia*, background information regarding the Mine, the Company and its business, as well as the reasons for the commencement of these proceedings.
5. The Company's filing of these CCAA proceedings was supported by Sprott, its major secured creditor, owed in excess of \$133 million. Sprott also agreed to be the Interim Lender in these proceedings.
6. The Affidavit #2 of Mr. Haubrich sworn November 4, 2022 (the "**Second Haubrich Affidavit**") provides, *inter alia*, further details about the proposed SISF and the various other relief being sought at the Comeback Application. The KERP and the justification therefore are detailed in the Affidavit #1 of Graeme Currie, the Company's Chairman of the Board, sworn November 4, 2022 (the "**Currie Affidavit**") and in Mr. Currie's Confidential Affidavit sworn November 4, 2022 (the "**Confidential Currie Affidavit**"), which the Company seeks to file under seal at the Comeback Application.
7. KSV's pre-filing report dated October 30, 2022 (the "**Pre-Filing Report**") provides additional background information about these proceedings. Court materials filed in these proceedings, including the Pre-Filing Report, are available on the Monitor's case website at <https://www.ksvadvisory.com/experience/case/pure-gold->.

¹ Based on updated employee information provided by the Company on November 6, 2022, which is slightly different from the number of employees referenced in the Pre-Filing Report and the First Haubrich Affidavit.

3.0 Update on the Company's Activities since the Filing Date

1. Since the Filing Date, the Company has, among other things:
 - a) continued to operate the Mine on a care and maintenance basis;
 - b) drafted and disseminated a press release dated October 31, 2022 regarding the commencement of these CCAA proceedings;
 - c) engaged with Sprott and the Monitor concerning all aspects of these proceedings, including reporting on receipts and disbursements, the proposed SISP, the Sales Agent Agreement, the proposed KERP, employee issues and supplier issues;
 - d) arranged for the initial advance of US\$2 million (the “**Initial Advance**”) to be drawn on the Interim Financing Facility;
 - e) communicated with suppliers to secure the ongoing provision of goods and services after the Filing Date;
 - f) selected NBF as Sales Agent and negotiated the Sales Agent Agreement;
 - g) drafted the terms of the proposed SISP in consultation with NBF, Sprott and the Monitor;
 - h) analyzed cost-saving initiatives in an effort to reduce the Mine's care and maintenance costs;
 - i) communicated with staff regarding these proceedings; and
 - j) drafted the proposed KERP, with the assistance of the Monitor.
2. The Second Haubrich Affidavit provides further details regarding the Company's activities since the Filing Date.

4.0 Monitor's Activities since the Initial Order

1. Since the Filing Date, the Monitor has, among other things:
 - a) Corresponded and spoken regularly with the Company's management team regarding all aspects of these proceedings, as discussed in paragraph 3.1(c) above;
 - b) worked with the Company to prepare a stakeholder communication strategy;
 - c) mailed a CCAA notice to the Company's creditors and filed Forms 1 and 2 with the Office of Superintendent of Bankruptcy, as required under the CCAA;
 - d) posted the CCAA notice, list of creditors and other documents on the Monitor's website;

- e) arranged for the publication of the CCAA notice in *The Globe and Mail* (National Edition) and *Northern Miner* in accordance with the Initial Order;
- f) monitored the Company's receipts and disbursements;
- g) engaged extensively with Fasken Martineau DuMoulin LLP (the Monitor's legal counsel), Blake Cassels & Graydon LLP (the Company's legal counsel) and DLA Piper (Canada) LLP (Sprott's legal counsel) regarding various matters relating to these proceedings;
- h) corresponded and spoke with the Company and Sprott regarding the proposed terms of the SISP, the Sales Agent Agreement, and the KERP;
- i) reviewed and commented on the Company's materials to be filed in support of the relief to be sought at the Comeback Application; and
- j) prepared this Report.

5.0 SISP

1. Capitalized terms used but not otherwise defined in this section have the meanings ascribed to them in the proposed SISP, which is attached as Schedule "B" to the proposed SISP Approval Order.
2. In both the materials filed by the Company in support of the Initial Order, and the submissions of its legal counsel on the application for the Initial Order, the Company advised that it intends to seek approval of the SISP at the Comeback Application. Since the Filing Date, the Company has worked with the Monitor, Sprott and NBF to settle the terms of the Sales Agent Agreement and the terms of the proposed SISP, both of which are subject to Court approval at the Comeback Application.
3. Commencing in July 2022, the Company carried out a sale and investment solicitation process conducted by NBF in coordination with another investment bank. As detailed in the Second Haubrich Affidavit, throughout August and September, NBF and the other investment banker canvassed an extensive list of prospective purchasers and/or investors, facilitated the conducting of due diligence through the use of an online data room and arranged site visits at the Mine for several prospective purchasers. That process did not result in a transaction, although many parties expressed significant interest in the opportunity and continue to do so.
4. The following table provides a summary of key process milestones and dates under the proposed SISP.

Milestone	Deadline
SISP Commencement Date	November 10, 2022
Deadline for submission of Letter(s) of Intent ("LOIs")	December 19, 2022
Final Bid Process Commencement Date	December 20, 2022
Final Bid Deadline	February 6, 2023
Final Agreement Deadline	February 21, 2023
Outside Closing Date	March 10, 2023

5. The SISP provides that its terms, including the requirements, criteria and timelines set out therein, may be amended, extended or waived by the Company, with the consent of the Monitor or by further order of the Court. In determining whether to provide its consent, the Monitor is to first consult with Sprott.
6. Pursuant to the terms of the SISP, and provided Sprott confirms in writing to the Company and Monitor that neither it, nor any of its affiliates or related entities, are participating in any bid pursuant to the SISP, including by providing financing in connection with a bid by a prospective bidder or otherwise (the “**Sprott Confirmation**”), then the Monitor will consult with Sprott throughout the SISP and provide Sprott, on a confidential basis, with regular updates on the SISP and copies of all bidder and sales information, including LOIs, Final Bids and any definitive agreements. Until Sprott provides the Sprott Confirmation, the Company and Monitor may restrict their consultation with Sprott and limit the provision of information and documents to Sprott, as otherwise required pursuant to the SISP, and in such manner as the Monitor in its professional judgment and sole discretion considers to be reasonable to preserve the integrity of this SISP.
7. The SISP also provides that, in considering any specific request made by Potential Bidders to communicate with any party with an existing contractual relationship with the Company, including Sprott, the Monitor may impose restrictions or require the participation by the Monitor as the Monitor deems appropriate in such communications. Subject to the confidentiality obligations of Potential Bidders and Sprott, and provided the Monitor is notified in advance of any such discussions, Potential Bidders are at liberty to have discussions with Sprott regarding the acquisition of Sprott’s debt and security separate and apart from a transaction under the SISP. During any such discussions, Sprott is prohibited from sharing any confidential information it has obtained concerning the conduct of the SISP, including but not limited to the number of bidders participating in the SISP, the identity of the bidders participating in the SISP and/or the details of any bids submitted in the SISP.
8. Unless a proposed transaction will result in full payment to Sprott, its consent is required for the Company to proceed with any transaction under the SISP. Sprott is entitled to be a bidder in the SISP, but if it participates as a bidder in the SISP, it is not entitled to receive non-public information related to the SISP, including the information identified above in Paragraph 5 of this section of the Report. Sprott has advised the Monitor that it does not intend to be a bidder in the SISP, but has not yet provided the Sprott Confirmation.
9. Additional details regarding the SISP are provided in the Second Haubrich Affidavit and to avoid repetition have not been repeated herein.

5.1 Sales Agent Agreement

1. Capitalized terms used but not otherwise defined in this section have the meanings ascribed to them in the Sales Agent Agreement, which is attached as Exhibit “A” to the Second Haubrich Affidavit.

2. The financial terms of the Sales Agent Agreement are as follows:
 - a) **Engagement Fee:** \$150,000 per month commencing as of November 1, 2022, for a minimum period of four months and a maximum of six months. 100% of the aggregate engagement fee paid during NBF's engagement is to be credited against the Asset Sale Transaction Fee or the Restructuring Transaction Fee.
 - b) **Asset Sale Transaction Fee:** payable upon closing of a transaction and being the amount equal to: (i) 150 basis points of the Transaction Value subject to a minimum fee of \$1.5 million; plus (ii) 100 basis points of the Transaction Value in excess of a prescribed value threshold (the "**Value Threshold**"), as set out in the Sales Agent Agreement.
 - c) **Restructuring Transaction Fee:** payable upon closing of a transaction and being the amount equal to 150 basis points of the Gross Financing Proceeds, subject to a minimum fee of \$1.5 million. If the Restructuring Transaction is comprised solely of the Company's existing secured lenders completing a restructuring transaction through a credit bid, then the Restructuring Transaction Fee is limited to \$1 million.

3. The Monitor recommends that the Court approve the Sales Agent Agreement for, among others, the following reasons:
 - a) in the Monitor's view, the fees payable to NBF are consistent with the market and commercially reasonable, particularly because: (i) NBF's fee is based on the value of a transaction resulting from the SISP; and (ii) the Engagement Fee is credited in full against the Asset Sale Transaction Fee or the Restructuring Transaction Fee;
 - b) NBF has significant experience in the mining sector, as detailed in the Second Haubrich Affidavit;
 - c) NBF has deep knowledge of the Company given its involvement in the pre-filing sale and investment solicitation process carried out pursuant to the Pre-Filing SISP Agreement;
 - d) NBF's prior involvement with the Company will provide for a seamless transition from the pre-filing process to the SISP, including further facilitating ongoing diligence with prospective purchasers;
 - e) given its prior mandate, NBF is ready to launch the SISP immediately; and
 - f) Sprott is supportive of the engagement of NBF as the Sales Agent in the SISP, including the fees payable under the Sales Agent Agreement.

4. The Sales Agent Charge sought by the Company at the Comeback Application is proposed to secure all fees payable to the Sales Agent under the Sales Agent Agreement (i.e., the Sales Agent Compensation). The Monitor notes that such charges are standard in the context of CCAA proceedings, and, accordingly, the Monitor believes that the Sales Agent Charge is reasonable and appropriate in this case, in particular because: (i) it is a condition of NBF's engagement as Sales Agent under the Sales Agent Agreement; and (ii) it provides comfort to the Sales Agent in respect of the payment of the Sales Agent Compensation. The Asset Sale Transaction fee or the Restructuring Transaction fees are only payable to NBF upon the successful completion of a transaction, which is being sought for the benefit of the Company's stakeholders in these proceedings.
5. The Sales Agent Charge is proposed to rank subordinate to the Administration Charge, the D&O Charge, the Interim Lender's Charge and the KERP Charge.

5.2 Sealing of the Value Threshold

1. The Company is requesting an order sealing the unredacted version of the Sales Agent Agreement in order to keep confidential the Value Threshold pursuant to which NBF is entitled to earn an increased fee.
2. The Monitor believes it is appropriate to redact the Value Threshold from the version of the Sales Agent Agreement available in the public domain in order to preserve the integrity of the SISP. Disclosing this information to prospective purchasers may negatively impact the value of offers submitted under the SISP. Accordingly, the Monitor does not believe: (a) there is any benefit to making the Value Threshold available to prospective purchasers during the SISP; and (b) that any stakeholder will be prejudiced if the Value Threshold is sealed pending completion of the SISP.

5.3 SISP Recommendation

1. The Monitor recommends that this Court grant the order sought by the Company at the Comeback Application approving the proposed SISP for the following reasons, among others:
 - a) in the Monitor's view, the SISP is commercially reasonable and will provide for a wide canvassing of the market with a view to completing a going-concern, value maximizing transaction in the interest of the Company's stakeholders, including the opportunity to preserve employment in the local community;
 - b) the duration of the SISP is sufficient to allow interested parties to undertake all necessary due diligence and submit binding offers, particularly in light of the pre-filing process carried under the Pre-Filing SISP Agreement;
 - c) the SISP provides for flexibility in respect of its deadlines to the extent they need to be amended or extended, with the consent of the Monitor following consultation with the Interim Lender;
 - d) the SISP provides flexibility by inviting parties to submit asset purchase and/or restructuring offers;

- e) NBF has deep experience in the mining industry and extensive knowledge about the Company. NBF is ready to commence the process immediately, which is critical given the significant costs of both these proceedings and the costs to operate the Mine, even on a care and maintenance basis (approximately \$3 million to \$4 million per month). In the Monitor's view, NBF's fees are consistent with market, commercially reasonable and structured to reward NBF for maximizing recoveries to creditors;
- f) the SISP will be carried out with the oversight and under the supervision of the Monitor to ensure fairness and transparency;
- g) Sprott is supportive of the proposed SISP and the Sales Agent Agreement;
- h) in the Monitor's view, the consultative rights provided to Sprott are reasonable and appropriate given that Sprott is the Company's most significant creditor and is funding these proceedings pursuant to the Interim Financing Facility; and
- i) the SISP provides Sprott with access to confidential information regarding the conduct of the SISP only to the extent it declares that it will not be a bidder in the SISP. Sprott is also precluded from providing any confidential SISP related information to any party that has an interest in acquiring its debt.

6.0 KERP

1. Capitalized terms used but not otherwise defined in this section have the meanings ascribed to them in the proposed KERP, which is described in the First Currie Affidavit and the Confidential Currie Affidavit.
2. The KERP was developed by the Company in consultation with the Monitor. The number of proposed KERP Employees is set out in the Confidential Currie Affidavit, which further details the identity of the KERP Employees and the amounts payable to each KERP Employee. The Confidential Currie Affidavit also details the roles and responsibilities of each KERP Employee.
3. Payments under the proposed KERP are to be made on the occurrence of the following events:
 - a) 25% of the total payments to be made to each KERP Employee (a "**Retention Bonus**") will be paid upon the completion of the ongoing Pre-Feasibility Study and updated Life of Mine Plan (jointly, the "**PFS**");
 - b) 25% of the total Retention Bonus will be paid on the earlier of:
 - i. 30 days following the closing of an asset sale transaction or a restructuring transaction ("**Closing**") in accordance with the SISP; or
 - ii. March 31, 2023; and
 - c) 50% of the total Retention Bonus will be paid 30 days following Closing.

4. The KERP Employees have been identified as individuals integral to the ongoing care and maintenance of the Mine, the PFS and/or the SISP. The KERP is intended to incentivize the KERP Employees to assist the Company throughout its restructuring proceedings.
5. The Company is seeking approval of the KERP and a corresponding KERP Charge in the amount of \$750,000. Pursuant to the terms of the KERP as described in the Confidential Currie Affidavit, the KERP Charge is proposed to rank in priority to every other claim, lien and security interest against the Company, other than the Administration Charge, the D&O Charge and the Interim Lender's Charge.
6. The Monitor supports the KERP and the corresponding KERP Charge for, among others, the following reasons:
 - a) the continued involvement and cooperation of the KERP Employees is critical to the overall success of the Company's restructuring, and the proposed payments under the KERP are required to increase the likelihood that the KERP Employees will continue to facilitate the Company's operations and the conduct of the SISP during the pendency of these proceedings;
 - b) each of the KERP Employees will contribute to generate value in this process, either by performing safety and maintenance activities at the Mine, facilitating due diligence by interested parties under the SISP, assisting with the completion of the PFS and assisting NBF in the SISP;
 - c) in the Monitor's view, the amounts payable under the KERP are reasonable;
 - d) the involvement of the KERP Employees should assist to reduce professional fees, particularly as it relates to the Monitor's involvement in the SISP, PFS and/or operational matters;
 - e) KERP charges are commonplace in CCAAs, and it is recognized that the creation of the KERP Charge will provide the KERP Employees with comfort that the amounts payable to them under the KERP will be paid; and
 - f) Sprott has advised that it consents to the KERP and the KERP Charge.
7. In addition to the amount payable under the KERP, the Monitor understands that Sprott intends to provide a further incentive to the KERP Employees based on the recoveries to Sprott under the SISP. As these amounts would be paid from the amounts paid to Sprott, Court approval for such payments and a Court-ordered charge to secure same are not being sought nor are they required. The terms of this arrangement have not been finalized as of the date of this First Report.

6.1 Sealing of the Confidential Currie Affidavit

1. The Company is requesting an order sealing the Confidential Currie Affidavit, which addresses certain terms of the KERP. The Confidential Currie Affidavit includes personal, identifiable and commercially sensitive information, including the identity and proposed compensation of the KERP Employees.

2. The Monitor believes it is appropriate to seal the Confidential Currie Affidavit. The sealing of this type of commercially sensitive and personal information is the common practice in insolvency proceedings to avoid disruption to the Company and to protect the privacy of the KERP Employees. The Monitor does not believe that any stakeholder will be prejudiced if the KERP information in the Confidential Currie Affidavit is sealed.

7.0 Revised Cash Flow Forecast

1. The Company has prepared a revised cash flow forecast for the period October 31, 2022 to January 27, 2023 (the “**Revised Cash Flow Forecast**”). The Revised Cash Flow Forecast and the Company’s statutory report thereon pursuant to Section 10(2)(b) of the CCAA are attached as Appendix “A”.
2. The Revised Cash Flow Forecast does not show material changes as compared to the Cash Flow Forecast filed under the Pre-Filing Report, which reported on the Company’s cash flow projections for the same period as the Revised Cash Flow Forecast. The changes are largely to update the first week for actual results and to include the KERP payments payable prior to January 27, 2023. The Revised Cash Flow Forecast shows that the Company is expected to require borrowings under the Interim Financing Facility in the amount of approximately \$12.24 million to January 27, 2023, which is within the maximum amount of that facility (US\$10 million).
3. Based on the Monitor’s review of the Revised Cash Flow Forecast, the cash flow assumptions appear reasonable. The Monitor’s statutory report on the Cash Flow Forecast is attached hereto as Appendix “B”.
4. The Monitor understands that the Interim Lender is prepared to fund the Company in accordance with the Revised Cash Flow Forecast, subject to: (a) the grant of the relief sought under the ARIO, including the Stay Extension and the IFF Increase; and (b) the Company remaining in compliance with the terms and conditions of the Interim Financing Term Sheet.

7.1 Interim Financing Facility Increase

1. The terms of the Interim Financing Facility were detailed in the Pre-Filing Report and the First Haubrich Affidavit. As noted in those materials, it was the Company’s intention to seek an increase in the amount that may be borrowed under the Interim Financing Facility from US\$2 million to US\$10 million at the Comeback Application (i.e., the IFF Increase).
2. The Monitor is of the view that the IFF Increase is reasonable and appropriate for the following reasons:
 - a) the Revised Cash Flow Forecast reflects that the Company will require additional financing as its cash burn rate is approximately \$3 million to \$4 million per month;
 - b) the terms of the Interim Financing Facility are reasonable for the reasons set out in the Pre-Filing Report; and

- c) without the IFF Increase, the Company will not have the funding it requires to keep the Mine on care and maintenance and/or to fund these proceedings, including the funding required to carry out the SISP.

8.0 Priority of Court-Ordered Charges

1. The proposed ARIO contemplates the grant of the CCAA Charges in the following maximum amounts and priorities:
 - a) First, the Administration Charge (\$750,000);
 - b) Second, the D&O Charge (\$650,000);
 - c) Third, the Interim Lender's Charge;
 - d) Fourth, the KERP Charge (\$750,000); and
 - e) Fifth, the Sales Agent Charge (in the amount of the Sales Agent's fees under the Sales Agent Agreement).
2. The Monitor is supportive of the grant and priority of the CCAA Charges for the reasons set forth in the Pre-filing Report, as revised by the discussion in this First Report.

9.0 Stay Extension

1. The Stay Period currently expires on November 10, 2022. The Company is requesting an extension of the Stay Period until January 27, 2023 (i.e., the Stay Extension).
2. The Monitor supports the Stay Extension for the following reasons, among others:
 - a) the Company is acting in good faith and with due diligence to advance its restructuring;
 - b) the Stay Extension will allow for the orderly conduct of the SISP, which, in the Monitor's view, is in the best interests of the Company and its stakeholders;
 - c) NBF and the Company will be able to significantly advance the SISP by January 27, 2023;
 - d) the Monitor does not believe that any creditor will be materially prejudiced if the extension is granted;
 - e) as of the date of this First Report, neither the Company nor the Monitor is aware of any party opposed to the requested extension; and
 - f) subject to Court approval of the proposed increase to the Interim Financing Facility, the Company is projected to have sufficient liquidity to fund operations and the costs of these proceedings, as reflected in the Cash Flow Forecast.

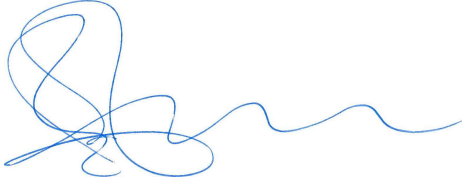
10.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the relief sought by the Company at the Comeback Application.

* * *

All of which is respectfully submitted,

**KSV RESTRUCTURING INC.,
IN ITS CAPACITY AS CCAA MONITOR OF PURE GOLD MINING INC.
AND NOT IN ITS PERSONAL CAPACITY**



Per: Robert Kofman, President

Appendix “A”

Pure Gold Mining Inc.
Weekly Cash Flow Projection
\$CAD thousands

<i>Week #</i>		1	2	3	4	5	6	7	8	9	10	11	12	13	Total
<i>Week Ending Date</i>	<i>Notes</i>	4-Nov-22	11-Nov-22	18-Nov-22	25-Nov-22	2-Dec-22	9-Dec-22	16-Dec-22	23-Dec-22	30-Dec-22	6-Jan-23	13-Jan-23	20-Jan-23	27-Jan-23	
Receipts															
DIP Advances		2,720	-	2,040	-	2,040	-	2,040	-	2,040	-	-	1,360	-	12,240
Revenue - gold sales	2	1,206	120	-	-	-	-	-	-	-	-	-	-	-	1,326
GST receivable	3	-	-	-	-	-	-	-	-	142	-	-	-	120	262
Total Receipts		3,926	120	2,040	-	2,040	-	2,040	-	2,182	-	-	1,360	120	13,828
Site-Related Disbursements															
Workforce Labour costs	4	(713)	(314)	(150)	-	(314)	-	(314)	-	(314)	-	(314)	-	(314)	(2,748)
Non-Labour Opex + Capex	5	(392)	(916)	(828)	(642)	(741)	(525)	(686)	(228)	(138)	(350)	(375)	(134)	(134)	(6,090)
Total Site Disbursements		(1,105)	(1,231)	(978)	(642)	(1,055)	(525)	(1,001)	(228)	(452)	(350)	(689)	(134)	(448)	(8,838)
Corporate Disbursements															
Updated Life of Mine Plan	6	-	-	(150)	-	(150)	-	(150)	-	(500)	-	-	-	-	(950)
Financial Advisory	7	-	(150)	-	-	-	(150)	-	-	-	-	(150)	-	(150)	(600)
Professional Fees	8	-	-	(300)	-	-	-	(300)	-	-	-	-	(300)	(300)	(1,200)
KERP	9	-	-	-	-	-	-	-	-	(188)	-	-	-	-	(188)
Corporate G&A expense	10	(179)	(54)	(104)	-	(185)	(4)	(119)	-	(271)	-	(123)	-	-	(1,040)
DIP Interest	11	-	-	-	-	(60)	-	-	-	-	(136)	-	-	-	(196)
Total Corporate Disbursements		(179)	(204)	(554)	-	(394)	(154)	(569)	-	(958)	(136)	(273)	(300)	(450)	(4,173)
Contingency		(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(50)	(650)
Net Weekly Cash Flow		2,591	(1,365)	458	(692)	541	(730)	420	(278)	722	(536)	(1,013)	876	(828)	167
Cash Balance															
Opening Cash Balance		262	2,854	1,489	1,947	1,255	1,796	1,066	1,486	1,208	1,930	1,394	381	1,257	262
Net Cash Flow		2,591	(1,365)	458	(692)	541	(730)	420	(278)	722	(536)	(1,013)	876	(828)	167
Ending Cash Balance		2,854	1,489	1,947	1,255	1,796	1,066	1,486	1,208	1,930	1,394	381	1,257	429	429

Purpose and General Assumptions

1. The purpose of the projection is to present a cash flow forecast of the Petitioner for the period October 31, 2022 to January 27, 2023 (the "Period") in respect of their proceedings under the *Companies' Creditors Arrangement Act* ("CCAA").

The cash flow projection has been prepared based on most probable assumptions.

Hypothetical Assumptions

None.

Probable Assumptions

2. Management have assumed gold sales only in weeks 1 and 2 which is from ore already processed, as the Company does not anticipate processing any ore sales while on care and maintenance.
3. Management have assumed HST/GST refunds for post CCAA filing operating expenses only.
4. Workforce labour is assumed to include the minimum number of employees required for care and maintenance activities at the Company's PureGold Red Lake Mine, paid on a semi-monthly basis at current run rates.
5. Non-Labour Opex + Capex are based on minimum expenditures required for care and maintenance operations, including water treatment costs, environmental monitoring activities, utilities, maintenance and supplies.
6. Updated Life of Mine Plan is assumed to include costs required for the Company to complete its ongoing Pre-Feasibility Study and Life-of-Mine plan.
7. Financial Advisory related to fees charged by the investment banker to be retained for the SISF.
8. Professional fees include the fees and disbursements of the Company's legal counsel, the Monitor and the Monitor's legal counsel.
9. Represents the portion of the proposed key employee retention plan payable during the projection period.
10. Corporate G&A expense includes monthly payroll for the Company's corporate office, as well as office rent and administration expenditures.
11. DIP Interest reflects interest payments under the Interim Financing Facility.

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

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

MANAGEMENT'S REPORT ON CASH FLOW STATEMENT

(paragraph 10(2)(b) of the CCAA)

The management of Pure Gold Mining (the "Petitioner") have developed the assumptions and prepared the attached statement of projected cash flow as of the 5th day November, 2022 for the period October 31, 2022 to January 27, 2023 ("Cash Flow"). All such assumptions are disclosed in the notes to the Cash Flow.


The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow as described in Note 1 to the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Applicants and provide a reasonable basis for the Cash Flow.

Since the Cash Flow is based on assumptions regarding future events, actual events will vary from the information presented and the variations may be material.

The Cash Flow has been prepared solely for the purpose outlined in Note 1 using a set of hypothetical and probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Vancouver, British Columbia this 5th day of November, 2022.

Pure Gold Mining Inc.



Per: Chris Haubrich, Chief Financial Officer

Appendix “B”

IN THE SUPREME COURT OF BRITISH COLUMBIA

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

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

MONITOR'S REPORT ON CASH FLOW STATEMENT
(paragraph 23(1)(b) of the CCAA)

The attached statement of projected cash-flow of Pure Gold Mining (the "Petitioner"), as of the 5th day of November, 2022, consists of a weekly projected cash flow statement for the period October 31, 2022 to January 27, 2023 ("Cash Flow") which has been prepared by the management of the Petitioner for the purpose described in Note 1, using the probable and hypothetical assumptions set out in the notes to the Cash Flow.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by the management and employees of the Petitioner. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Petitioner or do not provide a reasonable basis for the Cash Flow, given the hypothetical assumptions; or
- c) the Cash Flow does not reflect the probable and hypothetical assumptions.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report.

The Cash Flow has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto, Ontario this 5th day of November, 2022.

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS CCAA MONITOR OF
PURE GOLD MINING INC.
AND NOT IN ITS PERSONAL CAPACITY**