



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

SIXTH REPORT OF KSV RESTRUCTURING INC.
AS MONITOR

May 19, 2023



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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, as amended and restated by further order made on November 9, 2022 (the “**ARIO**”), 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 principal purpose of these CCAA proceedings at this time is to facilitate the continued operation of the Mine (as defined below) on a care and maintenance basis with financing provided by the Interim Lender (as defined below), while the Company works to complete a sale (the “**Transaction**”) of its issued and outstanding common shares to West Red Lake Gold Mines Ltd. (“**WRLG**” or the “**Purchaser**”) that was identified through a Court-approved sale and investment solicitation process (“**SISP**”), for which approval is being sought at this application.
3. 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 “**Initial Stay**”) from October 31, 2022 to and including November 10, 2022 (the “**Initial Stay Period**”);
 - b) approved an interim financing loan facility (the “**Interim Financing Facility**”) in the maximum principal amount of US\$10 million to be 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 until a comeback application on November 9, 2022 (the “**Comeback Application**”);
 - c) granted charges on all of the Company’s current and future assets, property and undertakings (collectively, the “**Property**”) having the following priorities:
 - i. a charge in the amount of \$750,000 to secure the fees and disbursements of the Company’s legal counsel, Blake Cassels & Graydon LLP (“**Blakes**”) and the Monitor and its legal counsel, Fasken Martineau DuMoulin LLP (“**Fasken**”) (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**”).

4. Pursuant to the terms of the ARIO made at the Comeback Application, the Court, *inter alia*:
 - a) extended the Initial Stay Period to January 27, 2023 (the “**Stay Period**”);
 - b) increased the amount of authorized borrowings under the Interim Financing Facility from US\$2 million to US\$10 million;
 - c) approved a key employee retention plan (the “**KERP**”) and granted a corresponding charge in the maximum amount of \$750,000 (the “**KERP Charge**”) as security for amounts payable to certain of the Company’s employees under the KERP, which charge ranks behind the Administration Charge, D&O Charge and Interim Lender’s Charge;
 - d) approved the SISP;
 - e) approved an 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 to carry out the SISP (in such capacity, the “**Sales Agent**”); and
 - f) granted a charge on the Property as security for the Sales Agent’s fees under the Sales Agent Agreement (the “**Sales Agent Charge**”), which charge ranks behind the Administration Charge, D&O Charge, Interim Lender’s Charge and KERP Charge.
5. Pursuant to a Court order dated January 23, 2023, the Stay Period was extended from January 27, 2023 to March 10, 2023.
6. Pursuant to a Court order dated March 7, 2023: (a) the Stay Period was extended from March 10, 2023 to May 12, 2023; and (b) the amount of authorized borrowings under the Interim Financing Facility was increased from US\$10 million to US\$15 million.
7. Pursuant to a Court order dated March 30, 2023: (a) Jonathan Singh was appointed the Company’s Chief Administrative Officer (the “**CAO**”) (which was necessary due to the contemporaneous resignation of the Company’s board of directors); and (b) a site employee retention plan (the “**SERP**”) for the Company’s remaining site employees was approved, including a charge of up to \$2.2 million to secure the Company’s obligations under the SERP (the “**SERP Charge**”). The SERP Charge ranks *pari passu* with the KERP Charge.
8. Pursuant to a Court order dated May 10, 2023: (a) the Stay Period was extended from May 12, 2023 to June 16, 2023; and (b) a claims process was approved to solicit, identify and adjudicate any post-filing claims against the Company’s directors and officers (the “**D&O Claims Process**”). The D&O Claims Process is presently being administered by the Company and the Monitor.

1.1 Purposes of this Report

1. The purposes of this report (the “**Report**”) are to:
 - a) provide background information regarding the Company and these proceedings;
 - b) summarize the results of: (i) a pre-filing sale and investment solicitation process which commenced in July 2022 conducted by NBF and Stifel Nicolaus Canada Inc. (“**Stifel**”) (the “**Pre-Filing SISP**”); and (ii) the SISP conducted by NBF during these proceedings in accordance with the ARIO;
 - c) summarize the Transaction, which is documented in, *inter alia*, a Share Purchase Agreement dated May 17, 2023 (the “**SPA**”) among PGM ResidualCo Holdings Inc. (“**ResidualCo**”), as vendor, WRLG, as Purchaser, the Company and Sprott;
 - d) summarize the steps required to implement the Transaction (the “**Pre-Closing Reorganization**”), which steps are set out in Exhibit “A” to the SPA;
 - e) discuss the implications of the Transaction for the Company’s stakeholders, including Sprott, its principal economic stakeholder, and provide the preliminary opinion from the Monitor’s independent legal counsel, Fasken, that Sprott’s security over the Company’s business and assets is valid and enforceable;
 - f) provide the Monitor’s rationale for recommending that the Court approve the Transaction and why in the Monitor’s view that it is appropriate that the Company’s shares be sold to WRLG pursuant to a Reverse Vesting Order (“**RVO**”);
 - g) explain the rationale for the incorporation of ResidualCo by the Company and why ResidualCo is required to be added as a petitioner in these proceedings;
 - h) set out the proposed distribution (the “**Interim Lender Distribution**”) to the Interim Lender of the cash portion of the Transaction, less a holdback of \$1,767,500 (the “**Holdback**”), being an amount that will be paid to the Monitor on behalf of ResidualCo to cash collateralize the Administration Charge (\$750,000), the D&O Charge (\$650,000) and the Sales Agent Charge (\$367,500), which liabilities will also be transferred from the Company to ResidualCo;
 - i) describe the proposed post-closing treatment of the Court-ordered charges created under the ARIO and other orders granted in these proceedings;
 - j) summarize the anticipated next steps in these proceedings; and

- k) provide the Monitor's recommendations in respect of the Company's application for an order, among other things:
- approving the Pre-Closing Reorganization;
 - approving the RVO, SPA and the Transaction;
 - approving the transfer to ResidualCo of the Company's right, title and interest in and to the Excluded Contracts and the Excluded Liabilities (as defined in the SPA and summarized in this Report);
 - approving the conveyance to the Purchaser of the Purchased Shares (as defined in the SPA), free and clear of and from any and all claims, liabilities, liens and encumbrances, other than the Permitted Encumbrances (as defined in the SPA);
 - adding ResidualCo as a petitioner in these CCAA proceedings and granting certain protections to ResidualCo's sole director;
 - discharging KSV as Monitor of the Company, but not ResidualCo, upon the closing of the Transaction;
 - releasing the Released Parties from the Released Claims (as those terms are defined in Section 6 below); and
 - authorizing the Interim Lender Distribution to the Interim Lender, as further detailed herein.

1.2 Restrictions

1. In preparing this 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, the CAO, NBF 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 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.

1.3 Currency

1. Unless otherwise noted, all currency references in this 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.
2. Prior to the commencement of these proceedings, the Company's shares were traded on the TSX Venture Exchange (the "**TSXV**") under the symbol PGM and on the London Stock Exchange ("**LSE**") under the symbol PUR. On October 31, 2022, the TSXV advised the Company that trading of the Company's common shares would 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. On January 13, 2023, the Company commenced a process to have its shares delisted from the LSE. On March 21, 2023, the TSXV halted the trading of the Company's shares pending the TSXV's review of the Company's compliance with exchange requirements. On April 6, 2023, the British Columbia Securities Commission (the "**BCSC**") on its own behalf, and on behalf of the Ontario Securities Commission (the "**OSC**"), issued a cease trade order in respect of the Company's shares (the "**CTO**").
3. The Company's principal business is the operation 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 Mine's infrastructure includes two ramps that provide access from surface, an ore processing facility with design capacity of 800 tonnes of ore per day and tailings and rock storage facilities.
4. 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 through the balance of these proceedings.
5. On October 24, 2022, prior to placing the Mine on care and maintenance, the Company had approximately 271 employees. The Company presently has 38 employees. The Company's workforce is not unionized and the Company does not maintain a registered pension plan.
6. The commencement of these proceedings by the Company was supported by Sprott, the Company's major secured creditor, which as at May 1, 2023 was owed in excess of US\$146.25 million (plus interest which continues to accrue), as well as post-filing advances it made as Interim Lender under the Interim Financing Facility, which total US\$13.05 million as of the date of this Report (plus interest and costs, which continue to accrue).
7. The Company's principal assets are its various mining tenures, rights, permits and licences (collectively, the "**Mining Assets**"), together with equipment located at the Mine. The time, cost and uncertainty related to the conveyance of the Mining Assets, as well as the Company's tax attributes, through a process other than an RVO, necessitate that the Transaction be completed pursuant to such an order. These issues are discussed in Section 5.1 below.

8. KSV’s pre-filing report dated October 30, 2022 (the “**Pre-Filing Report**”), the Monitor’s prior reports filed in these proceedings and the Company’s affidavits sworn in these proceedings provide additional background information concerning the Company and these proceedings. Court materials filed in these proceedings are available on the Monitor’s case website at <https://www.ksvadvisory.com/experience/case/pure-gold->.

3.0 Pre-Filing SISP and SISP

3.1 Pre-Filing SISP

1. Pursuant to a SISP Agreement dated July 11, 2022 between the Company and Sprott (the “**July SISP Agreement**”), the Company’s Pre-Filing SISP was carried out jointly by NBF and Stifel, two investment banks with deep mining experience. Throughout August and September of 2022, NBF and Stifel canvassed an extensive list of prospective purchasers and investors, made information available to prospective purchasers in an online data room and arranged management meetings and site visits at the Mine for several prospective purchasers.
2. The Pre-Filing SISP had the following milestones and timelines:

Milestone	Deadline
Solicitation Commencement Date	August 12, 2022
Deadline for Submission of Non-Binding Indications of Interest	September 26, 2022 ¹
Deadline for Binding Term Sheets	October 15, 2022
Selection of Successful Bidder	October 31, 2022
Transaction Closing Date	January 31, 2023

3. In the context of the Pre-Filing SISP, NBF and Stifel contacted 68 parties, 20 of which executed confidentiality agreements and performed due diligence. Prospective purchasers were advised that the assets available to be acquired included the Mining Assets and the Company’s tax attributes, including non-capital losses totaling approximately \$194 million, as detailed in the “teaser” sent to all parties.
4. Notwithstanding the extensive canvassing of the Company’s business and assets, no offers acceptable to the Company and to Sprott were submitted in the Pre-Filing SISP.

¹ The initial deadline in the July SISP Agreement of September 16, 2022 was subsequently extended to September 26, 2022.

3.2 The SISP

1. The SISP was approved pursuant to the ARIO. NBF was retained exclusively to carry out the SISP, under the supervision of the Monitor; Stifel was not retained for the SISP.
2. The SISP had the following milestones and timelines:

Milestone	Deadline
SISP Commencement Date	November 10, 2022
Deadline (the “ LOI 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

3. In order to assist the Court to consider the Transaction, NBF provided the Monitor with a memorandum summarizing the Pre-Filing SISP and the SISP (the “**NBF SISP Memorandum**”). The NBF SISP Memorandum is attached as **Appendix “A”**. The NBF SISP Memorandum addresses the duration of both processes, provides an overview of the offering (including the assets available for sale), as well as the number of parties contacted and the outcome of each process. As set out in the NBF SISP Memorandum, the SISP did not result in an offer acceptable to the Company or Sprott by the LOI Deadline.
4. As no acceptable offers were submitted by the LOI Deadline, and consistent with the SISP approved by the ARIO, Sprott engaged directly with various strategic parties regarding a transaction for the Company and/or its business and assets. During these discussions, Sprott remained bound by the confidentiality provisions of the SISP, including specifically paragraph 13 thereof, which provides that Sprott shall keep confidential the names, details and all other non-public information related to the SISP, and any other information provided to it and marked as confidential. Sprott kept the Monitor apprised of its discussions. Contemporaneously, the Company and NBF continued to engage with interested parties in an effort to maximize competition in the process.
5. WRLG emerged as a potential purchaser, performed due diligence and submitted a binding letter of intent dated April 10, 2023, which was subject to finalizing a definitive Share Purchase Agreement.
6. On April 17, 2023, the Company and WRLG each issued press releases announcing that they had entered into a binding letter of intent, subject to finalizing a definitive Share Purchase Agreement on terms satisfactory to WRLG, the Company and Sprott.
7. The SPA was finalized and executed on May 17, 2023.

4.0 Transaction²

1. The following section provides an overview of the Transaction and the SPA. Interested parties are strongly encouraged to read the SPA in its entirety. The information in this section is provided in summary format only.
 - a) **Purchaser:** WRLG is a publicly traded mineral exploration company focused on discovering new gold mines in the Red Lake Gold District of Northwest Ontario, Canada. WRLG is traded on the TSXV under the trading symbol WRLG.
 - b) **Purchased Shares:** Pursuant to the SPA, the Purchaser is acquiring all of the Company's issued and outstanding shares.
 - c) **Pre-Closing Reorganization:** Exhibit "A" to the SPA sets out the steps and transactions that need to be completed prior to closing (collectively defined in the SPA as the Pre-Closing Reorganization), which are summarized as follows:
 - the RVO authorizes the Company to incorporate ResidualCo;
 - the Purchased Shares are exchanged for common shares of ResidualCo on a one-for-one basis, such that ResidualCo will thereafter hold all of the Purchased Shares of the Company, and the public will hold common shares of ResidualCo;
 - at the same time as the preceding step, the voting shares held by the Company in ResidualCo are redeemed by ResidualCo for \$100, and all of the issued and outstanding options and warrants and any other securities convertible into or exercisable for shares of the Company are canceled for no consideration;
 - the Company will file an election under subsection 89(1) of the Income Tax Act (Canada) (the "ITA") to cease to be a public corporation for the purposes of the ITA, based on the prescribed conditions of Reg 4800(2) being met – namely, that all previously listed shares are held by an insider of the corporation, being ResidualCo;
 - the Company will deliver the net smelter return royalty ("NSR") Promissory Note as partial repayment of the Company's pre-filing indebtedness owing to Sprott; and
 - at the request of Sprott, the Company will issue the NSR in full repayment of the NSR Promissory Note.
 - d) **Excluded Assets:** None.

² Defined terms in this section of the Report have the meanings provided to them in the SPA.

- e) **Assumed Contracts:** The Purchaser has identified certain of the Company's contracts that it believes are required to operate the Mine, being the Assumed Contracts set out in Schedule "B" to the SPA. All of the Company's rights and obligations under the Assumed Contracts shall remain with the Company after Closing. Additionally,
- the Purchaser has the right to add additional contracts until Closing; and
 - for 120 days following Closing, and subject to any change in control provisions in such contracts, the Purchaser may designate any of the Company's contracts as Assumed Contracts, and the liabilities associated with such contracts shall be deemed Assumed Liabilities as of the Closing Time.
- f) **Purchase Price:** The purchase price consideration is comprised of:
- \$6.5 million in cash;
 - issuance of 40,730,677 common shares in the Purchaser;
 - granting of a 1% secured NSR on the Madsen Gold Project; and
 - delivering a US\$6,783,932 deferred consideration promissory note convertible at the holder's option into common shares of the Purchaser on future financing events or liquidity events of the Purchaser.
- g) **Assumed Pre-Closing Liabilities:** Effective on Court approval of the SPA, the Purchaser will assume:
- all ongoing operational costs of the Business in accordance with a Pre-Closing Operational Cost Funding Agreement;
 - all arrears owing under certain leases for Caterpillar equipment;
 - all Employee Obligations (including, without limitation, any and all liabilities relating to unpaid wages, severance or other termination obligations, accrued vacation pay and all retention-related obligations) related to all Employees as of April 10, 2023 and who remain Employees as of the Closing Time (other than the CAO); provided, however, that the Purchaser shall not be responsible for any amounts owing under the SERP triggered on the First Payment Date³ (as defined in the SERP). The Purchaser is also not responsible for the Company's remaining obligations under the KERP, which are to be paid by the Company on Closing; and

³ These payments were made by the Company on or around April 28, 2023.

- any and all environmental and reclamation obligations in connection with the Mine. The Company has in place with XL Specialty Insurance (“**XL**”), as surety, a \$16 million Closure Plan Surety Bond dated August 17, 2020 (the “**Bond**”) and has issued a General Indemnity Agreement in favour of XL in respect of the Bond (the “**Indemnity**”). The Bond and the Indemnity are both listed on the Schedule of Assumed Contracts to the SPA. The Bond expires on August 17, 2023. As of the date of this Report, counsel for XL has advised that XL is opposed to the relief being sought by the Company, including the making of an RVO. Discussions between the Company, the Purchaser and XL are expected to continue. An update will be provided on the return of this application. If required, the Monitor will file a supplemental report concerning this issue prior to the return of this application.
- h) **Assumed Liabilities:** In addition to the Assumed Pre-Closing Liabilities, the Purchaser will assume the liabilities and obligations of the Company under Assumed Contracts, any Assumed Pre-Closing Liabilities that have not been satisfied in full as of the Closing Time and any liabilities or obligations of the Company designated by the Purchaser as an Assumed Liability by notice in writing to the Company and the Monitor prior to Closing, or within 120 days of Closing.
- i) **Employees:** The Monitor understands that the Purchaser intends to retain substantially all of the Company’s employees; provided, however, that the Purchaser shall have the right to identify any employees whose employment with the Company it wishes to terminate with effect immediately before the Closing Date and the Company shall terminate the employment of such employees with effect immediately before the Closing Date. As reflected in section 9.0(2) below, the SERP entitlements of all Mine employees (whether terminated or not prior to Closing) and the SERP Charge constitute Assumed Liabilities and will remain obligations of the Company following Closing.
- j) **Excluded Liabilities:** The Excluded Liabilities consist of the Company’s debts and obligations other than the Assumed Liabilities, which Excluded Liabilities shall be transferred to, and assumed in full by, ResidualCo.
- k) **Transfers to ResidualCo:** On the Closing Date, prior to the sale of the Purchased Shares, the Excluded Liabilities shall be assumed by ResidualCo through the RVO. As consideration for the assumption of the Excluded Liabilities, ResidualCo will be paid \$25,000. It is anticipated that this amount will fund the costs of a bankruptcy of ResidualCo.
- l) **Representations and Warranties:** Consistent with the terms of a standard insolvency transaction, i.e., on an “as is, where is” basis, with limited representations and warranties.

- m) **Material Adverse Effect (“MAE”)**: The MAE condition is defined as a change, fact, circumstance or condition that has or could reasonably be expected to have a material and adverse effect on the Business, operations, assets, liabilities or condition (financial or otherwise) of the Company, except for those related to the CCAA Proceedings or the Pre-Closing Reorganization. Notwithstanding the foregoing, “Material Adverse Effect” shall not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (i) general economic or political conditions; (ii) conditions generally affecting the industries in which the Company operates; (iii) any changes in financial, banking or securities markets in general, including any disruption thereof and any decline in the price of any security or any market index or any change in prevailing interest rates; (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof; (v) any action required or permitted by the SPA or any action taken (or omitted to be taken) with the written consent of or at the written request of the Purchaser or the Court; (vi) any matter of which the Purchaser is aware on the date hereof; (vii) any changes in Applicable Laws or accounting rules or the enforcement, implementation or interpretation thereof; (viii) the announcement, pendency or completion of the transactions contemplated by the SPA, including losses or threatened losses of employees, customers, suppliers, distributors or others having relationships with the Company; (ix) any natural or man-made disaster or acts of God; or (x) any pandemics (including the outbreak and impact of the coronavirus disease), epidemics or civil disobedience.
- n) **Material Conditions**: Other than the MAE condition in favour of the Purchaser, the only material conditions precedent are (i) that the Court shall have issued the RVO, including approval of the Pre-Closing Reorganization, and (ii) orders of the BCSC on its own behalf, and on behalf of the OSC (the “**BCSC Revocation Orders**”):
- authorizing the Company to cease to be a reporting issuer; and
 - lifting the CTO and any ancillary relief.
- o) **Closing**: Subject to Court approval, Closing is expected to occur shortly following receipt of the BCSC Revocation Orders and implementation of the Pre-Closing Reorganization, as discussed in (c) above.
2. A copy of the SPA was attached as Exhibit “C” to Mr. Singh’s affidavit sworn and served on May 18, 2023.

4.1 The Value of the Transaction

1. The NBF SISP Memorandum includes its estimate of the value of the Transaction, being \$49.4 million to \$58.4 million. The range reflects that a portion of the consideration is non-cash, including the NSR and the share consideration.

2. As noted above, the Mining Assets, as well as the Company's tax attributes, are to be conveyed to the Purchaser pursuant to the Transaction. All of the Company's business and significant assets, including the Mining Assets, mining equipment and its tax attributes, were marketed for sale as part of the Pre-Filing SISP and the SISP. The Company has no value beyond these assets and the ability to sell, transfer or convey the Mining Assets, as well as the tax attributes, is costly, time consuming and uncertain unless the Transaction is completed through an RVO. As a result of these factors, there would be no ability to complete the Transaction if an RVO structure was not utilized.
3. In the Monitor's experience, tax losses are extremely difficult to sell and the market for them is limited. In the few instances where KSV has sold tax losses, they were sold for cents on the dollar, with the consideration paid if and when the purchaser was able to make use of the tax losses. It is also relevant that the tax losses were marketed for sale by NBF in the Pre-Filing SISP and the SISP, and that no parties submitted any offers for the tax losses. The RVO provides the opportunity for the Purchaser to make use of the tax losses if it earns a profit. Given the contingent nature of tax assets, purchasers attribute minimal value to them.
4. The Monitor notes that, in all circumstances, the value of the Transaction exceeds the liquidation value of the Company's machinery and equipment at the Mine (representing substantially all of its fixed assets), which equipment was acquired between 2019 and 2020 for a total cost of approximately \$40 million. The value of this equipment on a liquidation basis would be materially less than its original cost after considering the used nature of the equipment and the substantial removal costs involved in decommissioning, disassembling and/or relocating the equipment. Even if the equipment was acquired at its original cost, the value of the equipment is over US\$100 million less than the amounts owed to Sprott. The Company has no inventory or accounts receivable, with the exception of immaterial GST refunds that may be collectible by the Company.
5. Additionally, in a liquidation undertaken in a bankruptcy proceeding:
 - a) the Company's Mining Assets and/or tax attributes would have zero or nominal value; and
 - b) a bankruptcy generally impairs the value of the bankrupt's property due to the discontinuation of the business that typically occurs in such a process. As the Company is presently operating on a care and maintenance basis, the primary risk in this circumstance is the lost opportunity to conduct profitable mining operations in the future. Additionally, in a bankruptcy, employees are automatically terminated, and the resulting uncertainty will cause them to look for new employment, making it difficult to properly decommission the Mine, resulting in significant risk to the environment. Accordingly, a bankruptcy could set in motion a cascading series of events that would destroy value to the detriment of stakeholders, terminate all employment in a rural community and cause significant environmental damage, for which it is unknown whether the Bond would be sufficient to cover the resulting environmental damage.

6. The Monitor also notes that there would be no benefit to Sprott seeking the appointment of a receiver for the purpose of realizing on the Company's assets. Two sale processes have already been conducted. There is no purpose to a third. Additionally, given the potential nominal net realizable value of the Company's business and assets, Sprott would be required to indemnify a receiver for, among other things, successor-employer and environmental risks. In the circumstances of this situation, after the completion of two sale processes, it is unlikely that Sprott would be prepared to provide such an indemnity.

5.0 Recommendation

1. The Monitor recommends that the Court approve the Transaction and issue the RVO for the following reasons:
 - a) in the Monitor's view, the Pre-Filing SISP and the SISP were appropriately carried out by Stifel and NBF, investment banks with deep mining experience. The SISP was conducted in accordance with the ARIO. The opportunity was marketed widely twice. It provided interested parties an opportunity to perform due diligence and to submit bids for all or a portion of the Company's assets and/or the Company's shares on a basis similar to the proposed Transaction. No bids acceptable to the Company or Sprott were submitted by the deadlines established in the Pre-Filing SISP and the SISP;
 - b) between the Pre-Filing SISP and the SISP, the opportunity was marketed for approximately 10 months. None of the parties contacted expressed any concern that they did not have sufficient time to perform due diligence and no party requested further time to perform due diligence. The Monitor does not believe that further time marketing the Company's business and assets for sale would result in a superior transaction, whether that is undertaken in a bankruptcy, receivership or through a plan of compromise and arrangement ("**Plan**"), as discussed in Section 5.1 below;
 - c) the purchase price under the Transaction represents the greatest recovery available in the circumstances. It is also structured as a share deal that provides for the retention by the Company of certain of its liabilities, other than the Excluded Liabilities, which further enhances the value of the Transaction;
 - d) the Transaction preserves employment for the Company's existing Mine workforce, which is located in a rural community. The Monitor has been advised that the Purchaser intends to retain all or substantially all of the Company's employees;
 - e) absent the Transaction, Sprott, as Interim Lender, is not prepared to continue to fund the Company. Funding available under the Interim Financing Facility is projected to be exhausted on or around June 23, 2023;
 - f) Sprott, as the Company's principal economic stakeholder and Interim Lender, has consented to the Transaction notwithstanding the substantial shortfall it will incur on its advances to the Company;

- g) the Company has incurred significant losses to-date and it is critical that immediate steps be taken to recapitalize its business;
- h) the Purchaser has recently closed a \$25 million capital raise to help fund the Company's post-closing working capital requirements. By using an RVO structure to complete the Transaction, the Company's Mining Assets, and secondarily, its tax attributes, will be preserved. Certain and immediate conveyance of the Mining Assets to the Purchaser is integral to the completion of this Transaction. This Transaction could not be completed if the Purchaser was uncertain as to the acquisition of the Mining Assets; and
- i) in the Monitor's view, the terms and conditions of the SPA are commercially reasonable, and any closing risk has been sufficiently mitigated. The Monitor was extensively consulted on the negotiation of the SPA throughout the process.

5.1 RVO Considerations

1. The Monitor believes it is necessary and appropriate for the Transaction to be completed pursuant to an RVO. In forming its view, the Monitor considered the issues raised by this Court in the CCAA proceedings of *Payslate Inc.* and the considerations in the *Harte Gold* case, which are set out below.

- a) *Why is the RVO necessary in this case?*

Preserving the Company's Mining Assets is the principal factor driving the Purchaser's requirement that the Transaction be completed through an RVO. The Company's tax attributes are a secondary consideration. An RVO allows for the Mining Assets to be preserved without the cost, delay, complexity and uncertainty involved in transfer or assigning assets of this nature. The Monitor understands that the Purchaser is not prepared to acquire the business under an alternative structure. The Interim Lender also supports the use of an RVO to complete the Transaction as value cannot be maximized without such an order.

In addition to the bankruptcy and receivership options discussed above, consideration was also given to completing the Transaction through a Plan; however, no party has been identified to sponsor a Plan given there is no value for any stakeholder in these proceedings other than Sprott. Additionally, the cost of drafting a Plan, convening a meeting of creditors to vote on the Plan and conducting a claims process would be wasteful in the circumstances as Sprott is the only creditor with an economic interest. The Monitor understands that Sprott would not fund such a process. The delay and uncertainty on the Business resulting from a Plan process would impair value as employees would likely seek employment with a more stable employer. The RVO effectively provides all the benefits of a Plan, while providing more certainty, with less cost, risk and instability.

- b) *Does the RVO structure produce an economic result at least as favourable as any other viable alternative?*

The RVO allows for the expedient conveyance of the Company's Mining Assets and tax attributes to the Purchaser. Without an RVO, there would be substantial delay transferring these assets, and the ability to transfer some or all of them, at, all may be at risk. The Interim Lender has advised the Monitor that it is not prepared to continue to provide the Company with funding absent the certainty of a transaction, meaning the Company's business and assets would need to be liquidated, resulting in a loss of employment in a rural community, as well as a cascading number of issues and problems, as discussed above. The issuance of an RVO is a material condition of the SPA and is integral to completing the Transaction. Accordingly, there does not appear to be any viable option to an RVO.

The Monitor is also mindful that two comprehensive sale processes have already been conducted (the Pre-Filing SISP and the SISP) and that there is no money available to conduct a further process. The Monitor notes that NBF, an investment bank with deep mining experience, did not identify the Purchaser – it was identified by Sprott. The Monitor is strongly of the view that further time marketing the business for sale will not result in a superior transaction and would be prejudicial to Sprott, the Company's employees and other stakeholders, including the Red Lake community. If for any reason the Transaction does not proceed, there would be significant environmental issues, and it is unknown whether the Bond would be sufficient to cover the costs to remediate any environmental issues.

- c) *Is any stakeholder worse off under the RVO structure than they would have been under any other viable alternative?*

In the Monitor's view, no stakeholders are prejudiced by the issuance of an RVO relative to their treatment and outcome under any other viable option (if any). In particular, the claims/liabilities being transferred to ResidualCo are unsecured and/or would receive no distribution under any transaction structure. Given the value of Sprott's secured claims, and its projected significant shortfall, there would be no funds available for distribution to any of the Company's creditors subordinate to Sprott under any other realization scenario. In addition, there has been broad notice of these proceedings since October 2022, including because the Company is a reporting issuer, and broad notice of this application has been provided by the Company.

- d) *Does the consideration being paid for the debtor's business reflect the importance and value of the licenses and permits (or other intangible assets) being preserved under the RVO structure?*

For the reasons noted in (a) above, in the Monitor's view, the value of the Company's Mining Assets being preserved under the RVO structure is the critical consideration in structuring the Transaction. These assets were extensively marketed for sale in the Pre-Filing SISP and the SISP. The consideration being paid by the Purchaser is directly attributable to their importance and value, which provides the best available outcome for stakeholders, including Sprott, the Company's employees and vendors.

2. Based on the foregoing, the Monitor recommends that this Court approve the Transaction and grant the RVO sought by the Company.

6.0 Releases

1. The RVO provides for: (i) the present and former directors, officers, employees, legal counsel and advisors of the Company and ResidualCo (the "**CCAA Parties**") solely in relation to their capacities in respect of the CCAA Parties, (ii) the Monitor and its legal counsel, and (iii) Sprott, including in each case their respective directors, officers, employees, legal counsel and advisors (the persons listed in (i), (ii) and (iii) being collectively the "**Released Parties**") to be released from any act or omission, transaction, dealing or other occurrence existing or taking place prior to the closing of the Transaction: (a) undertaken or completed pursuant to the terms of the RVO; (b) arising in connection with or related to the Transactions (as defined in the RVO); (c) arising in connection with or relating to the CCAA Proceedings; and (d) related to the management, operations or administration of the CCAA Parties (collectively, the "**Released Claims**").
2. In the case of the directors and officers to be included as Released Parties, the Monitor has recommended that the release be limited to directors and officers that held those roles during the CCAA.
3. The proposed release does not release:
- a) any claim against the directors and officers of the Company that is not permitted to be released pursuant to section 5.1(2) of the CCAA;
 - b) the rights and remedies of any directors or officers of the Company to any applicable insurance policies that exist to protect or indemnify the directors or officers whether such recourse or payment is sought directly by the person asserting a claim from the insurer or derivatively through the director or officer or the Company; provided, however, that:
 - i. nothing shall create any rights in favour of such person under any policies of insurance nor shall anything in the proposed order limit, remove, modify or alter any defence to such claim available to such insurer pursuant to the provisions of any insurance policy or at law;

- ii. any claim or portion thereof for which the person does not receive payment from, or confirmation that he or she is covered by, the Company's insurance or any directors' or officers' insurance or other insurance policy or policies that exist to protect or indemnify the directors or officers (the "**Available D&O Insurance**") shall not be recoverable directly against the Company or its assets as of and after the Closing Date, and instead shall vest in ResidualCo;
 - iii. any claim or portion thereof for which the person receives payment directly from, or confirmation that he or she is covered by, the Available D&O Insurance shall not be recoverable as against ResidualCo, the Company, or director or officer, as applicable; and
- c) the claim filed on April 4, 2022 in the Supreme Court of British Columbia Action No. S-222826 (the "**BC Action**") (in other words - does not release the named parties to that BC Action); provided, however, that the claimants in the BC Action shall have no recourse against the Company or its assets as of and after the Closing Date as that claim is an Excluded Liability which is transferred to, and assumed by, ResidualCo.

4. In the Monitor's view:

- a) during these proceedings, the Released Parties have been integral to the continued uninterrupted operations of the Company, as well as the conduct of the Pre-Filing SISP (in the case of the Directors and Officers and Sprott) and the SISP (in the case of all Released Parties), including facilitating due diligence by various interested parties and assisting to negotiate the Transaction;
- b) it is appropriate for the directors and officers included as Released Parties to be limited to those that have served during these CCAA proceedings, as the other directors and officers provided no contribution thereto; and
- c) the exclusions noted in Section 6.2(c) preserve the potential claims asserted in the BC Action, including as against any applicable insurance policies, other than transferring the claim as against the Company to ResidualCo to permit the Transaction to close.

5. Based on the foregoing, the Monitor is of the view that the scope of the proposed releases is narrower than releases commonly granted in CCAA proceedings, and accordingly, the releases in the proposed RVO are fair and reasonable in the circumstances.

7.0 Service and Notice

1. In preparing for this application, the Company, Sprott, the Purchaser, the Monitor and their respective legal counsel were cognizant of the concerns raised by the Court in the *Payslate* matter as it relates to providing service to parties which may be affected by the granting of an RVO. In this regard:
 - a) the press releases issued on April 17, 2023 highlighted that the Transaction was subject to “Court approval of the Transaction, including the grant of a reverse vesting order from the Court”. Accordingly, by the return of this application, the Company’s intention to bring an application for the approval of an RVO to complete the Transaction will have been in the public domain for approximately six weeks;
 - b) service of the Company’s application was sent to the Service List in these proceedings on May 18, 2023, 11 days prior to the hearing of this application on May 29, 2023. In addition to the Service List in these proceedings, the Monitor understands that the Company intends to make efforts to serve (i) all contract counterparties whose contracts will be assumed by WRLG (except for the Company’s current employees); (ii) any holders of royalties granted by the Company; (iii) First Nations; (iv) Canada Revenue Agency; (v) the Company’s lien claimants; (vi) counsel to the plaintiffs in the BC Action; (vii) holders of Discharged Encumbrances; and (viii) the Ontario Crown, among others; and
 - c) this Report is being served on May 19, 2023, being ten days before the hearing of this application.
2. On May 9, 2023, legal counsel to XL contacted the Company’s legal counsel. The purpose of the Bond is to secure the Company’s potential environmental reclamation obligations at the Mine. The Bond expires on August 17, 2023. As noted above, the Monitor expects that discussions will continue between XL and the relevant stakeholders. If necessary, the Monitor will file a supplemental report to provide the Court with an update concerning this issue at the return of this application.
3. In the Monitor’s view, the service considerations raised by this Court in the *Payslate* matter have been addressed as, *inter alia*, the length of notice provided is adequate for parties to understand how their rights are being affected, to engage in discussions with the Company and/or the Monitor regarding same, and to raise objections. Based on the foregoing, the Monitor believes that service of this application is adequate.

8.0 ResidualCo

1. The proposed RVO authorizes the Company to incorporate ResidualCo for the purpose of completing the Transaction. It is contemplated that, pursuant to the terms of the RVO, the liabilities excluded from the Transaction would vest in ResidualCo and that ResidualCo would become a debtor company subject to these CCAA proceedings upon the issuance of the order sought.

2. The Monitor has been advised by counsel to Sprott that the liabilities being transferred to ResidualCo pursuant to the SPA and proposed RVO, other than those secured by the Court-ordered charges, are all either unsecured or subordinate to Sprott's pre-filing debt. In other words, there would be no funds available for distribution to these creditors under any circumstance based on the economics of the Transaction. The Monitor is not aware of any environmental, priority or deemed trust claims being transferred to ResidualCo. Accordingly, as Sprott is the only creditor with an economic interest in the Transaction, there does not appear to be any prejudice to the parties that will become creditors of ResidualCo should the relief sought be granted.
3. The Monitor is aware that a creditor trust is an alternative structure to establishing a separate legal entity for the purposes of vesting the excluded liabilities in a reverse vesting order transaction. The use of ResidualCo has no practical difference to the stakeholders than a creditor trust as the claims would be administered by the court officer in the same manner and there would be no funds available to creditors in either structure. In this case, Sprott has agreed to fund the nominal incremental costs associated with the incorporation of ResidualCo, and a senior representative of Sprott, Narinder Nagra, has agreed to serve as ResidualCo's sole director if authorized to do so by the Court in accordance with the RVO.
4. The Monitor believes that the proposed protections to be afforded to Mr. Nagra, in his capacity as ResidualCo's sole director, are reasonable and appropriate in the circumstances. Mr. Nagra is serving as a director of ResidualCo for the sole purpose of implementing the Transaction. It is contemplated that ResidualCo will make an assignment in bankruptcy shortly following closing of the Transaction.

9.0 Court-Ordered Charges

1. The ARIO and other Court orders issued in these proceedings granted the following Court-ordered charges over the Company's property:
 - 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 the SERP Charge (\$2.2 million), which rank *pari passu*; and
 - e) Fifth, the Sales Agent Charge (in the amount of the Sales Agent's fees under the Sales Agent Agreement).

2. The proposed treatment of each Court-ordered charge is set out below.

Charge	Proposed Treatment
Administration Charge	Upon closing of the Transaction, released and discharged against the Company, with this charge transferred to ResidualCo, together with \$750,000 (in cash) of the sale proceeds to collateralize the professional fees secured by the Administration Charge. Any amounts not required to be paid in respect of professional fees to the completion of these proceedings will be paid to the Interim Lender.
D&O Charge	Upon closing of the Transaction, released and discharged against the Company, with this charge transferred to ResidualCo, together with \$650,000 (in cash) of the sale proceeds to collateralize any claims against the D&O Charge, which will be determined in accordance with the ongoing D&O Claims Process. As noted above, the Company and the Monitor are presently administering the D&O Claims Process. Any amounts not required to be paid in respect of a proven D&O claim will be paid to the Interim Lender.
Interim Lender's Charge	Released and discharged against the Company upon closing of the Transaction, with the consent of the Interim Lender, and assumed by ResidualCo.
KERP Charge	Released and discharged upon closing of the Transaction. There is presently \$102,500 owing to employees who are beneficiaries of the KERP. The Interim Lender will advance prior to closing an amount sufficient to repay in full all amounts owing under the KERP.
SERP Charge	The Company's obligations under the SERP are Assumed Liabilities under the SPA. Accordingly, the Company's obligations under the SERP remain secured against the Company's assets following Closing pursuant to the SERP Charge.
Sales Agent Charge	Released and discharged against the Company upon closing of the Transaction, with \$367,500 (in cash) included in the Holdback to collateralize the balance of the fees payable to the Sales Agent. Any amounts not required to be paid in respect of the Sales Agent's fees will be paid to the Interim Lender.

3. The Monitor has been consulted regarding the proposed treatment of each Court-ordered charge and believes that the treatments set out in the table above are reasonable, appropriate and facilitate the completion of the Transaction for the benefit of stakeholders.

10.0 Distributions to Sprott

- As at May 1, 2023, the Company's indebtedness owing to Sprott is summarized in the table below:

Facility	Description	Amount (US\$000s)
Amended and Restated Credit Agreement	Senior secured non-revolving credit facility established pursuant to the terms of a Credit Agreement dated August 6, 2019, between the Company and Sprott Private Resource Lending II (Collector) LP, as amended and restated from time to time, including to increase the maximum Commitment Amount available thereunder to US\$91 million.	102,595
Production Payment Agreement	Production Payment Agreement dated August 6, 2019 between the Company and Sprott Private Resource Lending II (CO), Inc. pursuant to which the Company agreed to make certain payments in connection with the sale, disposition or transfer of payable gold.	6,360
Gold Stream Agreement	Purchase and Sale Agreement dated August 6, 2019 between PGM, as seller, and Sprott Lending, as purchaser, providing for a US\$25 million gold stream.	37,262
Interim Financing Facility	US\$15 million Interim Financing Facility approved by this Court. Advances under the Interim Financing Facility are secured by the Interim Financing Charge.	13,050
Total		159,267

- The Monitor is not aware of any other secured creditors or any claim that ranks or may rank in priority to Sprott, other than the amounts secured under the Court-ordered charges which are being dealt with on the basis detailed in Section 9 above.
- In advance of this application, the Monitor instructed its legal counsel, Fasken, to provide an opinion on the validity and enforceability of Sprott's security. Fasken's preliminary opinion provides that, subject to the customary assumptions and qualifications contained therein, the security granted to Sprott is valid and enforceable. Fasken is presently finalizing its opinion, and if its formal opinion identifies any concerns not raised in its preliminary opinion, a supplemental report will be filed by the Monitor before the hearing of this application.
- Based on the foregoing, the Monitor recommends that the Court authorize the contemplated distributions to Sprott from the proceeds of the Transaction. The initial cash distribution to be made to Sprott of \$4,762,500 will be net of the Holdback (\$1,767,500), which will be paid to the Monitor on behalf of ResidualCo to secure the following: the Administration Charge (\$750,000), the D&O Charge (\$650,000) and the Sales Agent's Charge (367,500).

11.0 Anticipated Next Steps in these Proceedings

1. Subject to Court approval of the relief sought at this application, the next steps in these proceedings include the following:
 - a) the Company, the Purchaser, Sprott, the Monitor and their respective legal counsel intend to work to close the Transaction in accordance with the SPA, including filing the applications for the BCSC Revocation Orders and implementing the steps and transactions contemplated by the Pre-Closing Reorganization;
 - b) upon closing of the Transaction, causing \$1,737,500 of the initial cash consideration (\$6.5 million) to be retained by the Monitor, on behalf of ResidualCo, as the Holdback, with the balance (\$4,762,500) to be paid to the Interim Lender as a partial repayment of its advances under the Interim Financing Facility;
 - c) upon closing of the Transaction, the Monitor will pay \$367,500 from the Holdback to the Sales Agent, representing the balance of its fee secured by the Sales Agent Charge;
 - d) the Company and the Monitor will continue their ongoing administration of the D&O Claims Process to determine the claims, if any, against the D&O Charge;
 - e) shortly following closing of the Transaction, it is expected that ResidualCo will make an assignment in bankruptcy;
 - f) upon completion of the above noted activities, ResidualCo will be in a position to bring a final application in these proceedings to distribute the balance of the Holdback to the Interim Lender, terminate these CCAA proceedings and discharge the Monitor; and
 - g) deal with any other issues not specified above.
2. The Company has scheduled June 15, 2023 as its next Court attendance in these proceedings. An update on the status of the Transaction will be provided at that time.

12.0 Conclusion and Recommendation

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

* * *

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”

Sale Process Overview

Pure Gold Mining Inc.

May 2022



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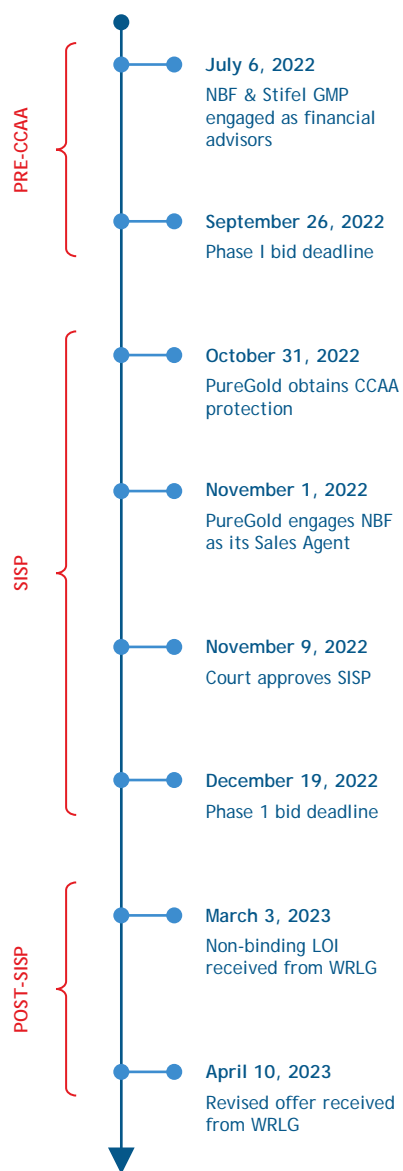
[1](#) | Process Overview

[2](#) | Overview of WRLG Bid

SECTION 1. | Process Overview

Sales Process Timeline

Process Overview



- National Bank Financial Inc. ("NBF") and Stifel Nicolaus Canada Inc. ("Stifel GMP") ran a broad sales process from July 2022 through to the end of October 2022
 - 68 parties were contacted, 20 parties signed Confidentiality Agreements ("CAs"), 3 parties attended site visits
 - No bids acceptable to Sprott Resource Lending Corp. ("Sprott") and PureGold Mining Inc. (the "Company" or "PureGold") were submitted
- On October 31, 2022, PureGold obtained from the Supreme Court of British Columbia (the "Court") protection from its creditors under the *Companies' Creditors Arrangement Act* ("CCAA")
- NBF was retained by the Company to conduct a further sale process following the approval by the Court of the Sales and Investment Solicitation Process (the "SISP")
 - 84 parties were contacted, 8 parties signed CAs
 - No bids acceptable to Sprott and PureGold were submitted by the Phase I deadline of December 19, 2022, in the SISP conducted during the CCAA proceedings
- Following the Phase I bid deadline of December 19, 2022, the SISP continued, including direct dialogue between Sprott and several bidders, as contemplated by the SISP; NBF supported this process
- On March 3, 2023, West Red Lake Gold Mines Ltd. ("WRLG") submitted a non-binding letter-of-intent ("LOI"), followed up by a revised binding offer on April 10, 2023, which was ultimately accepted by the Company with the consent of Sprott

Pre-CCAA Outreach Summary

Process Overview

- On July 6, 2022, PureGold engaged NBF, and the Company's Special Committee and Board retained Stifel GMP to act as financial advisors in order to solicit proposals for a broad range of executable transactions, including a strategic investment in PureGold, the acquisition of some or all of its assets, or an acquisition of its shares through a structure similar to the one contemplated in these proceedings
- Purchasers were advised of the opportunity to acquire PureGold's tax attributes, including its non-capital losses totaling approximately \$194 million at the very start of the SISP process as specified in the SISP marketing 'Teaser' which was sent to all parties in advance of execution of non-disclosure agreements
- Starting the week of June 26, 2022, NBF and Stifel GMP conducted a market outreach program to surface potential interest in the Company and/or its assets
- A total of 68 parties were contacted, including corporations, private equity firms and other financial institutions, with 20 parties signing CAs
- All parties under CA were provided access to a Phase I virtual data room including a financial model and extensive technical information along with certain key operational, financial and legal information
- 3 parties completed site visits to the PureGold mine throughout July and August
- On August 22, 2022, Process Letters were sent, inviting all parties under CA to submit non-binding LOIs by September 26, 2022
- No bids acceptable to Sprott and PureGold were submitted
- The process was carried out under the supervision of, and in consultation with KSV Restructuring Inc. ("KSV"), as CCAA Monitor

SISP Outreach Summary

Process Overview

- On October 31, 2022, PureGold obtained from the Court protection from its creditors under CCAA
- On November 1, 2022, PureGold engaged only NBF (Stifel was not engaged for the CCAA SISP) as its Sales Agent, which superseded and replaced the previous letter agreement between NBF and the Company dated July 6, 2022; KSV was appointed as monitor (the "Monitor")
- On November 9, 2022, the Court issued an Order that approved the SISP involving PureGold and all its assets, undertakings and properties
- Commencing November 11, 2022, NBF began its outreach process, sending out the SISP, a teaser and a CA to counterparties including corporations, private equity firms and other financial institutions
- A total of 84 parties were contacted, including corporations, private equity firms and other financial institutions, with 8 parties signing CAs
- All parties under CA were provided access to a Phase I virtual data room including a financial model and extensive technical information along with certain key operational, financial and legal information
- On November 30, 2022, Process Letters were sent, inviting Potential Bidders to deliver a non-binding LOI to NBF and the Monitor by December 19, 2022
- No acceptable LOIs were submitted at this stage of the SISP
- Following the Phase I bid deadline, the SISP continued, including direct dialogue between Sprott and several bidders, as contemplated by the SISP
- On March 3, 2023, WRLG submitted a non-binding LOI to purchase PureGold for total consideration (inclusive of the value of the tax attributes) of C\$27.2mm in the form of cash, equity and a royalty⁽¹⁾
- Subsequent to March 3rd, NBF worked with principal stakeholders to advance discussions with WRLG and negotiate terms of the transaction
- Having completed due diligence, WRLG submitted a revised binding offer on April 10, 2023, which was accepted by the Company with the consent of Sprott

1. Represents the value of the transaction per WRLG as per its LOI. The financial assessment of the offer consideration is between C\$49mm and C\$58mm as detailed on page 9.

SECTION 2. | Overview of WRLG Bid

Offer Terms

Overview of WRLG Bid

West Red Lake Gold Mines Ltd. (“WRLG”)	
Transaction	<ul style="list-style-type: none">WRLG offers to acquire all of the issued and outstanding shares of PureGold, with both shares and assets of PureGold being transferred free and clear of all claims, encumbrances, and interests other than the Assumed PureGold Obligations in exchange for the consideration and subject to terms and conditions set out herein (the “Acquisition”)
Consideration	<ul style="list-style-type: none">The purchase price for the issued and outstanding shares of PureGold is the aggregate of the cash, equity and royalty considerations, comprising of:<ul style="list-style-type: none">C\$6.5mm in cash40,730,677 common shares of WRLG1% secured net smelter return (“NSR”) on the Madsen Gold ProjectUS\$6,783,932 (the “Deferred Consideration Payment”) shall be payable by WRLG to Sprott Collector LP in full in cash by wire transfer of immediately available funds to an account designated by Sprott Collector LP immediately upon any Change of Control Transaction, provided that WRLG shall be entitled to pay any part of the Deferred Consideration Payment to Sprott Collector LP prior to any Change of Control Transaction
Concurrent Financing	<ul style="list-style-type: none">In connection with the Acquisition, WRLG entered into a “bought deal” engagement letter with Canaccord Genuity Corp. (the “Underwriter”) for a private placement of 57,143,000 subscription receipts (the “Subscription Receipts”) at a price of C\$0.35 per Subscription Receipt for aggregate gross proceeds of C\$20,000,050 (the “Offering”)The Underwriter granted an option to sell up to an additional 14,286,000 Subscription Receipts for additional gross proceeds of C\$5,000,100Offering closed on May 9, 2023WRLG also agreed to complete a non brokered private placement of C\$600,000 of flow through shares to Frank Giustra at a price of C\$0.35 share
Other Terms	<ul style="list-style-type: none">Sprott will be entitled to nominate and have appointed a director to WRLG’s board, as long as Sprott or any of its affiliates owns 15% or more of the issued and outstanding shares of WRLGFrank Giustra and various associates will provide a written guarantee for the C\$6.5mm cash payment for the Acquisition and in consideration for that guarantee will receive warrants to purchase 3,750,000 shares of WRLG exercisable at C\$0.42 per share for five yearsImmediately upon acceptance of the offer, a 21-day exclusivity period will commence to complete the Definitive Agreement
Material Conditions Precedent	<ul style="list-style-type: none">Closing of the Acquisition is subject to various conditions precedent including:<ul style="list-style-type: none">Receipt of all required regulatory approvals including the approval of the TSX Venture ExchangeReceipt of the reverse vesting order from the Supreme Court of British ColumbiaThe parties entering into a definitive agreement for the Acquisition by no later than May 1, 2023, or such later date as agreed by the parties

Financial Assessment

Overview of WRLG Bid

TOTAL CONSIDERATION

Consideration	Financial Assessment of Bid
Cash	<ul style="list-style-type: none">▪ C\$6.5 million
Equity	<ul style="list-style-type: none">▪ C\$26.5 million<ul style="list-style-type: none">– Market value of 40,730,677 shares in WRLG (based on share price of C\$0.65 as of May 16, 2023)
Royalty	<ul style="list-style-type: none">▪ ~C\$13-17 million<ul style="list-style-type: none">– +/- 15% of the value of a 1% NSR royalty (based on PureGold's 2023 Updated LOM Plan)
Deferred Consideration Payment	<ul style="list-style-type: none">▪ ~C\$3-8 million<ul style="list-style-type: none">– Assumed range of US\$2.4-\$6.1 million– Based on the future value of the ~US\$6.8 million deferred consideration payment in 1 and 10 years, at a 10% discount rate

Total consideration of ~C\$49-58mm

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