Pure Gold Mining Inc.

Condensed Interim Consolidated Financial Statements

For the three months ended June 30, 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

Notice of no Auditor Review of
Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Pure Gold Mining Inc. (the “Company”) as at June 30, 2016, and for the three months ended June 30, 2016, have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada (“CPA Canada”) for a review of interim financial statements by an entity’s auditor.

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	As at June 30, 2016	As at March 31, 2016
ASSETS		
Current Assets		
Cash	$ 9,851,712	$ 2,199,151
Short-term investments *(Note 5)*	23,000	23,000
Amounts receivable *(Note 6)*	301,776	210,266
Prepaid expenses *(Note 7)*	398,820	77,389
Available for sale investment (*Note 17*)	-	3,105,335
Interest receivable	-	171
	10,575,308	5,615,312
Non-current Assets		
Exploration and evaluation assets *(Note 8a)*	6,928,656	6,908,651
Property, plant and equipment *(Note 9)*	5,776,112	6,590,669
Reclamation deposits *(Note 10)*	2,427,025	2,427,025
Deposits *(Note 13)*	156,000	156,000
Total Assets	$ 25,863,101	$ 21,697,657
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 391,412	$ 1,028,723
Flow-through premium liability	916,740	44,916
Other liability *(Note 8c)*	-	334,763
	1,308,152	1,408,402
Non-current Liabilities		
Provision for closure and reclamation *(Note 11)*	2,487,308	2,459,774
Other long-term liabilities	3,295	3,295
Total Liabilities	3,798,755	3,871,471
Equity		
Share capital *(Note 12a)*	45,251,650	37,388,161
Equity reserves *(Note 12c and Note 12d)*	8,146,658	8,528,621
Accumulated other comprehensive income	-	450,774
Accumulated deficit	(31,333,962)	(28,541,370)
Total Equity	22,064,346	17,826,186
Total Liabilities and Equity	$ 25,863,101	$ 21,697,657

Commitments & Contingencies *(Note 15)*

Approved by the Audit Committee of the Board of Directors on August 12, 2016:

“Graeme Currie”, Director   *“Lenard Boggio”*, Director

- See Accompanying Notes to the Condensed Interim Consolidated Financial Statements -

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the three months ended June 30, 2016	For the three months ended June 30, 2015
Expenses		
Exploration and evaluation expenditures *(Note 8b)*	$ 2,979,398	$ 1,100,979
Wages, consulting and director fees	253,259	210,131
Investor relations and communication	140,822	45,669
Office and rent	81,112	79,980
Professional fees	52,905	1,789
Share-based compensation *(Note 12d)*	46,428	84,885
Administrative travel	24,595	4,420
Listing and filing fees	10,239	9,011
Depreciation	3,032	7,190
Total Expenses	(3,591,790)	(1,544,054)
Other Income and Expenses		
Gain on sale of available for sale investment *(Note 8c)*	749,399	-
Finance income	13,671	21,350
Accretion expense *(Note 11)*	(7,529)	(8,689)
Finance expense	(1,259)	-
Total Other Income	754,282	12,661
Loss before income taxes	(2,837,508)	(1,531,393)
Income tax recovery *(Note 15c)*	44,916	-
Net Loss and Comprehensive Loss for the Period	**$ (2,792,592)**	**$ (1,531,393)**
Weighted Average Number of Common Shares Outstanding	129,815,195	125,719,854
Basic and Diluted Loss per Common Share	$ (0.02)	$ (0.01)

- See Accompanying Notes to the Condensed Interim Consolidated Financial Statements -

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Number of Common Shares		Share Capital		Equity Reserves		Accumulated Other Comprehensive Income		Accumulated Deficit		Total
Balance – March 31, 2015	125,719,854	$	37,362,311	$	8,149,745	$	-	$	(23,532,323)	$	21,979,733
Share-based compensation	-		-		84,885		-		-		84,885
Net loss for the period	-		-		-		-		(1,531,393)		(1,531,393)
Balance – June 30, 2015	125,719,854	$	37,362,311	$	8,234,630	$	-	$	(25,063,716)	$	20,533,225
Exercised stock options	50,000		10,000		-		-		-		10,000
Fair value of exercised stock options *(Note 12d)*	-		15,850		(15,850)		-		-		-
Accumulated other comprehensive income *(Note 8c)*	-		-		-		450,774		-		450,774
Share-based compensation (*Note 12d)*	-		-		309,841		-		-		309,841
Net loss for the period	-		-		-		-		(3,477,654)		(3,477,654)
Balance – March 31, 2016	125,769,854	$	37,388,161	$	8,528,621	$	450,774	$	(28,541,370)	$	17,826,186
Flow-through common share issuance *(Note 12b)*	8,334,000		6,250,500								6,250,500
Flow-through premium liability	-		(916,740)								(916,740)
Share issue costs - cash	-		(542,962)								(542,962)
Exercised warrants	5,111,500		2,555,750		-		-		-		2,555,750
Fair value of exercised warrants *(Note 12c)*	-		364,511		(364,511)		-		-		-
Exercised stock options	263,000		88,550		-		-		-		88,550
Fair value of exercised stock options *(Note 12d)*	-		63,880		(63,880)		-		-		-
Accumulated other comprehensive income *(Note 8c)*	-		-		-		(450,774)		-		(450,774)
Share-based compensation *(Note 12d)*	-		-		46,428		-		-		46,428
Net loss for the period	-		-		-		-		(2,792,592)		(2,792,592)
Balance – June 30, 2016	139,478,354	$	45,251,650	$	8,146,658	$	-	$	(31,333,962)	$	22,064,346

- See Accompanying Notes to the Condensed Interim Consolidated Financial Statements -

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the three months ended June 30, 2016	For the three months ended June 30, 2015
Operating Activities		
Net loss for the period	$ (2,792,592)	$ (1,531,393)
Items not affecting cash:		
Gain on sale of available for sale investment *(Note 8c)*	(749,399)	-
Deferred income tax recovery *(Note 15c)*	(44,916)	-
Share-based compensation *(Note 12d)*	46,428	84,885
Depreciation *(Note 9)*	14,915	18,799
Accretion expense *(Note 11)*	7,529	8,689
Interest income	(13,671)	(21,350)
Changes in non-cash working capital:		
Amounts receivable	(91,511)	1,595
Prepaid expenses	(321,431)	(206,688)
Accounts payable and accrued liabilities	(637,310)	(610,338)
Net cash used in operating activities	(4,581,958)	(2,255,801)
Investing Activities		
Proceeds from sale of available for sale investment	3,403,960	
Proceeds from sale of land *(Note 8c)*	500,000	-
Purchase of short-term investments	-	(500,000)
Reclamation deposits *(Note 10)*	-	(339,763)
Property, plant and equipment *(Note 9)*	(35,121)	(37,200)
Interest received	13,842	51,095
Net cash provided by (used in) investing activities	3,882,681	(825,868)
Financing Activities		
Proceeds from financing *(Note 12b)*	6,250,500	-
Share issue costs	(542,962)	-
Proceeds from exercised warrants *(Note 12d)*	2,555,750	-
Proceeds from exercised stock options *(Note 12c)*	88,550	-
Net cash provided by financing activities	8,351,838	-
Net Increase (Decrease) in Cash	7,652,561	(3,081,669)
Cash - Beginning of the Period	2,199,151	5,006,937
Cash - End of the Period	$ 9,851,712	$ 1,925,268

Supplemental Cash Flow Information *(Note 16)*

- See Accompanying Notes to the Condensed Interim Consolidated Financial Statements -

1. GENERAL INFORMATION

Pure Gold Mining Inc. ("Pure Gold" or the "Company"), is a publicly listed company incorporated and domiciled in Canada. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "PGM." On June 24, 2014, the Company changed its name from Laurentian Goldfields Ltd. to Pure Gold Mining Inc. The Company's head office and principal address is located at Suite 1900 – 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9. The Company's records office and registered office address is c/o McMillan LLP, 1500 Royal Centre PO Box 1117, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

Pure Gold is an exploration stage business focusing on the acquisition, exploration and development of gold and other precious and base metal properties in Canada. Currently, the Company's principal mineral property is the Madsen Gold Project located near Red Lake, Ontario.

The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of the properties.

2. BASIS OF PREPARATION

Statement of Compliance

These condensed interim consolidated financial statements were prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The accounting policies and methods of application applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's most recent annual consolidated financial statements as at and for the year ended March 31, 2016. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and therefore should be read in conjunction with the Company's most recent annual consolidated financial statements as at and for the year ended March 31, 2016.

3. NEW, AMENDED AND FUTURE IFRS PRONOUNCEMENTS

These condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the annual consolidated financial statements.

Future IFRS Pronouncements

IFRS 9 – Financial Instruments

IFRS 9 – *Financial Instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities. The July 2014 publication of IFRS 9 is the completed version of the Standard, replacing earlier versions of IFRS 9 and superseding the guidance relating to the classification and measurement of financial instruments in IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods

3. NEW, AMENDED AND FUTURE IFRS PRONOUNCEMENTS (continued)

beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

IFRS 16 – Leases

IFRS 16 - *Leases* specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the extent of the impact of the adoption of this standard on its consolidated financial statements.

IAS 7 – Statement of Cash Flows

IAS 7- *Statement of Cash Flows* has been revised to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company does not expect this amendment to have any impact upon adoption.

IAS 12 – Income Taxes

IAS 12 - *Income Taxes* has been amended to clarify the accounting for deferred tax assets for unrealized losses on debt instruments. The revised standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company does not expect this amendment to have any impact upon adoption.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended March 31, 2016.

5. SHORT-TERM INVESTMENTS

As of June 30, 2016, the Company has invested $23,000 (March 31, 2016 - $23,000) into a Guaranteed Investment Certificate ("GIC") with a Canadian Financial Institution. The GIC yields interest at a rate of 0.75% and has an original maturity date of greater than three months but not more than one year.

(Expressed in Canadian Dollars Unless Noted Otherwise)

6. AMOUNTS RECEIVABLE

Amounts receivable comprised of the following:

	Three Months Ended June 30, 2016	Year Ended March 31, 2016
Refundable goods and services tax/ harmonized sales tax	$ 262,373	$ 184,859
Other receivables	39,403	25,407
Total	**$ 301,776**	**$ 210,266**

7. PREPAID EXPENSES

Prepaid expenses comprised of the following:

	Three Months Ended June 30, 2016	Year Ended March 31, 2016
Advance for Madsen drilling program	$ 259,020	$ -
Insurance and benefits premiums	44,536	48,622
Investor relations and communication	39,803	5,103
Software licenses	30,978	5,119
Other prepaid expenses	19,971	8,545
Advance for Madsen engineering study	4,512	10,000
Total	**$ 398,820**	**$ 77,389**

8. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

a. Acquisition Costs

Details of the Company's acquisition costs for its exploration and evaluation assets are as follows:

	Madsen Gold Project
Balance – March 31, 2015	$ 11,052,776
Partial disposal of exploration and evaluation asset, net	(3,998,746)
Change in estimate of provision for closure and reclamation	(27,860)
Reduction in provision for closure and reclamation for assets divested during the period (*Note 11*)	(117,519)
Balance – March 31, 2016	**$ 6,908,651**

	Madsen Gold Project
Balance – March 31, 2016	$ 6,908,651
Change in estimate of provision for closure and reclamation	20,005
Balance – June 30, 2016	**$ 6,928,656**

(Expressed in Canadian Dollars Unless Noted Otherwise)

8. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

b. Expenditures

Details of the Company's exploration and evaluation expenditures, which have been cumulatively expensed in the condensed interim consolidated statement of loss and comprehensive loss, are as follows:

For the three months ended June 30, 2016	Madsen Gold Project	Other Properties[1]	Total
Drilling	$ 1,253,476	$ -	$ 1,253,476
Contractors / consultants	647,964	-	647,964
Salaries, wages and benefits	217,858	-	217,858
Assaying and geochemical	363,828	-	363,828
Engineering study	125,729	-	125,729
Equipment rental	53,074	-	53,074
Camp & field costs	99,950	-	99,950
Geologic modelling	48,000	-	48,000
Travel and accommodation	16,891	-	16,891
Property fees	39,717	804	40,521
Utilities	37,598	-	37,598
Aerial surveying	29,600		29,600
Depreciation	11,882	-	11,882
Supplies	29,176	-	29,176
Administration and other	3,851	-	3,851
Expenditures for the period	**2,978,594**	**804**	**2,979,398**
Cumulative balance – March 31, 2016	9,010,810	7,854,209	16,865,019
Cumulative balance – June 30, 2016	**$ 11,989,404**	**$ 7,855,013**	**$ 19,844,417**

(1) Other properties include Van Horne and generative projects.

(Expressed in Canadian Dollars Unless Noted Otherwise)

8. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

For the three months ended June 30, 2015	Madsen Gold Project	Other Properties[1]	Total
Salaries, wages and benefits	$ 330,109	$ -	$ 330,109
Contractors / consultants	282,385	-	282,385
Drilling	161,621	-	161,621
Assaying and geochemical	145,591	275	145,866
Equipment rental	60,772	-	60,772
Travel and accommodation	36,342	-	36,342
Camp & field costs	35,084	88	35,172
Property fees	29,539	951	30,490
Utilities	25,269	-	25,269
Supplies	11,944	-	11,944
Depreciation	11,609	-	11,609
Administration and other	2,805	-	2,805
Refundable mineral exploration tax credit	-	(33,405)	(33,405)
Expenditures for the period	**1,133,070**	**(32,091)**	**1,100,979**
Cumulative balance – March 31, 2015	4,768,080	7,875,159	12,643,239
Cumulative balance – June 30, 2015	**$ 5,901,150**	**$ 7,843,068**	**$ 13,744,218**

(1) Other properties include Van Horne and generative projects.

c. Madsen Gold Project, Ontario

On March 4, 2014, the Company acquired a 100% interest in the Madsen Gold Project from Claude Resources Inc. ("Claude") for cash consideration of $8,750,000 and share consideration of $2,102,031. The Madsen Gold Project comprises in excess of 4,000 hectares in the Red Lake gold camp of Northwestern Ontario.

Newman-Madsen

On June 24, 2014, the Company acquired a 100% interest in the Newman-Madsen Property from Sabina Gold & Silver Corp ("Sabina"). The Newman-Madsen Property consists of 38 patented mining claims and is adjacent to Pure Gold's Madsen Gold Project in the prolific Red Lake gold camp, and going forward is considered part of the Madsen Gold Project.

Upon completion of the acquisition, Pure Gold issued 6,500,000 of its common shares to Sabina (fair value of $2,730,000). Certain of the Newman-Madsen claims acquired are subject to royalty arrangements based on Net Smelter Returns ("NSRs") ranging from 0.5% to 3%.

Partial sale to Premier Gold Mines Ltd.

On December 30, 2015, the Company entered into an asset purchase agreement ('APA") with Premier Gold Mines Ltd ("Premier"). Under the terms of the APA, the Company sold 28 mineral claims (primarily patented mineral claims consisting of surface and mineral rights) of the Madsen Gold Project to Premier, in exchange for $2,500,000 in cash and $2,500,000 in common shares of Premier, calculated using the 20-day Volume Weighted Average Price of Premier's shares and a 1% Net Smelter Return royalty ("NSR") on substantially all of the claims being sold.

(Expressed in Canadian Dollars Unless Noted Otherwise)

8. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

The transaction closed in two tranches. The first tranche closed on December 30, 2015, with the Company receiving cash consideration of $2,000,000, share consideration with a fair value of $2,654,561 (consisting of 1,001,721 common shares of Premier) and the NSR, while Premier received the underlying mineral rights of the claims being sold.

The second tranche closed on May 20, 2016, at which time the Company received the final $500,000 while Premier received the surface rights to the claims. At this time, the Company removed the “other” current liability of $334,763 consisting of the portion of the consideration received on the closing of the first tranche considered to be a prepayment for the surface rights tranche of the transaction, and adjusted the Land account balance for the full value of the surface rights.

The Company accounted for its investment in Premier as an available for sale financial instrument which is measured at fair value. The Company disposed of its investment in Premier in May 2016, at which time the unrealized gain recorded in other comprehensive income (“OCI”) at March 31, 2016 of $450,774 was reclassified to other income in the condensed interim consolidated statement of loss and comprehensive loss.

9. PROPERTY, PLANT AND EQUIPMENT

Three Months Ended June 30, 2016								
	Computer Equipment & Software	Office Furniture & Other Equipment	Land	Vehicles	Exploration Equipment	Mill	Mine Property & Equipment	Total
Cost	($)	($)	($)	($)	($)	($)	($)	($)
March 31, 2016	105,147	67,301	5,584,226	25,350	239,751	616,650	178,650	6,817,075
Additions	-	-	-	2,450	32,671	-	-	35,121
Disposal	-	-	(834,763)	-	-	-	-	(834,763)
June 30, 2016	105,147	67,301	4,749,463	27,800	272,422	616,650	178,650	6,017,433
Accumulated Depreciation								
March 31, 2016	(88,115)	(55,103)	-	(7,351)	(75,837)	-	-	(226,406)
Depreciation	(2,942)	(610)	-	(1,534)	(9,829)	-	-	(14,915)
June 30, 2016	(91,057)	(55,713)	-	(8,885)	(85,666)	-	-	(241,321)
Carrying Amounts								
March 31, 2016	**17,032**	**12,198**	**5,584,226**	**17,999**	**163,914**	**616,650**	**178,650**	**6,590,669**
June 30, 2016	**14,090**	**11,588**	**4,749,463**	**18,915**	**186,756**	**616,650**	**178,650**	**5,776,112**

(Expressed in Canadian Dollars Unless Noted Otherwise)

9. PROPERTY, PLANT AND EQUIPMENT (continued)

Year Ended March 31, 2016								
	Computer Equipment & Software	Office Furniture & Other Equipment	Land	Vehicles	Exploration Equipment	Mill	Mine Property & Equipment	Total
Cost	($)	($)	($)	($)	($)	($)	($)	($)
March 31, 2015	47,761	67,301	5,584,226	13,850	233,991	616,650	178,650	6,742,429
Additions	57,386	-	-	11,500	5,760	-	-	74,646
March 31, 2016	105,147	67,301	5,584,226	25,350	239,751	616,650	178,650	6,817,075
Accumulated Depreciation								
March 31, 2015	(46,599)	(52,053)	-	(4,155)	(35,099)	-	-	(137,906)
Depreciation	(41,516)	(3,050)	-	(3,196)	(40,738)	-	-	(88,500)
March 31, 2016	(88,115)	(55,103)	-	(7,351)	(75,837)	-	-	(226,406)
Carrying Amounts								
March 31, 2015	**1,162**	**15,248**	**5,584,226**	**9,695**	**198,892**	**616,650**	**178,650**	**6,604,523**
March 31, 2016	**17,032**	**12,198**	**5,584,226**	**17,999**	**163,914**	**616,650**	**178,650**	**6,590,669**

No depreciation or depletion has been recorded for the mill and mine property and equipment as these assets are not ready for use as intended by management. Land has not been depreciated as it has an unlimited useful life.

10. RECLAMATION DEPOSITS

As of June 30, 2016, the Company made six deposits with Canadian financial institutions to provide financial assurance for six letters of credit totaling $2,427,025 (March 31, 2016 - $2,427,025). These letters of credit provide for a partial indemnification of the closure and reclamation costs with respect to the Company's Madsen Gold Project. The deposits yield interest at a rate of 0.95% per annum and have no maturity date. All deposits are considered long-term, regardless of their term, as the funds will remain on deposit until the letters of credit are extinguished.

11. PROVISION FOR CLOSURE AND RECLAMATION

The Company has recognized a liability relating to its Madsen Gold Project and has determined that no significant closure and reclamation liabilities exist in connection with the exploration activities on its other exploration and evaluation assets. A portion of the Provision for Closure and Reclamation that relates to mineral rights sold to Premier, with a present value of $117,519, was derecognized at December 30, 2015 (Note 8c).

The Company has calculated the present value of the closure and reclamation provision at June 30, 2016 using a pre-tax discount rate of 1.06% and inflation rate of 2.00% (March 31, 2016 – 1.23% and 2.00%, respectively). The estimated total future undiscounted and inflation-adjusted cash flows to settle the provision for closure and reclamation at June 30, 2016 is $2,699,100 (March 31, 2016 - $2,712,496). The Company has estimated that payments will be made in 2024.

(Expressed in Canadian Dollars Unless Noted Otherwise)

11. PROVISION FOR CLOSURE AND RECLAMATION (continued)

	Three Months Ended June 30, 2016	Year Ended March 31, 2016
Balance, beginning of the period	$ 2,459,774	$ 2,568,480
New estimated cash flows and changes in estimates	20,005	(27,860)
Accretion on discounted obligation	7,529	36,673
Reduction in provision for closure and reclamation for assets divested in the period	-	(117,519)
Balance, end of the period	**$ 2,487,308**	**$ 2,459,774**

12. EQUITY

a. Share Capital

The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares.

b. Private Placements

On June 8, 2016, the Company completed a private placement of 8,334,000 flow-through common shares at a price of $0.75 per flow-through share for aggregate gross proceeds of $6,250,500. In connection with the private placement, the Company paid commissions, legal fees and filing fees totaling $542,962.

c. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the three months ended June 30, 2016 and the year ended March 31, 2016 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding Balance - March 31, 2015 and March 31, 2016	38,163,250	$0.50
Exercised during the three months ended June 30, 2016	(5,111,500)	$0.50
Outstanding Balance – June 30, 2016	**33,051,750**	**$0.50**

At the time of issuance, the 38,163,250 outstanding share purchase warrants noted above had a deemed fair value of $2,721,495, which was included in equity reserves in the Company's consolidated statement of financial position. In connection with the warrants exercised during the three months ended June 30, 2016, the related fair value amount of $364,511 was transferred from equity reserves to share capital.

d. Stock Options

The Company has established a share purchase option plan (the "Stock Option Plan") whereby the board of directors may, from time to time, grant options to directors, officers, employees, consultants or technical and administrative services company employees (Note 13). Options granted must be exercised no later than five years from the date of grant or such lesser or greater period as may be determined by the Company's board of directors and in accordance with the policies of the TSX-V. The exercise price of an option must be determined by the board of directors and in accordance with the Plan and the policies of the TSX-V. Subject to the policies of the TSX-V, the board of directors may determine the time during which options shall vest and the method of vesting, or that no vesting

(Expressed in Canadian Dollars Unless Noted Otherwise)

12. EQUITY (continued)

restriction shall exist. The Company applies the fair value based method of accounting for stock options.

Details of stock options granted, exercised, expired and forfeited during the three months ended June 30, 2016 and the year ended March 31, 2016 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance – March 31, 2015	6,115,000	$0.33
Granted during the period	3,555,000	$0.11
Exercised during the period	(50,000)	$0.20
Forfeited during the period	(350,000)	$0.32
Expired during the period	(210,000)	$0.25
Balance – March 31, 2016	9,060,000	$0.25
Granted during the period	500,000	$0.63
Exercised during the period	(263,000)	$0.34
Forfeited during the period	(291,668)	$0.18
Balance – June 30, 2016	**9,005,332**	**$0.27**

At June 30, 2016, the following options are outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Life in Years	Number of Options Exercisable
February 25, 2018	$0.20	100,000	1.66	100,000
April 8, 2019	$0.35	3,933,666	2.77	3,256,996
May 13, 2019	$0.32	150,000	2.87	100,000
February 10, 2020	$0.35	200,000	3.62	66,666
March 19, 2020	$0.28	766,666	3.72	233,332
December 3, 2020	$0.11	100,000	4.43	-
December 11, 2020	$0.11	3,180,000	4.45	1,650,000
February 18, 2021	$0.16	75,000	4.64	-
May 26, 2021	$0.63	500,000	4.91	-
	$0.27	**9,005,332**	**3.44**	**5,406,994**

The options exercisable at June 30, 2016 have a weighted average exercise price of $0.31.

<u>Three months ended June 30, 2016</u>

May 2016

On May 26, 2016, the Company granted incentive stock options to certain employees exercisable to purchase up to 500,000 common shares in the capital of the Company until May 26, 2021 at an exercise price of $0.63 per share. The incentive stock options were granted in accordance with the Company's Stock Option Plan and are subject to vesting provisions whereby 166,666 options will vest one year from the grant date, 166,667 options will vest two years from the grant date and the remaining 166,667 will vest three years from the grant date.

The corresponding share-based compensation expense has a weighted average fair value of $0.42 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

(Expressed in Canadian Dollars Unless Noted Otherwise)

12. EQUITY (continued)

Assumptions	
Risk-free interest rate	0.76%
Expected stock price volatility	84.79%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

Volatility was determined using the average historic volatility of a number of comparable companies, calculated over the same period as the expected life of the option.

Exercise of Stock Options

During the three months ended June 30, 2016, 213,000 incentive stock options with a strike price of $0.35 and 50,000 incentive stock options with a strike price of $0.28 were exercised for total proceeds of $88,550. In connection with these option exercises, the related fair value amount of $63,880 was transferred from equity reserves to share capital.

Expiry of Stock Options

No stock options expired during the three months ended June 30, 2016.

Forfeiture of Stock Options

During the three months ended June 30, 2016, 58,334 incentive stock options with a strike price of $0.35, 33,334 incentive stock options with a strike price of $0.28, and 200,000 incentive stock options with a strike price of $0.11 were forfeited. As a result of the forfeitures, previously recognized share-based compensation relating to the unvested options of $17,496 was reversed, resulting in a net expense for the period of $46,428 (2015 – $84,885).

<u>Year ended March 31, 2016</u>

February 2016

On February 18, 2016, the Company granted incentive stock options to a consultant exercisable to purchase up to 75,000 common shares in the capital of the Company until February 18, 2021 at an exercise price of $0.16 per share. The incentive stock options were granted in accordance with the Company's Stock Option Plan and are subject to vesting provisions whereby 37,500 options will vest six months from the grant date, and the remaining 37,500 options will vest one year from the grant date.

The corresponding share-based compensation expense has a weighted average fair value of $0.10 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	0.59%
Expected stock price volatility	83.14%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

Volatility was determined using the average historic volatility of a number of comparable companies, calculated over the same period as the expected life of the option.

December 2015

On December 3, 2015, the Company granted incentive stock options to certain employees exercisable to purchase up to 100,000 common shares in the capital of the Company until December 3, 2020 at an

(Expressed in Canadian Dollars Unless Noted Otherwise)

12. EQUITY (continued)

exercise price of $0.11 per share. The incentive stock options were granted in accordance with the Company's Stock Option Plan and are subject to vesting provisions whereby 33,333 options will vest one year from the grant date, 33,333 options will vest two years from the grant date and the remaining 33,334 will vest three years from the grant date.

The corresponding share-based compensation expense has a weighted average fair value of $0.07 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	0.97%
Expected stock price volatility	80.88%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

Volatility was determined using the average historic volatility of a number of comparable companies, calculated over the same period as the expected life of the option.

On December 11, 2015, the Company granted incentive stock options to its directors, employees and consultants exercisable to purchase up to 3,380,000 common shares in the capital of the Company until December 11, 2020 at an exercise price of $0.11 per share. The incentive stock options were granted in accordance with the Company's Stock Option Plan and, other than those options granted to non-executive directors, are subject to vesting provisions whereby 576,666 options will vest one year from the grant date, 576,667 options will vest two years from the grant date and the remaining 576,667 will vest three years from the grant date. The 1,650,000 options granted to non-executive directors vested immediately.

The corresponding share-based compensation expense has a weighted average fair value of $0.07 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	0.74%
Expected stock price volatility	80.65%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

Volatility was determined using the average historic volatility of a number of comparable companies, calculated over the same period as the expected life of the option.

Exercise of Stock Options

During the year ended March 31, 2016, 50,000 incentive stock options with a strike price of $0.20 were exercised for total proceeds of $25,000. In connection with this option exercise, the related fair value amount of $15,850 was transferred from equity reserves to share capital.

Expiry of Stock Options

During the year ended March 31, 2016, 135,000 incentive stock options with a strike price of $0.20, 50,000 incentive stock options with a strike price of $0.32, and 25,000 incentive stock options with a strike price of $0.35 expired without exercise. These options had fully vested prior to expiry.

(Expressed in Canadian Dollars Unless Noted Otherwise)

12. EQUITY (continued)

Forfeiture of Stock Options

During the year ended March 31, 2016, 150,000 incentive stock options with a strike price of $0.35, 100,000 incentive stock options with a strike price of $0.32, and 100,000 incentive stock options with a strike price of $0.28 were forfeited.

13. RELATED PARTY TRANSACTIONS

Oxygen Capital Corp ("Oxygen").

Oxygen is a private company partially owned by one director and one officer of the Company. Oxygen provides technical and administrative services to the Company (the "Oxygen Agreement") at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. There is no mark-up on the services provided by Oxygen. As at June 30, 2016, Oxygen holds a refundable deposit of $156,000 (March 31, 2016 - $156,000) on behalf of the Company. During the three months ended June 30, 2016, a total of $329,834 (June 30, 2015 - $281,619) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at June 30, 2016, the Company has a payable amount to Oxygen of $101,351 (March 31, 2016 - $59,465). This amount was paid subsequent to June 30, 2016.

Compensation of key management personnel

Key management includes members of the Board, the President and Chief Executive Officer, the VP of Exploration, the Chief Financial Officer, and the Corporate Secretary. During the three months ended June 30, 2015, key management also included the former Director of Investor Relations. The aggregate total compensation paid or payable to key management for employee services directly or via Oxygen is as follows:

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015
Salaries and other short-term employee benefits	$ 222,833	$ 168,344
Directors fees	40,000	40,000
Share-based compensation	39,100	58,608
Total	**$ 301,933**	**$ 266,952**

14. SEGMENTED INFORMATION

The Company conducts its business in a single operating segment which is the mining business in Canada. All of the Company's exploration and evaluation assets are located in Canada. Any investment revenues were earned principally from Canadian sources.

15. COMMITMENTS & CONTINGENCIES

a. The Company's operating lease with respect to its head office premises is paid by Oxygen pursuant to the Oxygen Agreement. The Oxygen Agreement may be terminated by either party giving at least 180 days' prior written notice of such termination. Upon termination, by the Company, of the Oxygen Agreement, the Company shall pay to Oxygen an amount equal to the average monthly costs incurred under the Oxygen Agreement for the previous six month period, plus any employee termination fees due under the Oxygen Agreement as a result of the termination as such term is defined under the Oxygen Agreement.

(Expressed in Canadian Dollars Unless Noted Otherwise)

15. COMMITMENTS & CONTINGENCIES (continued)

b. Pursuant to a rental lease agreement dated February 29, 2012, the Company is committed to pay rent for office space in Winnipeg, Canada. The lease expires on June 30, 2017. On November 14, 2012, the Company sub-leased this site office to a third party for the same rental cost. The third party is bound by all the covenants, terms and conditions of the original rental lease agreement. The Company has also committed to certain operating leases for two vehicles to be used on-site at its Madsen Gold Project in Red Lake, Ontario.

The future minimum lease payments required under these agreements are indicated in the table below:

	GMC Sierra 2500 HD	GMC Sierra 2500 HD	Winnipeg Office Lease
2016	$ 4,803	$ 5,711	$ 20,426
2017	9,606	11,422	17,131
2018	4,803	5,711	-
Total	**$ 19,212**	**$ 22,844**	**$ 37,557**

c. As at June 30, 2016, the Company is committed to incur, on a best efforts basis, qualifying resource expenditures pursuant to a private placement for which flow-through proceeds have been received (Note 12b). As at June 30, 2016, the Company had incurred qualifying resource expenditures of $657,354. The Company must therefore incur the $5,593,146 balance of qualifying resource expenditures before January 1, 2018.

If the Company does not spend these funds in compliance with the Government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfill its flow-through commitments within the given time constraints.

During the three months ended June 30, 2016 the Company incurred the remaining $224,580 of qualifying resource expenditures pursuant to the February 2015 private placement, resulting in the recognition of an income tax recovery of $44,916.

16. SUPPLEMENTAL CASH FLOW INFORMATION

Non-Cash Investing and Financing Activities	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015
Fair value of exercised warrants	$ 364,511	$ -
Fair value of exercised stock options	$ 63,880	$ -
Change in estimate of provision for closure and reclamation	$ (20,005)	$ 82,490

17. FINANCIAL INSTRUMENTS

a. Financial Assets and Liabilities

At June 30, 2016, the carrying amounts of cash, short-term investments, amounts receivable, interest receivable, deposits, reclamation deposits, and accounts payable and accrued liabilities are considered to be a reasonable approximation of their fair values.

(Expressed in Canadian Dollars Unless Noted Otherwise)

17. FINANCIAL INSTRUMENTS (continued)

The Company's equity investment in Premier is designated as available for sale and is held at fair value, as determined by the closing price of Premier's shares as at the date of the condensed interim consolidated statement of financial position. Any unrealized gains or losses on available for sale assets are recognized in OCI. Premier is a publicly-listed company and the fair value is based on the trading price of its shares as at the date of the condensed interim consolidated statement of financial position. The Company disposed of its investment in Premier in May 2016, at which time the unrealized gain recorded in other comprehensive income ("OCI") at March 31, 2016 of $450,774 was reclassified to other income in the condensed interim consolidated statement of loss and comprehensive loss. The Company recorded a realized gain of $298,625 in other income related to its investment in Premier for the three month period ended June 30, 2016.

b. Fair Value

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The three levels of the fair value hierarchy are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

At June 30, 2016, the levels in the fair value hierarchy that the Company's financial assets and liabilities which are measured and recognized on a recurring basis were categorized as follows:

	Three Months Ended June 30, 2016	Year Ended March 31, 2016
	Level 1	Level 1
Available for sale investment in Premier	$ -	$ 3,105,335

The Company does not have any financial assets and liabilities measured and recognized at fair value on a non-recurring basis, nor any non-financial assets and liabilities measured at fair value on a recurring basis.

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between levels in the fair value hierarchy during the three months ended June 30, 2016.

18. MANAGEMENT OF CAPITAL

Pure Gold considers the items included in the consolidated statement of shareholders' equity as capital. Management of the Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders. The Company is not subject to externally imposed capital requirements. Pure Gold's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

19. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of documented treasury policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is explained as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash, restricted cash, short-term investments and amounts receivable. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

The Company deposits its cash and short-term investments with high credit quality major Canadian financial institutions as determined by ratings agencies. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses. To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. The Company historically has not had difficulty collecting its amounts receivable.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. At June 30, 2016, the Company had cash of $9,851,712 (March 31, 2016 - $2,199,151) and short-term investments of $23,000 (March 31, 2016 - $23,000) to settle current liabilities of $1,308,152 (March 31, 2016 - $1,408,402). As at June 30, 2016, the Company is committed to incur, on a best efforts basis, $5,593,146 in qualifying resource expenditures.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash and short-term investments include deposits which are at variable interest rates. For the three months ended June 30, 2016, a plus or minus 0.5% change in market interest rates would affect the Company's interest earned on cash and short-term investments by approximately $5,500.

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20. SUBSEQUENT EVENTS

a) A total of 12,355,750 share purchase warrants with an exercise price of $0.50 per share were exercised for total proceeds of $6.2 million.

b) A total of 116,666 incentive stock options with strike prices ranging from $0.28 - $0.35 were exercised for total proceeds of $39,666.
