Pure Gold Mining Inc.

(An Exploration Stage Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended June 30, 2016

Pure Gold Mining Inc.
Management's Discussion and Analysis
For the three months ended June 30, 2016

This Management's Discussion and Analysis (the "**MD&A**"), dated as of August 12, 2016, is for the three months ended June 30, 2016 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three months ended June 30, 2016 of Pure Gold Mining Inc. (also referred to as "**Pure Gold**", or the "**Company**", or "**we**", or "**our**", or "**its**" or "**us**" within this MD&A), the related notes thereto (together, the "**Interim Financial Statements**") and our other corporate filings including our Annual Information Form for the year ended March 31, 2016 dated June 17, 2016 (the "**AIF**"), available under Pure Gold's company profile on SEDAR at www.sedar.com.

This MD&A contains forward looking statements that involve numerous risks and uncertainties. The Company continually seeks to minimize its exposure to business risks, but by nature of its business and exploration activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties, including those described under the heading "Risk factors" in our AIF and those set forth in this MD&A under the headings "Cautionary Notes Regarding Forward-Looking Statements" and "Industry and Economic Factors that May Affect our Business" materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in forward-looking statements.

The written disclosure of technical information in this MD&A has been approved by Philip Smerchanski, P.Geo, Vice President, Exploration of the Company and a Qualified Person ("**QP**") for the purposes of National Instrument 43-101, Standards of Disclosure for Mineral Projects ("**NI 43-101**"). Readers are directed to the section entitled "Scientific and Technical Disclosure" included within this MD&A.

The Company is listed on the TSX Venture Exchange ("**TSX-V**") in Canada under the symbol PGM. All dollar amounts stated in this MD&A are expressed in Canadian dollars unless noted otherwise.

Highlights for the first quarter and significant subsequent events

- Madsen Exploration

  During the quarter, the Company continued with its exploration program at Madsen drilling a total of 15,126 metres, testing the Austin and McVeigh horizons. Drilling for most of the quarter was accomplished by two drill rigs, with a third rig added just before quarter end. The Company expects to add a fourth drill rig in August, initially to target the Russet South area.

- Completion of Flow-Through Share Financing

  On June 8, 2016, the Company closed a bought deal private placement whereby the Company raised gross proceeds of $6.3 million through the issuance of 8,334,000 flow-through common shares at a price of $0.75 per flow-through common share. The funds raised are sufficient to complete the Company's planned exploration activities for the balance of 2016.

Outlook

Pure Gold is focused on advancing high quality assets that host the key traits of economic mines: grade, scope, size potential and access to infrastructure in mining-friendly jurisdictions. Our key asset is Madsen which comprises in excess of 4,400 hectares in the prolific Red Lake gold camp of Northwestern Ontario, and hosts two significant former gold producers including the Madsen Mine which had previous gold production of approximately 2.5[1] million ounces. In addition to the historic production and the NI 43-101

[1] Historic drill hole results and production figures and other details from the Madsen and Starratt-Olsen mines disclosed in this document were completed prior to the implementation of National Instrument 43-101. A full discussion and cautionary language can be found in the National Instrument 43-101 Technical Report entitled "NI 43-101 Technical Report on the Preliminary Economic

compliant mineral resource, Madsen has strong exploration potential. Recently the Company issued a PEA that provides a base case assessment of developing a portion of the mineral resource by utilizing existing mining infrastructure, including the permitted mill and tailings facilities.

Since acquiring the project in 2014, the Company has compiled and analyzed the digitized historic geology, drilling and mining data of Madsen's parallel Austin and McVeigh mineralized horizons. The Austin horizon was the principal source of mine feed for the Madsen Mine, which was in operation for more than 30 years. During this time, well over two million ounces of gold was produced from surface to a depth of 1,200 metres, at a historic production rate that exceeds 170,000 ounces of gold per 100 vertical metres. The parallel McVeigh horizon only saw limited near-surface production with a maximum mining depth of approximately 230 metres.

Initial drilling results from the Company's recently completed winter drill program in fiscal 2016 confirm that the McVeigh horizon hosts broad shoots of high-grade gold mineralization. A better understanding of the geologic context of the McVeigh horizon suggests it may be a folded extension of the Austin. Importantly, current drilling strongly suggests there is opportunity to possibly expand the McVeigh mineralized zone.

At Madsen, numerous high-grade discoveries have been made in proximity to the ultramafic contact zone over the last decade and many of these high-grade discoveries have only been partially advanced. Additional satellite mineral zones may be identified with additional geological studies and drilling (although there can be no assurance that any resources will be defined). Some additional examples of exploration targets discovered post mine closure include the Fork Zone and the Alpha, Beta and Kappa targets at Russet South.

Pure Gold will continue to advance many of these and other earlier stage exploration targets with the goal of defining further mineral zones.

For the balance of fiscal 2017, Pure Gold will focus its efforts drilling the McVeigh zone to further expand mineralization at depth. Additional drilling will also occur at the Russet South and other targets, located on the 10 km-long ultramafic contact zone with an objective of further expanding these high grade discoveries. The Company has designed an exploration budget of $9.1 million covering May to December 2016, which includes a planned 35,000 metres of drilling.

Madsen Gold Project, Red Lake, Ontario

In fiscal 2014 and 2015, the Company completed a series of transactions to acquire a 100% interest in what is now Madsen from Claude Resources Inc. ("Claude") and Sabina Gold & Silver Corp. for total cash and share consideration (including transaction costs) totalling $15.0 million.

In fiscal 2016, the Company entered into an agreement with Premier Gold Mines Limited ("Premier") to sell certain non-core patented mining claims (the "Buffalo Claims") to Premier. The transaction partially closed in fiscal 2016 and the sale was completed in fiscal 2017, with Pure Gold receiving cash consideration of $2.5 million, share consideration of $2.5 million and a 1% net smelter return royalty on substantially all of the Buffalo Claims, in exchange for the transfer of all mineral rights and certain surface rights on the Buffalo Claims to Premier. The Company sold the Premier shares in May 2016, realizing net proceeds of $3.4 million and a gain on sale of $0.7 million.

Madsen now comprises 246 mining claims (predominantly patented and including accompanying surface rights) covering an area of 4,382 hectares in the prolific Red Lake gold camp of Northwestern Ontario. Madsen hosts two former gold producers including the Madsen Mine.

Assessment for the Madsen Gold Project" with an effective date of April 20th, 2016, which can be found on Pure Gold's profile on SEDAR at www.sedar.com.

The Madsen Mine operated continuously from 1938 to 1974, and 1997 to 1999. Total recorded production is 7,872,679 metric tonnes at an average grade of 9.7 g/t Au producing 2,452,388 ounces of gold[2].

The second former gold producer on the Madsen property is the historic Starratt-Olsen Mine. A 450 metre shaft was constructed in 1945 and mining operations were carried out from 1945 to 1956. A total of 823,544 metric tonnes were mined at an average recovered grade of 6.17 g/t Au to produce 163,990 ounces of gold[2]. The Starratt-Olsen Mine does not have a current mineral resource. Only limited modern day exploration has been conducted near the mine workings. Compilation of historic data at Starratt is ongoing and initial drill testing is planned by Pure Gold in late 2016.

In addition to the historic production and the mineral resources (see “Mineral Resources” below for details of mineral resources at Madsen), management believes Madsen has significant exploration potential. Following the compilation of digitized historic geology, drilling and mining data, the Company developed a new model for Madsen’s parallel Austin and McVeigh mineralized horizons. While the Austin horizon was the principal source of mine feed for the Madsen Mine for more than 30 years, the McVeigh was subjected to limited historic mining. Pure Gold believes that the McVeigh is a fold continuation of the Austin and that opportunity exists to potentially expand gold mineralization within the McVeigh.

A new interpretation of the role of folded ultramafic contacts and structural controls has resulted in multiple recent discoveries in the district, including Goldcorp’s High Grade Zone at the Red Lake Mine Complex. Pure Gold believes that opportunity exists to apply modern exploration science and a new understanding of the district to achieve similar success along the 10 km-long ultramafic contact at Madsen.

Madsen's Zone 8 deposit, discovered in 1969 along the ultramafic contact zone, has historic drill intersections that include 10.6 metres grading 16.7 g/t gold and 6.4 metres grading 21.9 g/t gold. These were followed up in recent years, returning drill intercepts as high as 7.9 metres grading 26.4 g/t gold. Zone 8 is a system of high-grade gold hosted in quartz carbonate veins, with mineralization similar in style and host environment to more recent discoveries in the district.

At Madsen, the 20 km-long ultramafic contact is prospective for additional high-grade discoveries, and numerous recent discoveries along this contact have only been partially advanced. Pure Gold is pursuing a strategy of exploring for additional near surface high-grade mineralization along the 10 km-long unconformity and the 20 km-long ultramafic contact.

Mineral Resources

The Madsen mineral resource estimate, prepared by SRK Consulting (Canada) Inc., is based upon a geostatistical block model that incorporated over 550,000 individual assays from 13,624 core boreholes (816,367 metres), 4,446 historic underground stope chip samples, and 27 levels of geologic mapping and sampling. Historic underground boreholes were typically drilled perpendicular to development drifts on all levels of the mine, usually at 25 feet (7.6 metres) spacing. Historic drilling was validated by 764 boreholes completed since 1999 by modern operators following best practices guidelines.

In 2016 SRK was contracted in preparation of the PEA (discussed below) to review the resource in light of exploration work conducted by the Company from 2014. SRK was of the opinion that the exploration work conducted by the Company from 2014 through December 31, 2015, did not materially impact the mineral resource. Table 1.0 summarizes the mineral resources.

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[2] Historic drill hole results and production figures and other details from the Madsen and Starratt-Olsen mines disclosed in this document were completed prior to the implementation of National Instrument 43-101. A full discussion and cautionary language can be found in the National Instrument 43-101 Technical Report entitled “NI 43-101 Technical Report on the Preliminary Economic Assessment for the Madsen Gold Project” with an effective date of April 20th, 2016, which can be found on Pure Gold’s profile on SEDAR at www.sedar.com.

Table 1.0 Mineral Resource Statement for Madsen Gold Project[3]

Resource Classification	Tonnes	Grade (Au g/t)	Contained Gold (oz.)
Indicated	3,236,000	8.93	928,000
Inferred	788,000	11.74	297,000

Existing mine and mill infrastructure on the property includes a 1,275 metre shaft, a 500 tonne per day mill and Carbon in Pulp “CIP” gold recovery circuit installed at site in the late 1990's, and tailings storage facility, all of which are permitted and currently on care and maintenance. The existing permitted infrastructure provides considerable development flexibility, allowing for shortened timelines and the opportunity to leverage on exploration success.

Preliminary Economic Assessment

On April 20, 2016, the Company announced a PEA for the Madsen. The PEA provides a base case assessment of developing a portion of the mineral resources by utilizing existing mining infrastructure, including the permitted mill and tailings facilities. Highlights of the PEA are as follows[4]:

- Pre-Tax NPV5% and IRR of $104 million and 74% respectively with a 1.5 year payback period;
- After-tax NPV5% and IRR of $76 million and 62% respectively with a 1.5 year payback period;
- Mine life of 6.5 years with average annual gold production of 47,191 ounces and peak annual gold production of approximately 58,000 ounces;
- Life of mine (“LOM”) diluted head grade of 8.3 g/t gold;
- Mine plan considers only a portion of the existing mineral resource that is within 600 metres of surface and accessible via the existing ramp;
- Pre-production capital cost estimated at $20.1 million with a 12 month pre-production period;
- LOM sustaining capital costs estimated at $39.2 million; and
- LOM cash cost of US$571/oz[5] and LOM cash cost plus sustaining capital cost of US$692/oz

The PEA envisions an underground mining operation utilizing the existing mining, milling, and tailings management infrastructure at Madsen. The existing McVeigh portal is approximately one kilometre from the existing mill, and currently provides ramp access to the top 150 metres of the mine workings. The PEA mine plan includes further development of the ramp to a depth of 600 metres to access the upper 12 levels of the mine.

Pre-production capital costs are estimated at $20.1 million with the majority of the costs associated with mill refurbishment as well as ramp and surface development. Additional capital cost requirements include surface installations and new ventilation and pumping system which will utilize the existing shaft. Pre-production capital could be minimized by utilizing existing infrastructure, including a 500 tonne per day mill with carbon-in-pulp (CIP) circuit and tailings management facility. The existing McVeigh portal would

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[3] Mineral resources are not mineral reserves and do not have demonstrated economic viability. All figures have been rounded to reflect the relative accuracy of the estimates. Mineral resources are reported at a cut-off grade of 5.0 g/t gold based on US$1,000 per troy ounce gold and gold metallurgical recoveries of 94 percent. For further details as to how the mineral resource for Madsen was calculated, see the National Instrument 43-101 Technical Report entitled “NI 43-101 Technical Report on the Preliminary Economic Assessment for the Madsen Gold Project” with an effective date of April 20, 2016, which can be found on Pure Gold’s profile on SEDAR at www.sedar.com.

[4] Base case parameters assume a gold price of US$1,175/oz and an exchange rate (US$ to C$) of 0.80.

[5] Cash cost includes mining cost, mine-level G&A, mill and refining cost.

be further developed from its current access of 150 metres, down to a total depth of 600 metres. Existing workings would be rehabilitated as access development occurs.

Underground mining and haulage is anticipated to be completed by contract mining companies using their own equipment, conducted 365 days per year. Electrical grid power would provide the power to the project over the life of the mine. The site is currently serviced by 44 kV power.

Life of mine sustaining capital costs are estimated at $39.2 million with the majority of the costs associated with ramp development, slashing existing workings, and new access development.

The PEA mine plan envisages that mechanized cut & fill, shrinkage, and long-hole mining methods would be employed to extract the mineralized material. All three of these methods have been used historically with success at the Madsen mine over its 38 year mining history.

All ramp and level waste development would be performed by a mining contractor using two boom electric hydraulic drill jumbos, 3.5 cubic-yard bucket LHD's, 20 tonne haul trucks, scissor lift/bolters and other rubber tired diesel-powered support equipment.

All mine manpower except for technical and support staff would be contracted employees. The total personnel expected on-site, including contractors, is estimated at 150 people. This estimate includes mine and surface employees, mine site management, as well as engineers and geology personnel. The direct mining personnel totals approximately 89 persons at peak. Technical and support staff are expected to be based in the Red Lake community.

The PEA considers refurbishing the existing mill and tailings management facility which have been on care and maintenance since 1999. Mill production of 550 tonnes per day is assumed to be achievable by modernizing controls and instrumentation of the reagent and grinding circuits. Mill and tailings dam refurbishment, inclusive of contingency, is estimated at $3.1 million, of which $2.3 million is included as a pre-production capital cost item and the remainder is sustaining capital.

The mill consists of a single stage crushing circuit and a two stage grinding circuit, which is then followed by cyanide leaching. The leached gold is collected in a CIP circuit which is subsequently stripped using mild caustic and collected on stainless steel mesh cathodes by electrowinning. The product from electrowinning is refined into doré bars in an induction furnace.

A 92% gold recovery was assumed for the PEA, based on the historical average recovery rate of the mill when it operated intermittently from 1997 to 1999.

The PEA supports that Madsen has the potential to be economically viable. While the PEA only considers the extraction of approximately 25% of Pure Gold's existing mineral resource tonnes, opportunities exist to expand the base case scenario through project exploration and resource growth. Pure Gold has been successful in intersecting mineralization below the shallow mine workings in the McVeigh horizon in close proximity to the proposed ramp development (see discussion under "*Exploration and development*" below). Additional opportunities to be investigated include:

- Optimizing mine plan to consider mineral resources currently outside of the scope of this PEA;
- Review optimization of mill processing rates as well as potential increases to throughput rate under the existing Environmental Compliance Approval which allows for operation of a 1,089 tonne per day mill and CIP circuit;
- Further metallurgical test work to optimize gold recovery; and
- Conversion of inferred resources to measured and indicated (although there is no certainty they can be converted).

The PEA was prepared by Nordmin Engineering Ltd., Mining Services Division of Sudbury, Ontario ("Nordmin"). Nordmin reported on the scoping-level capital costs, operating costs, and project economics associated with the potential development of the Madsen mineral resource.[6]

The PEA is preliminary in nature and includes inferred mineral resources that are too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that PEA results will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

Exploration at Madsen during the first quarter

A $9.1 million exploration program is ongoing at Madsen, which began in May and is expected to be completed by December 2016. It includes 30,000 metres of drilling, targeting the McVeigh and Austin horizons, as well as 5,000 metres targeting exploration targets at Russet South and other targets. The program will also entail ongoing environmental monitoring, rehabilitation and tailings dam inspections, and opening and inspection of the historic McVeigh decline to allow for underground mapping and sampling of the McVeigh horizon.

The Company spent a total of $3.0 million on exploration during the three months ended June 30, 2016 compared to a budget of $2.7 million. The increase from budget is a result of an acceleration of the program from its original plan, including bringing in additional drill rigs. A total of 15,126 metres were drilled during the quarter targeting the McVeigh and Austin horizons near the historic Madsen mine site.

Significant results obtained from drilling during the three months ended June 30, 2016 and subsequent to quarter end from the McVeigh and Austin horizons, include[7]:

- 10.3 g/t gold over 3.2 metres in hole PG16-060 including 50.8 g/t gold over 0.6 metres;
- 11.0 g/t gold over 5.9 metres, 30.0 g/t gold over 1.0 metre and 10.9 g/t gold over 1.0 metre in hole PG16-071;
- 20.6 g/t gold over 2.0 metres in hole PG16-075;
- 10.9 g/t gold over 9.8 metres in hole PG16-093 including 27.0 g/t gold over 3.8 metre;
- 31.3 g/t gold over 3.7 metres in hole PG16-112 including 54.1 g/t gold over 2.0 metres;
- 14.2 g/t gold over 5.0 metres in hole PG16-122 including 28.5 g/t gold over 2.1 metres;
- 51.9 g/t gold over 1.0 metre in hole PG16-123;
- 26.6 g/t gold over 2.0 metres in hole PG16-124;
- 5.3 g/t gold over 8.5 metres in hole PG16-136 including 24.0 g/t gold over 1.0 metre;
- 21.7 g/t gold over 6.0 metres in hole PG16-148 Including 61.8 g/t gold over 2.0 metres; and
- 30.7 g/t gold over 3.1 metres in hole PG16-148.

[6] For further details as to how the PEA for Madsen was calculated, see the National Instrument 43-101 Technical Report entitled "NI 43-101 Technical Report on the Preliminary Economic Assessment for the Madsen Gold Project" with an effective date of April 20, 2016, which can be found on Pure Gold's profile on SEDAR at www.sedar.com.

[7] See Press Releases dated April 4, 2016, May 17, 2016, June 14, 2016 July 14, 2016 and August 9, 2016, available on the Company's website at www.puregoldmining.ca or under its SEDAR profile at www.sedar.com, for further details of the results obtained from the McVeigh and Austin horizon drilling.

Other Mineral Property Interests

The Company has no other material mineral property interests.

Selected Financial Information

Management is responsible for the Interim Financial Statements referred to in this MD&A, and provides officers' disclosure certifications filed with the Canadian provincial securities commissions. The Audit Committee of the Company's Board of Directors (the "Board") has been delegated the responsibility to review and approve the Interim Financial Statements and MD&A.

The Interim Financial Statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, and should be read in conjunction with Pure Gold's audited consolidated financial statements for the year ended March 31, 2016 (the "Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Our significant accounting policies are presented in Note 3 of the Annual Financial Statements. No material changes for the quarter ended June 30, 2016 were noted. We have elected to expense all exploration and evaluation expenditures relating to our mineral exploration property interests. Details of new accounting standards, effective for the reporting period beginning April 1, 2016, and their effect on the financial information are discussed within this MD&A in the section entitled "Changes in Accounting Policies and New Pronouncements".

The financial data presented below for the current and comparative periods was prepared in accordance with IFRS. Because Pure Gold raises its financing and incurs head office expenses in Canadian dollars, it has been determined to have a Canadian dollar functional currency.

The Company's operations are in one industry – the exploration for gold, and other precious and base metals. At June 30, 2016, Pure Gold has one geographic location being Canada. Information discussed herein reflects the Company as a consolidated entity, consistent with our determination that the one industry in which we operate provides the most meaningful information to a user.

Results of Operations

The following financial data are derived from our condensed interim consolidated financial statements for the three months ended June 30, 2016 and 2015, respectively:

	For the three months ended June 30, 2016	For the three months ended June 30, 2015
Total Revenue	**$ -**	$ -
Net Loss and Comprehensive Loss for the period attributable to shareholders	**$ 2,792,592**	$ 1,531,393
Basic and Diluted Loss per Share	**$ (0.02)**	$ (0.01)

Three Months ended June 30, 2016 vs. three months ended June 30, 2015

Net loss for the three months ended June 30, 2016 totaled $2.8 million compared to $1.5 million for the same period in the prior year. The most significant contributors to the loss for the periods ended June 30, 2016 and 2015, were (i) exploration and evaluation expenditures, (ii) wages, consulting and directors fees (iii) investor relations and communication expenditures (iv) office and rent expenses (v) professional fees and (vi) non-cash share-based compensation expense. Explanations for material variances are described below.

Exploration and evaluation expenditures increased to $3.0 million for the three months ended June 30, 2016, compared to $1.1 million for the same period in the prior year.

The three months ended June 30, 2016 saw a significant expansion of exploration activities at Madsen compared to the prior year. In the prior year, the Company was concluding a winter drill program and reducing activity at site due to financial constraints. In fiscal 2017 to date, the Company has completed both a flow-through share financing and the sale of non-core assets to Premier, resulting in an improved financial situation allowing the Company to proceed with an aggressive exploration program at Madsen.

Wages, consulting and director fees increased to $0.3 million for the three months ended June 30, 2016 from $0.2 million in the comparative period, primarily due to the payment of severance costs to the Company's former VP, Exploration.

Investor relations and communication totalled $0.1 million for the three months ended June 30, 2016, compared to $45,669 for the same period in the prior year. During the three months ended June 30, 2016, the Company increased its marketing activities in conjunction with an increased gold price and renewed investor interest in the gold sector.

Professional fees increased to $0.1 million in the three months ended June 30, 2016 from $1,789 in the comparative period, primarily due to costs related to the closing of the sale of surface rights for the Buffalo claims to Premier.

Share-based compensation expense decreased to $46,428 for the three months ended June 30, 2016, compared to $0.1 million in the same period in the prior year, reflecting fewer options vesting in the first quarter of fiscal 2017 compared to the comparative period. In addition, the forfeiture of 291,668 unvested options during the quarter ended June 30, 2016, resulted in a reversal of share-based compensation expense. There were no forfeitures of options for the same period in the prior year. Share-based compensation expense relates to grants from current and previous periods in which stock options were granted to directors and employees. During the three months ended June 30, 2016, the Company granted 0.5 million stock options with an exercise price of $0.63 to employees. Stock options granted to employees were subject to vesting restrictions over a three year period with the corresponding share-based compensation expense being recognized over this period. No options were granted during the three months ended June 30, 2015.

Generally, share based compensation expense should be expected to vary from period to period depending on several factors, including whether options are granted in a period and whether options have fully vested or are cancelled in a period. In determining the fair market value of share-based compensation granted to directors and employees, management makes significant assumptions and estimates. These estimates have an effect on the stock based compensation expense recognized and the equity reserves balance on our statements of financial position. Management has made estimates of the life of the options, the expected volatility and the expected dividend yields that could materially affect the fair market value of this type of security. The estimates were chosen after reviewing the historical life of the options and analyzing share price history from that of a peer group to determine volatility.

For the three months ended June 30, 2016, the Company included a realized gain of $0.7 million within Other Income on the sale of 1,001,720 shares of Premier, which was considered an available for sale investment. This gain includes $0.5 million previously classified as Other Comprehensive Income, which was reclassified to profit and loss upon disposal of the investment.

Financial Position

The following financial data are derived from our Interim Financial Statements for the three months ended June 30, 2016 and our Annual Financial Statements as at March 31, 2016.

	As at June 30, 2016		As at March 31, 2016	
Total assets	**$**	**25.9 million**	$	21.7 million
Current liabilities	**$**	**1.3 million**	$	1.4 million
Non-current liabilities	**$**	**2.5 million**	$	2.5 million
Cash dividends declared	**$**	**-**	$	-

Total assets increased by $4.2 million as at June 30, 2016 in comparison to March 31, 2016 due to cash received from share purchase warrant and employee stock option exercises of $2.6 million and net proceeds from the flow-through share financing of $5.7 million. In addition, prepaid expenses increased by $0.3 million during the period, due to an advance payment by the Company in relation to the Madsen drilling program, and accounts receivable increased by $0.1 million as a result of an increase in refundable sales taxes due to higher exploration expenditures. This was offset by cash operating expenditures totalling $4.6 million.

We have not yet completed feasibility studies to determine whether any of our exploration properties contain resources that are economically recoverable. All direct costs associated with the acquisition costs of the Company's mineral property interests are capitalized as incurred. All exploration and evaluation expenditures incurred are expensed in the Company's statement of loss and comprehensive loss. If a property proceeds to development, these costs become part of pre-production and development costs of the mine. If a property is abandoned or continued exploration is not deemed appropriate in the foreseeable future, the related acquisition costs are written-off.

Current liabilities decreased by $0.1 million to $1.3 million at June 30, 2016 compared to $1.4 million at March 31, 2016. Accounts payable and accrued liabilities decreased by $0.6 million during the three month period as a result of the timing of activities and accounts payable payments. In addition, the Company has removed the $0.3 million liability recognized at March 31, 2016 relating to cash received from Premier for proceeds related to the sale of surface rights on the Buffalo claims as the claims were legally transferred to Premier in May 2016. Finally, the $44,916 flow-through premium liability recognized at March 31, 2016 has been reversed as the remaining eligible expenditures were incurred during the period, and a subsequent liability of $0.9 million has been recognized in relation to the flow-through financing completed on June 8, 2016.

There was no change in non-current liabilities between June 30, 2016 and March 31, 2016.

<u>Shareholders' Equity</u>

The Company issued Common Shares as follows during the three months ended June 30, 2016:

<u>Date</u>	<u>Common Shares</u>
April 25-June 30, 2016	5,111,500 – common shares issued on the exercise of share purchase warrants
May 9, 2016	250,000 – common shares issued on the exercise of employee stock options
June 8, 2016	8,334,000 – flow-through common shares resulting from financing
June 23, 2016	13,000 – common shares issued on the exercise of employee stock options

Refer also to the discussion in this MD&A under the heading, "Outstanding Share Data". The Company has not declared any dividends since incorporation.

Summary of Quarterly Results

The following information is derived from the financial statements of Pure Gold and has been prepared in accordance with IFRS applicable to interim financial reporting including IAS 34. It should be read in conjunction with, our unaudited condensed interim consolidated financial statements for each of the past eight quarters, as well as the Annual Financial Statements. Consistent with the preparation and presentation in our Annual Financial Statements, these unaudited quarterly results are presented in Canadian dollars. The determination of functional currency for the Company and its subsidiary is unchanged from that which is consolidated in the Annual Financial Statements and also from the discussion within this MD&A under the heading, "Selected Annual Information".

	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014
Total revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total expenses	$3,591,790	$2,375,790	$803,801	$1,234,650	$1,544,054	$1,938,842	$1,966,490	$1,658,249
Net loss For the period	$2,792,592	$1,447,436	$801,315	$1,228,903	$1,531,393	$1,933,548	$1,962,672	$1,644,426
Total comprehensive loss for the period	$2,792,592	$986,645	$811,332	$1,228,903	$1,531,393	$1,993,548	$1,962,672	$1,644,426
Basic and diluted loss per share	$0.02	$0.01	$0.01	$0.01	$0.01	$0.02	$0.02	$0.02

The Company's net loss for the quarter ended June 30, 2016 increased 93% compared to the net loss for the quarter ended March 31, 2016 while total expenses increased 51%. The increase in expenses is primarily due to the significant expansion to the Company's exploration activities at Madsen, resulting in a $1.1 million increase in exploration and evaluation expenditures over the previous quarter, as well a $0.1 million increase in investor relations activity reflecting a renewal of marketing to potential investors. The net loss for the quarter ended June 30, 2016 also reflected a $0.7 million realized gain on disposal of the Company's available for sale investment in Premier, while the quarter ended March 31, 2016 included a $0.9 million income tax recovery.

The Company's net loss for the quarter ended March 31, 2016 increased 75% compared to the net loss for the quarter ended December 31, 2015 while total expenses increased 194%. The Company commenced a 16,000 metre winter drill program in January 2016 resulting in exploration expenses of $1.9 million being recognized in the quarter. The net loss for the quarter ended March 31, 2016 also reflected a $0.9 million income tax recovery due to the reversal of substantially all of the flow through premium liability at March 31, 2016 as the qualifying exploration expenses had been substantially incurred and renounced to flow-through share subscribers. Total comprehensive loss for the quarter ended March 31, 2016 reflected an unrealized gain of $0.5 million on the Company's available for sale investment in Premier.

The Company's net loss and total comprehensive loss for the quarter ended December 31, 2015 decreased by $0.4 million in comparison to the quarter ended September 30, 2015. The decrease is primarily due to a $0.6 million decrease in exploration and evaluation expenditures, partially offset by a $0.1 million increase in wages, consulting and director's fees during the three month period ended December 31, 2015 as a result of accruing previously deferred compensation that was paid out in January 2016. Upon closing the sale of mineral rights to Premier in December 2015, which significantly improved Pure Gold's financial position, the Board elected to pay all the voluntarily deferred compensation of the Chief Executive Officer, Chief Financial Officer and directors. The decreased loss was also offset by a $0.1 million increase in share-based compensation expense, as the Company granted 3.5 million stock options in the quarter ended December 31, 2015, of which 1.7 million vested immediately while the remainder were subject to vesting restrictions. The Company recognized a large portion of shared-based compensation expense during the quarter as a result of those stock options which vested immediately. There were no options issued in the quarter ended September 30, 2015.

The Company's net loss and total comprehensive loss for the quarter ended September 30, 2015 decreased by $0.3 million in comparison to the quarter ended June 30, 2015. The decrease is primarily due to a decrease in exploration and evaluation expenditures and wages, consulting and director's fees during the three month period ended September 30, 2015. The Company concluded its summer exploration program in the quarter and in an effort to conserve cash resources curtailed staffing levels and certain remaining staff and the board of directors took voluntary salary reductions while exploration plans were developed and financing sourced.

The Company's net loss and total comprehensive loss for the quarter ended June 30, 2015 decreased by $0.4 million in comparison to the quarter ended March 31, 2015. A significant portion of the drill program which commenced in late February 2015 was completed by the quarter ended March 31, 2015. This resulted in higher exploration and evaluation expenditures during the quarter ended March 31, 2015 in comparison to the quarter ended June 30, 2015. Also, costs relating to professional fees and investor relations and communication decreased during the quarter ended June 30, 2015 thus contributing to the decreased net loss and comprehensive loss in comparison to the quarter ended March 31, 2015. The Company conducted less promotional activities during the quarter ended June 30, 2015 and incurred less professional fees. Increased professional fees during the quarter ended March 31, 2015 related directly to audit fees incurred for the annual audit of the Company's financial statements.

The Company's net loss and total comprehensive loss for the quarter ended March 31, 2015 remained consistent at $2.0 million when compared to the net loss and comprehensive loss for the quarter ended December 31, 2014. The Company began a 5,000 metre winter drill program in late February of 2015 and by March 31, 2015, the Company had completed 3,778 metres of drilling. Thus exploration activities and general and administrative activities remained consistent with that of the prior quarter.

The Company's net loss and total comprehensive loss for the quarter ended December 31, 2014 increased by $0.3 million when compared to the net loss and comprehensive loss for the quarter ended September 30, 2014 primarily due to an increase in exploration and evaluation expenditures of $0.5 million. The Company completed 3,675 metres of drilling during the quarter ended December 31, 2014. The increase in exploration and evaluation expenditures of $0.5 million was offset by a decrease in investor relations and communication of $0.2 million during the quarter ended December 31, 2014. During the prior quarter ended September 30, 2014, the Company incurred additional costs relating to investor relations and communication as it continued to advise the markets about the Company's new Madsen acquisition and new project focus.

Liquidity and Capital Resources

On June 8, 2016, Pure Gold closed a bought-deal private placement basis pursuant to which the Company issued 8,334,000 flow-through common shares at a price of $0.75 per flow-through share, for aggregate gross proceeds to Pure Gold of $6.3 million. As a result, the Company recorded a flow-through premium liability of $0.9 million resulting from the premium paid by investors for flow-through shares in excess of the market value of the shares without flow-through features. This premium has been recorded as a liability and upon completion of the qualified expenditures and renouncement by the Company of the tax benefits associated with the related expenditures this liability amount will be reversed and included in the Company's Statement of Loss and Comprehensive Loss as a deferred tax recovery.

At the date of this MD&A, the Company has approximately $12.1 million in cash and short-term investments. The Company's working capital balance (defined as current assets less current liabilities) as at the date of this MD&A is approximately $14.6 million (excluding the flow-through share premium liability). There are no known restrictions on the ability of our subsidiary to transfer or return funds to the Company.

We have no revenue-producing operations, and earn only minimal income through investment income on treasury, amounts arising through various property option or alliance agreements and occasionally as a result of the disposal of an exploration asset. The Company is therefore reliant on public equity and debt markets to obtain financing to continue its operations. The closing of the recent financing in June 2016 positions the Company to advance Madsen through calendar 2016 without the direct need to raise additional capital.

We have not issued any dividends and management does not expect this will change in the near future.

Our budget, consisting of exploration, administration and environmental bonding requirements for the period May to December 2016, is approximately $10.1 million. During this period we anticipate spending approximately $9.1 million on Madsen and approximately $1.0 million on general and administrative costs which include wages and consulting fees, professional fees and those costs associated with running the Company's head office in Vancouver, during this time period.

In addition, additional financing could come in on the exercise of outstanding share purchase warrants. The share purchase warrants expire September 6, 2016 and as of the date of this MD&A are in the money.

Pure Gold manages and adjusts its capital structure based on available funds in order to support acquisition, exploration and development of mineral properties. The properties in which we currently have an interest in are in the exploration stage. Accordingly, we are dependent on external financing, including the proceeds of future equity issuances or debt financing, to fund our activities. Circumstances that could impair our ability to raise additional funds, or our ability to undertake transactions, are discussed in our AIF dated June 17, 2016 under the heading "Risk Factors". Although management has been successful in the past when raising additional financing, there can be no assurance they will be successful in the future.

Contractual Obligations

Mineral Properties

Pure Gold has no commitments for material capital expenditures as of June 30, 2016. All other active contracts are in the normal course for exploration work to be conducted at Madsen.

Management and Technical Services Agreement

The Company has entered into a Technical and Administrative Services Agreement (the "Oxygen Agreement") with Oxygen Capital Corp. ("Oxygen"), a private company of which Mark O'Dea, a director of the Company and Sean Tetzlaff, an officer of the Company are shareholders and control 50% of Oxygen. Pursuant to the Oxygen Agreement, and without limiting or abrogating the duties of Pure Gold's President and Chief Executive Officer, Oxygen provides the Company:

- access to, and the use of the assets contained in, office space leased by Oxygen; and
- services, staff and expertise as determined necessary to properly and efficiently manage the assets, operations, business and administrative affairs of Pure Gold.

The Company pays Oxygen for the cost of management and technical services, including the wage allocations of employees seconded by Oxygen to the Company (plus tax and applicable benefits) at cost; There is no mark-up or additional direct charge to the Company from Oxygen under the Oxygen Agreement.

The Oxygen Agreement is intended to provide the Company with a number of technical and administrative services and access, on an as-needed basis, to Oxygen's roster of geologists, mining engineers, investor relations and financial and business development professionals that would not necessarily otherwise be available to Pure Gold at this stage of the Company's development.

The Oxygen Agreement is for an initial term of two years, and shall be automatically renewed from time to time thereafter for an a additional term of two years unless otherwise terminated. The Oxygen Agreement may be terminated by either party giving at least 180 days' prior written notice of such termination.

Flow-Through Obligation

The Company is committed to incur, on a best efforts basis, qualifying resource expenditures pursuant to the private placement for which flow-through proceeds have been received. The Company expects to file its renunciation forms by the end of February 2017. As at June 30, 2016, the Company had incurred qualifying resource expenditures of approximately $0.7 million. The Company must therefore incur the $5.6 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.

Leases

Winnipeg Site Office

Pursuant to a rental lease agreement dated February 29, 2012, the Company is committed to pay rent for office space in Winnipeg, Canada at approximately $3,000 per month ($36,000 annually). 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 (approximately $3,000 per month). The third party is bound by all the covenants, terms and conditions of the original rental lease agreement.

Madsen Vehicle Leases

In addition, the Company has signed two leases dated July 23, 2014 and July 31, 2014, respectively for the use of two pickup trucks to be used at the Madsen project. The two leases call for payments of $800 and $952 per month with the leases expiring on June 24, 2018 and June 30, 2018.

The future minimum lease payments required under these lease agreements at June 30, 2016 are as follows:

		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**

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as defined by NI 51-102 requirements as at June 30, 2016 or as at the date hereof.

Proposed Transactions

As is typical of the mineral exploration and development industry, we are continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. We are also continually reviewing and discussing opportunities with third parties regarding the sale of non-strategic properties in our portfolio. There is no guarantee that any contemplated transaction will be concluded.

At present, there is no proposed asset or business acquisitions or dispositions before the Board for consideration.

Related Party Transactions

Transactions with related parties for goods and services are made on normal commercial terms and are considered to be at arm's length.

Oxygen Capital Corp ("Oxygen").

Oxygen provides technical and administrative services to the Company at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. As at June 30, 2016, Oxygen holds a refundable deposit of $0.2 million (March 31, 2015 - $0.2 million) on behalf of the Company. During the three months ended June 30, 2016, a total of $0.3 million (June 30, 2015 - $0.3 million) 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 $0.1 million (March 31, 2016 - $0.1 million). This amount was paid subsequent June 30, 2016.

Compensation of key management personnel

Key management includes members of the Board, the President and Chief Executive Officer, the current and former VPs of Exploration, the Chief Financial Officer, the Corporate Secretary and 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:

Name	**Nature of Compensation**	**Three months ended June 30, 2016**	**Three months ended June 30, 2015**
President and Chief Executive Officer	Salary	$56,666	$56,000
Vice President of Exploration	Salary	$46,667	-
Vice President of Exploration (former)	Salary	$82,000	$51,000
Chief Financial Officer	Salary	$37,500	$37,500
Director, Investor Relations (former)	Salary	-	$20,833
Corporate Secretary	Salary	-	$3,011
Directors	Directorship	$40,000	$40,000
Total		**$262,833**	**$208,344**

Share-based compensation issued to key management personnel during the three months ended June 30, 2016 totaled $39,100 (June 30, 2015 - $58,608). Share-based compensation is the fair value of options granted and vested to key management personnel. These amounts have not been included in the table above and should be considered as additional compensation.

Changes in Accounting Policies and New Pronouncements

The Company has prepared its Interim Financial Statements using accounting policies consistent with those used in the Annual Financial Statements.

The Company prepares its consolidated financial statements in accordance with IFRS and interpretations of the IFRIC as issued by the IASB. The effects of the adoption of new, amended and future IFRS pronouncements are discussed below:

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 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.

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. Factors that could affect these judgments, estimates and assumptions are discussed in our AIF, dated June 17, 2016, under the heading “Risk Factors”. Subject to the impact of such risks, the carrying value of Pure Gold’s financial assets and liabilities approximates their estimated fair value.

Judgments

In the process of applying the Company’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

(i) Review of Asset Carrying Values and Impairment Assessment

In accordance with the Company’s accounting policy, each asset is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at the higher of value in use and fair value less costs to sell. The most significant assets the Company assesses for impairment are exploration and evaluation assets and property, plant and equipment. Judgements involved in assessing impairment of exploration and evaluation assets are discussed below.

(ii) Exploration and Evaluation Assets and Expenditures

The application of the Company's accounting policy for exploration and evaluation assets and expenditures requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by the Company in the exploration of its property interests will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate ore reserves, and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies and there is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production.

For the three month period ended June 30, 2016, there were no indicators of impairment on the Company's exploration and evaluation assets.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its estimates and assumptions on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

(i) Exploration and Evaluation Assets and Expenditures

In addition to applying judgment to determine whether future economic benefits are likely to arise from the Company's exploration and evaluation assets or whether activities have not reached a stage that permits reasonable assessment of the existence of reserves, the Company has to apply a number of estimates and assumptions. The publication of a resource per National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101") technical report, is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e. measured, indicated or inferred). The estimates directly impact when the Company defers exploration and evaluation assets. Any such estimates and assumptions may change as new information becomes available. If, after deferred acquisition costs are capitalized, information becomes available suggesting the recovery of such costs is unlikely, the relevant capitalized amount is written off in the consolidated statement of loss and comprehensive loss in the period when the information becomes available. Management believes that the estimates involving its exploration and evaluation assets and expenditures are reasonable.

(ii) Determination of the Fair Value of Share-based Payments

The fair value of stock options granted and warrants issued is computed to determine the relevant charge to equity reserves and the consolidated statement of loss and comprehensive loss and related obligation as applicable. In order to compute this fair value, the Company uses the Black-Scholes option pricing model; this inherently requires management to make various estimates and assumptions in relation to the expected life of the award, expected volatility, risk-free rate and forfeiture rates. Changes in any of these inputs could cause a significant change in the share-based compensation expense charged in the consolidated statement of loss and comprehensive loss and to equity reserves in a given period. Management believes that the estimates involving its share-based payments are reasonable.

(iii) Decommissioning, Restoration and Similar Liabilities

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at the present value of discounted cash flows for the estimated liabilities.

Carrying value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration and similar liabilities that may occur upon decommissioning of certain of the Company's assets. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Risks associated with financial instruments

We are exposed to a variety of financial instrument related risks. The Board provides oversight for our risk management processes. The type of risk exposure and the way in which such exposure is managed is explained as follows:

<u>Credit Risk</u>

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, restricted 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.

<u>Liquidity Risk</u>

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 $9.9 million (March 31, 2016 - $2.2 million) and short-term investments of $23,000 million (March 31, 2016 - $23,000) to settle current liabilities of $1.3 million (March 31, 2016 - $1.4 million). As at June 30, 2016, the Company is committed to incur, on a best efforts basis, $5.6 million in qualifying resource expenditures by January 1, 2018.

<u>Interest Rate Risk</u>

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 period 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.

<u>Fair Value Estimation</u>

The carrying value of the Company's financial assets and liabilities approximates their estimated fair value.

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.

Outstanding Share Data

Pure Gold's authorized capital is unlimited common shares without par value. As at August 12, 2016 the following common shares, stock options, share purchase warrants and compensation options were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares	151,950,770	N/A	N/A
Stock Options	100,000 3,833,666 150,000 200,000 750,000 100,000 3,180,000 75,000 500,000	\$0.20 \$0.35 \$0.32 \$0.35 \$0.28 \$0.11 \$0.11 \$0.16 \$0.63	February 25, 2018 April 8, 2019 May 13, 2019 February 10, 2020 March 19, 2020 December 3, 2020 December 11, 2020 February 18, 2021 May 26, 2016
Share Purchase Warrants	20,696,000	\$0.50	September 6, 2016
Fully Diluted	181,535,436		

Industry and Economic Factors That May Affect Our Business

Economic and industry risk factors that may affect our business, in particular those that could affect our liquidity and capital resources, are described under the heading "Risk Factors" in our AIF dated June 17, 2016, available on Pure Gold's SEDAR profile at www.sedar.com. In particular, there are currently significant uncertainties in capital markets impacting the availability of equity financing for the purposes of mineral exploration and development. There are also significant uncertainties relating to the global economy, increased volatility and a general decline in the prices of gold and other precious metals which impact our business and may impact our ability to remain a going concern.

More specifically, while the ongoing decreases in the price of gold and continued uncertainties in capital markets do not have a direct impact on the Company's ability to carry out exploration, the Company may be impacted should it become more difficult to gain access to capital (e.g. debt or equity financing for the purposes of mineral exploration and development) when and if needed, and may need to modify or curtail its exploration and development programs. Difficulty in accessing capital on favourable terms may limit the Company's ability to develop and/or further explore the mineral properties in which we have an interest

The specific risks noted in our AIF and others in particular relating to permitting for operations and first nations consultation and approvals, may limit the Company's ability to develop and/or further explore its mineral property interests.

Additional Disclosure for Venture Issuers Without Significant Revenue

Additional disclosure concerning Pure Gold's general and administrative expenses and exploration and evaluation expenses is provided in the Company's Statements of Loss and Comprehensive Loss contained in its Interim Financial Statements for the three months ended June 30, 2016 and in its Annual Financial Statements for the years ended March 31, 2016 and 2015 which are all available on Pure Gold's website at www.puregoldmining.ca or on its profile on SEDAR at www.sedar.com.

Legal Matters

Pure Gold is not currently, and has not at any time during our most recently completed financial year, been party to, nor has any of its property interests been the subject of, any material legal proceedings or regulatory actions.

Management's Responsibility for the Financial Statements

The preparation and presentation of the accompanying financial statements, MD&A and all financial information in the financial statements are the responsibility of management and have been approved by the Board of Directors following the report and recommendation of the Audit Committee. The financial statements have been prepared in accordance with IFRS. Financial statements by nature are not precise since they include amounts based upon estimates and judgments. When alternative treatments exist, management has chosen those it deems to be the most appropriate in the circumstances.

Subsequent Events Not Otherwise Described Herein

The following items of significance occurred after June 30, 2016:

- **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.

Controls and Procedures

In connection with NI 52-109, the CEO and CFO of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the Interim Financial Statements and respective accompanying MD&A as at June 30, 2016 (together the "Interim Filings").

In contrast to the certificate under NI 52-109, the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at www.sedar.com.

Disclosure Controls and Procedures

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with IFRS.

Venture Issuer companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in NI 52-109. In particular, the CEO and

CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentation and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a Venture Issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Scientific and Technical Disclosure

With the exception of Madsen, the Company's exploration projects and those in which we have an interest are early stage and do not contain any mineral resource estimates as defined by NI 43-101.

Unless otherwise indicated, Pure Gold has prepared the technical information in this MD&A ("Technical Information") based on information contained in the following technical reports:

- "Technical Report on the Preliminary Economic Assessment For the Madsen Gold Project", effective April 20, 2016, and dated June 3, 2016, filed under the Company's profile on SEDAR at www.sedar.com (the "**Madsen Technical Report**").

Technical Information was also based on information contained in news releases (collectively the "Disclosure Documents") available under Pure Gold's company profile on SEDAR at www.sedar.com. The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

Our Disclosure Documents were prepared by or under the supervision of an independent Qualified Person ("QP"). Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Mineral resource estimates relating to Madsen are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified resource will ever qualify as a commercially mineable or viable deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined at Madsen may differ from the one indicated by drilling results and the difference may be material. Although there has been no economic analysis summarized in this MD&A relating to the Madsen Technical Report, readers are cautioned that the Madsen Technical Report is preliminary in nature and includes inferred and indicated mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that this will indeed occur. Further studies, including engineering and economics, are required (typically as a Pre-Feasibility Study) with regards to infrastructure and operational methodologies. Additional disclosure and cautionary notes relating to Madsen are summarized in our AIF, available on Pure Gold's SEDAR profile at www.sedar.com.

Phillip Smerchanski, P.Geo, Pure Gold's VP of Exploration, is the Company's QP for the purposes of NI 43-101, and has reviewed and validated that the scientific or technical information contained in this MD&A related to the Madsen Technical Report, is consistent with that provided by the QPs responsible for preparing the Madsen Technical Report, and has verified the technical data disclosed in this document relating to those projects in which the Company holds an interest. Mr. Smerchanski has consented to the inclusion of the Technical Information in the form and context in which it appears in this MD&A.

Cautionary Notes Regarding Forward-Looking Statements

This MD&A, contains "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws, which include, but are not limited to, statements or information concerning, future financial or operating performance of Pure Gold and its business, operations, properties and the future price of gold, silver and other metal prices, the potential quantity and/or grade of minerals, the potential size of a mineralized zone or potential expansion of mineralization, proposed exploration and development of Pure Gold's exploration property interests, the timing and amount of estimated future production, costs of production and mine life of the various mineral projects of Pure Gold, the interpretation and actual results of historical production at certain of our exploration properties, as well as specific historic data associated with and drill results from those properties, and the reliance on technical information provided by our joint arrangement partners or other third parties; the timing and amount of estimated capital, operating and exploration expenditures, costs and timing of the development of new deposits and of future exploration, acquisition and development activities, estimated exploration budgets and timing of expenditures and community relations activities, requirements for additional capital; completion of expenditure obligations under an option agreement and earn-in agreements to which the Company is a party; government regulation of mining operations, environmental risks and reclamation expenses, title disputes, the ability to maintain exploration licences for its properties in accordance with the requirements of applicable mining laws in Canada; government regulation of exploration and mining operations; environmental risks, including satisfaction of requirements relating to the submissions and successful defence of EIA reports and other claims or existing, pending or threatened litigation or other proceedings, limitations of insurance coverage, future issuances of Common Shares to satisfy earn-in obligations or the acquisition of exploration properties and the timing and possible outcome of regulatory and permitting matters and any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements, and involve known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of Pure Gold to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking statements and information. Except for statements of historical fact, information contained herein or incorporated by reference herein constitutes forward-looking statements and forward-looking information. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "will", "projects", or "believes" or variations (including negative variations) of such words and phrases, or statements that certain actions, events, results or conditions "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Statements relating to mineral reserves and resources are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral reserves and resources described exist in the quantities predicted or estimated and may be profitably produced in the future. Estimated values of future net revenue do not represent fair market value. There is no certainty that it will be commercially viable to produce any portion of the resources.

Forward-looking statements and forward-looking information are not guarantees of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including among other things, assumptions about future prices of gold, copper, silver, molybdenum and other metal prices, changes in the worldwide price of other commodities such as coal, fuel and electricity fluctuations in resource prices, currency exchange rates and interest rates, favourable operating conditions, political stability, obtaining governmental approvals and financing on time, obtaining renewals for existing licences and permits and obtaining required licences and permits, labour stability, stability in market conditions, availability of equipment, accuracy of any mineral resources and mineral reserves, successful resolution of the challenges to the EIAs described in this MD&A, if any, anticipated costs and expenditures and our ability to achieve our goals. While we consider these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking statements and forward-looking information. Many assumptions are based on factors and events that are not within the control of Pure Gold and there is no assurance they will prove to be correct.

Furthermore, such forward-looking statements and forward-looking information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or forward-looking information. Such factors include, among others: general business, economic, competitive, political, regulatory and social uncertainties; disruptions or changes in the credit or securities markets and market fluctuations in prices for Pure Gold's securities; judgement of management when exercising discretion in their use of proceeds from a financing; potential dilution of Common Share voting power or earnings per share as a result of the exercise of Options, future financings or future acquisitions financed by the issuance of equity; discrepancies between actual and estimated mineral reserves and resources; the Company is an exploration and development stage company with no history of pre-tax profit and no income from its operations and there can be no assurance that the Company's operations will be profitable in the future; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; possible variations of mineral grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry, including but not limited to environmental risks and hazards, cave-ins, pitwall failures, flooding, rock bursts and other acts of God or natural disasters or unfavourable operating conditions and losses; political instability, hostilities, insurrection or acts of war or terrorism; the speculative nature of mineral exploration and development, including the risk of diminishing quantities or grades of mineralization; Pure Gold's ability to renew existing licences and permits or obtain required licences and permits; changes in government legislation and regulation; fluctuations in commodity prices; requirements for future funding to satisfy contractual obligations and additional capital needs generally; changes or disruptions in market conditions; market price volatility; the Company currently has shareholders with greater than 10% holdings; uncertainties associated with minority interests and joint venture operations; risks associated with the Company's indemnified liabilities; increased infrastructure and/or operating costs; reclamation costs; the Company has limited operating history and no history of earnings; reliance on a finite number of properties; limits of insurance coverage and uninsurable risk; contests over title to properties; environmental risks and hazards; limitations on the use of community water sources; the need to obtain and maintain licences and permits and comply with laws and regulations or other regulatory requirements; competitive conditions in mineral exploration and mining business; the ability of the Company to retain its key management employees and shortages of skilled personnel and contractors; potential acquisitions and their integration with the Company's current business; influence of third party stakeholders; risks of litigation; the Company's system of internal controls; conflicts of interest; credit and/or liquidity risks; changes to the Company's dividend policy; the risks involved in the exploration, development and mining business generally; and the factors discussed in the section entitled "Risk Factors" in our AIF available on Pure Gold's SEDAR profile at www.sedar.com. Although we have attempted to identify important factors that could cause actual performance, achievements, actions, events, results or conditions to differ materially from those described in forward looking statements or forward-looking information, there may be other factors that cause performance, achievements, actions, events, results or conditions to differ from those anticipated, estimated or intended.

Forward-looking statements and forward-looking information contained herein are made as of the date of this MD&A and we disclaim any obligation to update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by applicable law. There can be no assurance that forward-looking statements or forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information. All forward-looking statements and forward-looking information attributable to us is expressly qualified by these cautionary statements.

Pure Gold disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Readers should not place undue reliance on forward-looking information.

Approval

The Audit Committee of the Board of Directors of Pure Gold have approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Additional Information

Additional information relating to Pure Gold can be obtained on the SEDAR website at www.sedar.com or by contacting:

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PURE GOLD MINING INC.

/s/ "Darin Labrenz"
Darin Labrenz
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PURE GOLD MINING INC.

/s/ "Sean Tetzlaff"
Sean Tetzlaff
Chief Financial Officer