Pure Gold Mining Inc.

Consolidated Financial Statements

For the years ended March 31, 2016 and 2015

(Expressed in Canadian Dollars Unless Noted Otherwise)

June 17, 2016

Independent Auditor's Report

To the Shareholders of Pure Gold Mining Inc.

We have audited the accompanying consolidated financial statements of Pure Gold Mining Inc., which comprise the consolidated statements of financial position as at March 31, 2016 and March 31, 2015 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pure Gold Mining Inc. as at March 31, 2016 and March 31, 2015 and its financial performance and its cash flows for the years ended March 31, 2016 and March 31, 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

signed "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

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Pure Gold Mining Inc.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars Unless Noted Otherwise)

	As at March 31, 2016	As at March 31, 2015
ASSETS		
Current Assets		
Cash	$ 2,199,151	$ 5,006,937
Short-term investments *(Note 6)*	23,000	1,523,000
Amounts receivable *(Note 7)*	210,266	130,048
Prepaid expenses *(Note 8)*	77,389	83,180
Available for sale investment (*Note 18)*	3,105,335	-
Interest receivable	171	34,718
	5,615,312	6,777,883
Non-current Assets		
Exploration and evaluation assets *(Note 9a)*	6,908,651	11,052,776
Property, plant and equipment *(Note 10)*	6,590,669	6,604,523
Reclamation deposits *(Note 11)*	2,427,025	1,747,499
Deposits *(Note 14)*	156,000	156,000
Total Assets	$ 21,697,657	$ 26,338,681
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,028,723	$ 818,620
Flow-through premium liability	44,916	968,553
Other liability *(Note 9c)*	334,763	-
	1,408,402	1,787,173
Non-current Liabilities		
Provision for closure and reclamation *(Note 12)*	2,459,774	2,568,480
Other long-term liabilities	3,295	3,295
Total Liabilities	3,871,471	4,358,948
Equity		
Share capital *(Note 13a)*	37,388,161	37,362,311
Equity reserves *(Note 13c and Note 13d)*	8,528,621	8,149,745
Accumulated other comprehensive income (*Note 9c)*	450,774	-
Accumulated deficit	(28,541,370)	(23,532,323)
Total Equity	17,826,186	21,979,733
Total Liabilities and Equity	$ 21,697,657	$ 26,338,681

Commitments & Contingencies *(Note 16)*

Approved by the Board of Directors on June 17, 2016:

"Graeme Currie", Chairman   *"Lenard Boggio"*, Director

- See Accompanying Notes to the Consolidated Financial Statements -

Pure Gold Mining Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the year ended March 31, 2016	For the year ended March 31, 2015
Expenses		
Exploration and evaluation expenditures *(Note 9b and 9d)*	$ 4,221,780	$ 4,477,857
Wages, consulting and director fees	729,954	791,828
Share-based compensation *(Note 13d)*	394,726	929,109
Office and rent	302,877	326,690
Investor relations and communication	122,656	474,979
Professional fees	106,550	130,190
Listing and filing fees	26,176	35,151
Administrative travel	11,607	17,555
Write-down of property, plant and equipment	-	8,275
Loss on disposal of property, plant and equipment	-	2,200
Depreciation	41,969	1,984
Total Expenses	(5,958,295)	(7,195,818)
Other Income and Expenses		
Interest income	62,284	83,739
Management and administration fee	-	8,650
Accretion expense *(Note 12)*	(36,673)	(51,071)
Loss before Income Taxes	(5,932,684)	(7,154,500)
Income tax recovery *(Note 21a)*	923,637	-
Net Loss for the Year	(5,009,047)	(7,154,500)
Other Comprehensive Income		
Items that may be subsequently reclassified to profit or loss		
Gain on available for sale investment *(Note 9c)*	450,774	-
Total Comprehensive Loss for the Year	$ (4,558,273)	$ (7,154,500)
Weighted Average Number of Common Shares Outstanding	125,722,594	106,525,994
Basic and Diluted Loss per Common Share	$ (0.04)	$ (0.07)

- See Accompanying Notes to the Consolidated Financial Statements -

Pure Gold Mining Inc.

Consolidated Statements of Changes in Equity

(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, 2014	96,667,075	$ 28,556,296	$ 7,549,407	$ -	$ (16,377,823)	$ 19,727,880
Flow-through common share issuance (*Note 13b)*	13,836,478	4,842,767	-	-	-	4,842,767
Flow-through premium liability	-	(968,553)	-	-	-	(968,553)
Common share issuances resulting from financing	3,187,143	892,400	-	-	-	892,400
Share issue costs – cash	-	(547,737)	-	-	-	(547,737)
Finder's fee – shares	892,858	250,000	-	-	-	250,000
Share issue costs - shares	-	(250,000)	-	-	-	(250,000)
Fair value of shares issued for exploration and evaluation assets – Sabina (*Note 5)*	6,500,000	2,730,000	-	-	-	2,730,000
Exercised compensation options (*Note 13b)*	2,899,533	724,883	-	-	-	724,883
Fair value of exercised compensation options	-	146,345	(146,345)	-	-	-
Exercised warrants (*Note 13b,c)*	1,661,767	788,484	-	-	-	788,484
Fair value of exercised warrants	-	112,573	(112,573)	-	-	-
Exercised stock options (*Note 13d)*	75,000	15,000	-	-	-	15,000
Fair value of exercised stock options	-	69,853	(69,853)	-	-	-
Share-based compensation (*Note 13d)*	-	-	929,109	-	-	929,109
Net loss for the year	-	-	-	-	(7,154,500)	(7,154,500)
Balance – March 31, 2015	125,719,854	$ 37,362,311	$ 8,149,745	$ -	$ (23,532,323)	$ 21,979,733
Exercised options	50,000	10,000	-	-	-	10,000
Fair value of exercised options (*Note 13d)*	-	15,850	(15,850)	-	-	-
Accumulated other comprehensive income (*Note 9c)*	-	-	-	450,774	-	450,774
Share-based compensation (*Note 13d)*	-	-	394,726	-	-	394,726
Net loss for the year	-	-	-	-	(5,009,047)	(5,009,047)
Balance – March 31, 2016	125,769,854	$ 37,388,161	$ 8,528,621	$ 450,774	$ (28,541,370)	$ 17,826,186

- See Accompanying Notes to the Consolidated Financial Statements -

Pure Gold Mining Inc.

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the year ended March 31, 2016	For the year ended March 31, 2015
Operating Activities		
Net loss for the year	$ (5,009,047)	$ (7,154,500)
Items not affecting cash:		
Deferred income tax recovery *(Note 21a)*	(923,637)	-
Share-based compensation (*Note 13d)*	394,726	929,109
Accretion expense (*Note 12)*	36,673	51,071
Depreciation (*Note 10)*	88,500	44,484
Write-down of property, plant and equipment	-	8,275
Loss on disposal of property, plant and equipment	-	2,200
Interest income	(62,284)	(83,739)
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	154,135	231,211
Prepaid expenses	5,791	17,668
Amounts receivable	(80,218)	(30,667)
Net cash used in operating activities	(5,395,361)	(5,984,888)
Investing Activities		
Proceeds from partial disposal of exploration and evaluation asset (*Note 9c)*	1,665,237	-
Prepayment of proceeds from sale of surface rights (*Note 9c)*	334,763	-
Acquisition of exploration and evaluation assets	-	(2,500,000)
Purchase of short-term investments	-	(1,523,000)
Redemption of short-term investments	1,500,000	35,000
Reclamation deposits (*Note 11)*	(679,526)	(339,763)
Property, plant and equipment (*Note 10)*	(74,646)	(234,632)
Deposits (*Note 14)*	-	(156,000)
Transaction costs on partial disposal of exploration and evaluation asset	(265,084)	-
Transaction costs related to acquisition of Newman-Madsen Project	-	(50,292)
Interest received	96,831	49,021
Other long-term liabilities	-	3,295
Proceeds from disposal of property, plant and equipment	-	500
Net cash provided by (used in) investing activities	2,577,575	(4,715,871)
Financing Activities		
Proceeds from exercised stock options (*Note 13d)*	10,000	15,000
Proceeds from financing *(Note 13b)*	-	5,735,167
Share issue costs	-	(547,737)
Proceeds from exercised warrants	-	788,484
Proceeds from exercised compensation options	-	724,883
Net cash provided by financing activities	10,000	6,715,797
Net Decrease in Cash	(2,807,786)	(3,984,962)
Cash - Beginning of the Year	5,006,937	8,991,899
Cash - End of the Year	$ 2,199,151	$ 5,006,937

Supplemental Cash Flow Information *(Note 17)*

- See Accompanying Notes to the 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

The consolidated financial statements of Pure Gold were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies are presented in Note 3 and have been consistently applied in each of the periods presented.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

a. Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets, if any, classified as available-for-sale and fair value through profit or loss which are measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts stated in these consolidated financial statements are expressed in Canadian dollars unless noted otherwise.

b. Basis of Consolidation

The financial statements of the Company consolidate the accounts of Pure Gold and its 100% wholly owned subsidiary Laurentian Copper Corp., a private company incorporated under the Business

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Corporations Act of British Columbia in Canada. All intercompany transactions, balances and unrealized gains and losses are eliminated on consolidation.

Subsidiaries are those entities over which Pure Gold has control. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Pure Gold controls another entity. Pure Gold controls an entity when Pure Gold is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Pure Gold. They are deconsolidated from the date that control ceases.

c. Cash and cash equivalents

Cash and cash equivalents includes cash, term deposits and short-term highly liquid investments with an original term to maturity of three months or less.

d. Short-term Investments

Short-term investments are comprised of cashable Guaranteed Investment Certificates (GICs) with original terms to maturity greater than three months, but less than one year.

e. Property, Plant and Equipment

Land is recorded at cost and is not depreciated as it has an unlimited useful life. Computer equipment, computer software, office and other equipment, exploration equipment and vehicles are recorded at cost less accumulated depreciation. The Company provides for depreciation using the declining balance method at rates designed to depreciate the cost of the computer equipment, computer software, office and other equipment, exploration equipment and vehicles over their estimated useful lives.

The mill and mine property and equipment are recorded at cost. The cost of the mill and mine property and equipment includes acquisition and betterment costs incurred prior to the removal of assets from service. Depreciation of the mill and mine property and equipment is calculated on a units-of-production method based on estimated proven and probable ore reserves upon the assets being ready for service.

The major categories and annual depreciation rates are as follows:

Computer equipment	55 %
Computer software	100 %
Land	Non-depreciable
Mill	Units-of-production
Mine property and equipment	Units-of-production
Office furniture and other equipment	20 %
Exploration equipment	20 %
Vehicles	30 %

f. Exploration and Evaluation Assets and Expenditures

The Company's policy is to expense, as incurred, exploration and evaluation expenditures until the mineral property reaches the development stage. Costs related to property acquisitions are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially viable and technically feasible, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be amortized against production when ready for use as intended by management, or derecognized if the property is sold, allowed to lapse or abandoned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance of historical characteristics of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

Upon disposal or abandonment, any consideration received is credited against the carrying amount of the exploration and evaluation assets, with any excess consideration greater than the carrying amount included as a gain in profit or loss.

g. Impairment of Non-Current Assets

At each reporting date, property, plant and equipment and exploration and evaluation assets are evaluated for impairment by management whenever events or changes in circumstances indicate that the carrying value is impaired and may not be recoverable. For property plant and equipment, if any such impairment indicators exist, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for that period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

For exploration and evaluation assets, the Company follows the guidance in *IFRS 6 – Exploration for and Evaluation of Mineral Resources* to determine whether exploration and evaluation assets are impaired. This determination requires significant judgment. Impairment indicators relevant for exploration and evaluation properties include whether the rights to explore the area of interest have expired during the period or will expire in the near future, and the rights are not expected to be renewed, substantive expenditure of further exploration and evaluation is not planned or budgeted, the activities have not led to a discovery of commercial reserves and the Company has decided not to continue such activities in the area of interest or deteriorating local conditions such that it may become unsafe to continue operations. If an impairment indicator is identified, management will perform an impairment test. If the recoverable amount of the exploration and evaluation assets is less than the carrying amount, an impairment loss will be recorded in the consolidated financial statements.

Past impairments are also considered at each reporting period and where there is an indication that an impairment loss may have decreased, the recoverable amount is calculated as outlined above to determine the extent of the recovery. If the recoverable amount of the asset is more than its carrying amount, the carrying amount of the asset is increased to its recoverable amount and the impairment loss is reversed in profit or loss for that period. The increased carrying amount due to reversal will not be more than what the depreciated historical cost would have been if the impairment had not been recognized. Additionally, the review of impairment indicators takes into account factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding its projects.

h. Interests in Joint Arrangements

A joint arrangement can take the form of a joint venture or joint operation. All joint arrangements involve a contractual arrangement that establishes joint control, which exists only when decisions about the activities that significantly affect the returns of the investee require unanimous consent of the parties sharing control. A joint operation is a joint arrangement in which the Company has the rights to the assets

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – *Continued*

and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement in which the Company has the rights to only the net assets of the arrangement.

i. Provisions and Constructive Obligations

Provisions for environmental restoration, restructuring costs and legal claims are recognized when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when the amount has been reasonably estimated. Provisions are not recognized for future operating losses.

Constructive obligations are obligations that derive from the Company's actions where:

(i) An established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and

(ii) As a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

The Company records provisions for closure and reclamation on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation is estimated using expected cash flows and discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation, the offset of which is charged to the statement of loss, and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation costs.

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost. Expenditures of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of the mine.

j. Share Capital

The Company records in share capital proceeds from share issuances, net of issue costs and any tax effects. The fair value of common shares issued as consideration for exploration and evaluation assets is based on the trading price of those shares on the TSX-V on the date the shares are issued. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value.

k. Flow-Through Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its Canadian exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon filing of the required forms with the Government of Canada to renounce the tax deductibility of qualifying resource expenditures to investors, the Company derecognizes the liability to the extent the qualifying resource expenditures have been made as of that

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

date and recognizes a deferred tax recovery for the amount of the tax reduction renounced to the shareholders that relates to the qualifying expenditures made.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through expenditure commitments. The Company is also subject to Part XII.6 tax on flow-through proceeds, renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as an expense until paid.

l. Share-Based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to equity reserve. Stock options and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Consideration received on the exercise of stock options is recorded as share capital and the related equity reserve amount is transferred to share capital. Where awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is proportionately reversed in the period the forfeiture occurs.

m. Loss per Share

Loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the statement of loss and comprehensive loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive.

n. Resource Tax Credits

The Company recognizes resource tax credit amounts when the Company's application for such credits is approved by the relevant jurisdiction or when the amount to be received can be reasonably estimated and collection is reasonably assured.

o. Income Taxes

The Company uses the statement of financial position method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that the related tax benefit will be realized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

p. Financial Instruments

(i) Financial Assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through income. The Company does not currently have financial assets classified under this category.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment. Cash, restricted cash, short-term investments, amounts receivable (excluding sales tax receivable and resource tax credits), interest receivable, deposits and reclamation deposits have been classified under this category.

Available For Sale

Available for sale financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in fair value are recognized in other comprehensive income (loss) and classified as a component of equity. When the financial assets are sold or an impairment write-down is required, the accumulated fair value adjustments in other comprehensive income are included in the statement of income (loss) and are included in other gains or losses. The Company's equity investment in Premier (Note 9c) is designated as available for sale.

(ii) Financial Liabilities

The Company classifies its financial liabilities in the following categories: other financial liabilities and derivative financial liabilities.

Other Financial Liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transactions costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the maturity amount is recognized in the statement of earnings (loss) over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date. Accounts payable and accrued liabilities, other current liabilities and other long-term liabilities have been classified under this category.

Derivative Financial Liabilities

Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

period with changes in the fair value recognized in profit or loss. There are no financial liabilities classified under this category.

q. Impairment of Financial Assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

(i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(ii) Available for sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of earnings (loss). This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net income. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available for sale equity instruments are not reversed.

r. Application of New and Revised Accounting Standards

The Company has applied the following new and revised IFRSs in these annual consolidated financial statements:

IFRS 8 – Operating Segments

IFRS 8 - *Operating segments* was amended to require (i) disclosure of judgements made by management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when segment assets are reported. The amendment had no significant impact on the Company.

IAS 24 – Related Party Transactions

IAS 24 - *Related party transactions* was amended to (i) revise the definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements. The amendment had no significant impact on the Company.

The IASB made certain amendments to IFRSs and IASs in both the Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle which were effective for annual periods beginning on or after July 1, 2014. The amendments did not have an impact on the Company's consolidated financial statements. The Company has not yet early adopted any other amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

s. New, Amended and Future IFRS Pronouncements

In September 2014, the IASB issued the Annual Improvements 2012-2014 cycle, effective for annual periods beginning on or after January 1, 2016. The IASB also issued a number of narrow scope amendments to certain IFRSs and IASs which are effective for annual periods beginning on or after January 1, 2016. These amendments are not expected to have a significant impact on the Company's consolidated financial statements.

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 1 – Presentation of financial statements

IAS 1, Presentation of financial statements has been amended to clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendments are effective for years beginning January 1, 2016, with early adoption permitted. The Company does not expect this amendment to have any impact upon adoption.

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. Further information on management's judgments, estimates and assumptions and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements.

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. Judgements involved in assessing impairment of exploration and evaluation assets are discussed below.

For the fiscal year ended March 31, 2015, the Company wrote-off $8,275 in property, plant and equipment.

(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 fiscal years ended March 31, 2016 and 2015, there were no indicators of impairment on the Company's exploration and evaluation assets, or the Company's other assets.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - *Continued*

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) 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.

5. ACQUISITIONS

On June 24, 2014, the Company acquired 100% interest in the Newman-Madsen Property from Sabina Gold & Silver Corp. ("Sabina"). In accordance with IFRS 3, Business Combinations, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that are capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes. This acquisition does not meet the definition of a business combination as the Newman-Madsen Property is an exploration stage property with no defined mineral reserves and did not contain any processes. Consequently, this transaction has been recorded as an acquisition of assets. All assets acquired and liabilities assumed were recorded at fair value.

(Expressed in Canadian Dollars Unless Noted Otherwise)

5. ACQUISITIONS - *Continued*

Share consideration paid	$	2,730,000
Transaction costs		50,292
Total Purchase Consideration – Newman-Madsen	**$**	**2,780,292**

Exploration and evaluation assets	$	2,169,316
Property, plant and equipment		610,976
Net Assets Acquired – Newman-Madsen	**$**	**2,780,292**

The Newman-Madsen Project is adjacent to the Madsen Gold Project. The Company considers the combined projects as the Madsen Gold Project.

6. SHORT-TERM INVESTMENTS

As of March 31, 2016, the Company has invested $23,000 (March 31, 2015 - $1,523,000) 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.

7. AMOUNTS RECEIVABLE

Amounts receivable comprised of the following:

	Year Ended March 31, 2016	Year Ended March 31, 2015
Refundable goods and services tax/ harmonized sales tax	$ 184,859	$ 129,008
Other receivables	25,407	1,040
Total	**$ 210,266**	**$ 130,048**

8. PREPAID EXPENSES

Prepaid expenses comprised of the following:

	Year Ended March 31, 2016	Year Ended March 31, 2015
Insurance and benefits premiums	$ 48,622	$ 44,780
Investor relations and communication	5,103	22,877
Advance for Madsen engineering study	10,000	-
Other prepaid expenses	13,664	15,523
Total	**$ 77,389**	**$ 83,180**

(Expressed in Canadian Dollars Unless Noted Otherwise)

9. 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, 2014	$ 7,635,798
Acquisition costs – Newman-Madsen	2,280,267
Change in estimate of provision for closure and reclamation	197,171
Reclassification	939,540
Balance – March 31, 2015	**$ 11,052,776**

	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 year (*Note 12)*	(117,519)
Balance – March 31, 2016	**$ 6,908,651**

b. Expenditures

Details of the Company's exploration and evaluation expenditures, which have been cumulatively expensed in the Statement of Loss and Comprehensive Loss, are as follows:

For the year ended March 31, 2016	Madsen Gold Project	Other Properties[1]	Total
Drilling	$ 1,084,926	$ -	$ 1,084,926
Salaries, wages and benefits	962,754	-	962,754
Contractors / consultants	919,233	-	919,233
Assaying and geochemical	380,826	275	381,101
Engineering study	214,975	-	214,975
Equipment rental	174,366	-	174,366
Camp field costs	113,036	9,497	122,533
Property fees	109,403	2,683	112,086
Travel and accommodation	100,645	-	100,645
Utilities	80,275	-	80,275
Depreciation	46,531	-	46,531
Supplies	44,333	-	44,333
Administration and other	11,427	-	11,427
Refundable mineral exploration tax credit	-	(33,405)	(33,405)
Expenditures for the period	**4,242,730**	**(20,950)**	**4,221,780**
Cumulative balance – March 31, 2015	4,768,080	7,875,159	12,643,239
Cumulative balance – March 31, 2016	**$ 9,010,810**	**$ 7,854,209**	**$ 16,865,019**

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

(Expressed in Canadian Dollars Unless Noted Otherwise)

9. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES - *Continued*

For the year ended March 31, 2015	Madsen Gold Project	Other Properties[1]	Total
Drilling	$ 1,269,885	$ -	$1,269,885
Salaries, wages and benefits	1,140,717	-	1,140,717
Contractors / consultants	915,776	-	915,776
Assaying and geochemical	269,633	-	269,633
Camp field costs	231,455	36,629	268,084
Travel and accommodation	151,554	-	151,554
Utilities	148,033	-	148,033
Property fees	143,368	3,247	146,615
Geology and geophysics	136,233	-	136,233
Equipment rental	99,588	-	99,588
Depreciation	42,500	-	42,500
Administration and other	28,331	-	28,331
Supplies	22,419	-	22,419
Refundable mineral exploration tax credit	-	(161,511)	(161,511)
Expenditures for the period	**4,599,492**	**(121,635)**	**4,477,857**
Cumulative balance – March 31, 2014	168,588	7,996,794	8,165,382
Cumulative balance – March 31, 2015	**$ 4,768,080**	**$ 7,875,159**	**$ 12,643,239**

(1) *Other properties include Van Horne, Maze Lake, Thundercloud, Goldpines North and South, 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. for cash consideration of $8,750,000 and share consideration of $2,102,031, which was allocated to exploration and evaluation assets as well as property, plant and equipment acquired. 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. 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 to be considered as 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). Pure Gold and Sabina also entered into an equity participation agreement pursuant to which Sabina has a right to maintain its equity position in the Company. Such right will expire on the earlier of June 24, 2016 or the date on which Sabina ceases to hold at least 3.5% of the shares of Pure Gold. 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

(Expressed in Canadian Dollars Unless Noted Otherwise)

9. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES – *Continued*

20-day Volume Weighted Average Price of Premier's shares. The Company retains a 1% NSR royalty on substantially all of the claims sold.

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

The second tranche closed on May 20, 2016. On closing of the second tranche, the Company received the remaining $500,000 in cash while Premier received the surface rights to the claims. At March 31, 2016, the Company has included $334,763 of the consideration received on the closing of the first tranche in "other" current liabilities as this value is considered to be a prepayment for the surface rights tranche of the transaction.

The Company accounts for its investment in Premier as an available for sale financial instrument which is measured at fair value. Any unrealized gains and losses relating to the equity investment in Premier are recorded in other comprehensive income ("OCI").

d. Antofagasta Alliance, Quebec

Effective July 25, 2014, the Company terminated the strategic exploration alliance entered into in 2012 with Antofagasta Minerals S.A., a wholly owned subsidiary of Antofagasta PLC ("Antofagasta"), and therefore the Company no longer has any obligations with respect to the alliance. During the year ended March 31, 2015, as operator, the Company incurred $14,802 in costs on behalf of Antofagasta which has been included in exploration and evaluation expenditures in the Statement of Loss and Comprehensive loss. Additionally, during the year ended March 31, 2015, the Company received a refundable mineral exploration tax credit of $161,511 for eligible exploration expenditures incurred in the Province of Quebec. This amount has been netted against the relevant exploration and evaluation expenditures.

10. PROPERTY, PLANT AND EQUIPMENT

Year Ended March 31, 2016								
Cost	Computer Equipment & Software ($)	Office Furniture & Other Equipment ($)	Land ($)	Vehicles ($)	Exploration Equipment ($)	Mill ($)	Mine Property & Equipment ($)	Total ($)
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**

(Expressed in Canadian Dollars Unless Noted Otherwise)

10. PROPERTY, PLANT AND EQUIPMENT - *Continued*

Year Ended March 31, 2015								
	Computer Equipment & Software	Office Furniture & Other Equipment	Land	Vehicles	Exploration Equipment	Mill	Mine Property & Equipment	Total
Cost	($)	($)	($)	($)	($)	($)	($)	($)
March 31, 2014	46,370	67,301	6,024,491	22,125	-	616,650	181,350	6,958,287
Additions	1,391	-	500,025	-	233,991	-	-	735,407
Reclassification	-	-	(939,540)	-	-	-	-	(939,540)
Write-down	-	-	-	(8,275)	-	-	-	(8,275)
Disposal	-	-	(750)	-	-	-	(2,700)	(3,450)
March 31, 2015	47,761	67,301	5,584,226	13,850	233,991	616,650	178,650	6,742,429
Accumulated Depreciation								
March 31, 2014	(45,181)	(48,241)	-	-	-	-	-	(93,422)
Depreciation	(1,418)	(3,812)	-	(4,155)	(35,099)	-	-	(44,484)
March 31, 2015	(46,599)	(52,053)	-	(4,155)	(35,099)	-	-	(137,906)
Carrying Amounts								
March 31, 2014	**1,189**	**19,060**	**6,024,491**	**22,125**	-	**616,650**	**181,350**	**6,864,865**
March 31, 2015	**1,162**	**15,248**	**5,584,226**	**9,695**	**198,892**	**616,650**	**178,650**	**6,604,523**

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.

11. RECLAMATION DEPOSITS

As of March 31, 2016, the Company made six deposits with a Canadian financial institution to provide financial assurance for six letters of credit totaling $2,427,025 (March 31, 2015 - $1,747,499). 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.

12. 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. The Company has calculated the present value of the closure and reclamation provision at March 31, 2016 using a pre-tax discount rate of 1.23% and inflation rate of 2.00% (March 31, 2015 – 1.36% and 2.00%, respectively). The estimated total future undiscounted and inflation-adjusted cash flows to settle the provision for closure and reclamation at March 31, 2016 is $2,712,496 (March 31, 2015 - $2,900,520). The Company has estimated that payments will be made in 2024.

On December 30, 2015, a portion of the Provision for Closure and Reclamation that relates to mineral rights sold to Premier with a then present value of $117,519 was derecognized.

(Expressed in Canadian Dollars Unless Noted Otherwise)

12. PROVISION FOR CLOSURE AND RECLAMATION - *Continued*

	Year Ended March 31, 2016	Year Ended March 31, 2015
Balance, beginning of the year	$ 2,568,480	$ 2,320,238
New estimated cash flows and changes in estimates	(27,860)	197,171
Accretion on discounted obligation	36,673	51,071
Reduction in provision for closure and reclamation for assets divested in the period	(117,519)	-
Balance, end of the year	**$ 2,459,774**	**$ 2,568,480**

13. 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

<u>February 2015 Private Placement</u>

On February 20, 2015, the Company completed a private placement of 13,836,478 flow-through common shares and 3,187,143 common shares at a price of $0.35 per flow-through share and $0.28 per common share, for aggregate gross proceeds of $5,735,167. In addition, the Company issued 892,858 common shares of the Company (fair value - $250,000) to a third party as an advisory and finder's fee. The Company also paid finder's fees, legal fees and filing fees totaling $547,737.

<u>March 2014 Private Placement</u>

In connection with the private placement completed on March 4, 2014, the Company issued 4,142,190 compensation options. Upon exercise, the holder is entitled to one common share of the Company and one-half common share purchase warrant. Each whole warrant entitled the holder to subscribe for one additional common share at a price of $0.50, with such warrants expiring 24 months from initial issuance of the compensation option.

On August 11, 2014, 2,899,533 compensation options were exercised for total proceeds of $724,883. Upon exercise, the Company issued 2,899,533 common shares and 1,449,767 share purchase warrants with an exercise price of $0.50.

On August 29, 2014, the 1,449,767 share purchase warrants mentioned above were exercised for total proceeds of $724,884. Upon exercise, the fair value of $90,220 was transferred from equity reserves to share capital.

Details of issued and outstanding compensation options are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance - March 31, 2014	4,142,190	$0.25
Exercised	(2,899,533)	$0.25
Balance - March 31, 2015	1,242,657	$0.25
Expired	(1,242,657)	$0.25
Balance – March 31, 2016	**-**	**-**

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. EQUITY – *Continued*

c. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the years ended March 31, 2016 and March 31, 2015 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding Balance - March 31, 2014	41,332,250	$0.48
Issued during the year ended March 31, 2015	1,449,767	$0.50
Exercised during the year ended March 31, 2015	(1,661,767)	$0.47
Expired during the year ended March 31, 2015	(2,957,000)	$0.30
Outstanding Balance – March 31, 2015 and March 31 2016	**38,163,250**	**$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. This amount has been included in equity reserves in the Company's consolidated statement of financial position at March 31, 2016.

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 management company employees. 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 restriction shall exist. The Company applies the fair value based method of accounting for stock options granted to officers, directors, employees and non-employees.

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

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 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 fair value of these options at issuance was $7,072, of which $1,413 has been recognized as share-based compensation expense during the year ended March 31, 2016. 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

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. EQUITY - *Continued*

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 fair value of these options at issuance was $237,780, of which $138,745 has been recognized as share-based compensation expense during the year ended March 31, 2016. 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.

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 fair value of these options at issuance was $7,831, of which $1,482 has been recognized as share-based compensation expense during the year ended March 31, 2016. 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.

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.

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. EQUITY - *Continued*

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.

Year ended March 31, 2015

April 2014

On April 7, 2014, the Company granted incentive stock options to its directors, employees and consultants exercisable to purchase up to 4,380,000 common shares in the capital of the Company until April 8, 2019 at an exercise price of $0.35 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 793,333 options will vest one year from the grant date, 793,333 options will vest two years from the grant date and the remaining 793,334 will vest three years from the grant date. The 2,000,000 options granted to non-executive directors vested immediately.

The fair value of these options at issuance was $1,129,040, of which $166,876 has been recognized as share-based compensation expense during the year ended March 31, 2016 (year ended March 31, 2015 - $884,748). The corresponding share-based compensation expense has a weighted average fair value of $0.26 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions.

Assumptions	
Risk-free interest rate	1.73%
Expected stock price volatility	97.93%
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.

During the year ended March 31, 2016, 150,000 incentive stock options with a strike price of $0.35 relating to the above noted grant were forfeited. As a result of the forfeiture, the $166,876 recognized as share-based compensation was offset by $25,398 due to a reversal of previously recognized share-based compensation relating to unvested options.

May 2014

On May 13, 2014, the Company granted incentive stock options to an officer and an employee exercisable to purchase up to 300,000 common shares in the capital of the Company until May 13, 2019 at an exercise price of $0.32 per share. The incentive stock options were granted in accordance with the Company's Stock Option Plan and are subject to vesting provisions whereby 100,000 options will vest one year from the grant date, 100,000 options will vest two years from the grant date and the remaining 100,000 will vest three years from the grant date.

The fair value of these options at issuance was $70,231, of which $14,906 has been recognized as share-based compensation expense during the year ended March 31, 2016 (year ended March 31, 2015 - $38,078). The corresponding share-based compensation expense has a weighted average fair value of $0.23 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. EQUITY – *Continued*

Assumptions	
Risk-free interest rate	1.62%
Expected stock price volatility	97.02%
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.

During the year ended March 31, 2016, 100,000 incentive stock options with a strike price of $0.32 relating to the above noted grant were forfeited. As a result of the forfeiture, the $14,906 recognized as share-based compensation expense was offset by $11,097 due to a reversal of previously recognized share-based compensation relating to unvested options.

February 2015

On February 10, 2015, the Company granted incentive stock options to an employee exercisable to purchase up to 200,000 common shares in the capital of the Company until February 10, 2020 at an exercise price of $0.35 per share. The incentive stock options were granted in accordance with the Company's Stock Option Plan and are subject to vesting provisions whereby 66,667 options will vest one year from the grant date, 66,667 options will vest two years from the grant date and the remaining 66,666 will vest three years from the grant date.

The fair value of these options at issuance was $37,384, of which $21,193 has been recognized as share-based compensation expense during the year ended March 31, 2016 (year ended March 31, 2015 – $3,030). The corresponding share-based compensation expense has a weighted average fair value of $0.19 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	0.73%
Expected stock price volatility	92.04%
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.

March 2015

On March 19, 2015, the Company granted incentive stock options to its employees exercisable to purchase up to 950,000 common shares in the capital of the Company until March 19, 2020 at an exercise price of $0.28 per share. The incentive stock options were granted in accordance with the Company's Stock Option Plan and are subject to vesting provisions whereby 316,667 options will vest one year from the grant date, 316,667 options will vest two years from the grant date and the remaining 316,666 will vest three years from the grant date.

The fair value of these options at issuance was $161,918, of which $90,852 has been recognized as share-based compensation expense during the year ended March 31, 2016 (year ended March 31, 2015 - $3,253). The corresponding share-based compensation expense has a weighted average fair value of $0.17 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. EQUITY – *Continued*

Assumptions	
Risk-free interest rate	0.74%
Expected stock price volatility	91.48%
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.

During the year ended March 31, 2016, 100,000 incentive stock options with a strike price of $0.28 relating to the above noted grant were forfeited. As a result of the forfeiture, the $90,852 recognized as share-based compensation expense was offset by $4,248 due to a reversal of previously recognized share-based compensation expense relating to unvested options.

Exercise of Stock Options

During the year ended March 31, 2015, 75,000 incentive stock options with a strike price of $0.20 were exercised for total proceeds of $15,000. In connection with this option exercise, the related fair value amount of $69,854 was transferred from equity reserves to share capital.

Expiry of Stock Options

During the year ended March 31, 2015, 172,500 incentive stock options with a strike price of $0.20 expired without exercise. These options had fully vested prior to expiry.

Details of stock options granted, exercised and expired during the years ended March 31, 2016 and March 31, 2015 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance – March 31, 2014	532,500	$0.20
Granted during the period	5,830,000	$0.34
Exercised during the period	(75,000)	$0.20
Expired during the period	(172,500)	$0.20
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**

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. EQUITY – *Continued*

At March 31, 2016, the following options are outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining in Years	Number of Options Exercisable
February 25, 2018	$0.20	100,000	1.91	100,000
April 8, 2019	$0.35	4,205,000	3.02	2,735,000
May 13, 2019	$0.32	150,000	3.12	50,000
February 10, 2020	$0.35	200,000	3.87	66,667
March 19, 2020	$0.28	850,000	3.97	283,333
December 3, 2020	$0.11	100,000	4.68	-
December 11, 2020	$0.11	3,380,000	4.70	1,650,000
February 18, 2021	$0.16	75,000	4.89	-
	$0.25	**9,060,000**	**3.78**	**4,885,000**

The options exercisable at March 31, 2016 have a weighted average exercise price of $0.31.

14. 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. As at March 31, 2016, Oxygen holds a refundable deposit of $156,000 on behalf of the Company (March 31, 2015 - $156,000). During the year ended March 31, 2016, a total of $899,058 (March 31, 2015 - $875,962) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at March 31, 2016, the Company has a payable amount to Oxygen of $59,465 (March 31, 2015 - $84,157). This amount was paid subsequent to March 31, 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, 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:

	Year Ended March 31, 2016	Year Ended March 31, 2015
Salaries and other short-term employee benefits	$ 578,413	$ 546,807
Directors fees	160,000	160,000
Share-based compensation	322,170	804,760
Total	**$ 1,060,583**	**$ 1,511,567**

15. 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.

(Expressed in Canadian Dollars Unless Noted Otherwise)

16. 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 "Agreement"). The 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 Agreement, the Company shall pay to Oxygen an amount equal to the average monthly costs incurred under the Agreement for the previous six month period, plus any employee termination fees due under the Agreement as a result of the termination as such term is defined under the Agreement.

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 for 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:

	Winnipeg Office Lease	GMC Sierra 2500 HD	GMC Sierra 2500 HD
2016	$ 30,639	$ 7,205	$ 8,567
2017	20,426	9,606	11,422
2018	-	4,803	5,711
Total	**$ 51,065**	**$ 21,614**	**$ 25,700**

The total operating lease expense during the year ended March 31, 2016 was $188,323 (2015 - $180,637).

c. As at March 31, 2016, 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 (Note 13b). The Company filed its renunciation forms on February 12, 2016. As at March 31, 2016, the Company had incurred qualifying resource expenditures of $4,618,187. The Company must therefore incur the $224,580 balance of qualifying resource expenditures before January 1, 2017.

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.

17. SUPPLEMENTAL CASH FLOW INFORMATION

Non-Cash Investing and Financing Activities	Year Ended March 31, 2016	Year Ended March 31, 2015
Fair value of shares received on partial disposal of exploration and evaluation asset	$ (2,654,561)	$ -
Unrealized gain on available for sale investment	$ (450,774)	$ -
Obligation for payment to be made to Premier	$ 55,968	$ -
Change in estimate of provision for closure and reclamation	$ (27,860)	$ 197,171
Fair value of exercised stock options	$ 15,850	$ 69,853
Fair value of shares issued for exploration and evaluation assets	$ -	$ 2,730,000
Fair value of common shares issued in connection with financing	$ -	$ 250,000
Fair value of exercised compensation options	$ -	$ 146,345
Fair value of exercised warrants	$ -	$ 112,573

(Expressed in Canadian Dollars Unless Noted Otherwise)

18. FINANCIAL INSTRUMENTS

a. Financial Assets and Liabilities

At March 31, 2016, the carrying amounts of cash, short-term investments, amounts receivable, interest receivable, available for sale investments, deposits, reclamation deposits, accounts payable and accrued liabilities are considered to be a reasonable approximation of their fair values, due to their short-term nature.

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 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 consolidated statement of financial position. During the period from December 30, 2015 to March 31, 2016, the Company recorded an unrealized gain of $450,774 in OCI related to its investment in Premier.

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 March 31, 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:

	Year Ended March 31, 2016	Year Ended March 31, 2015
	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 year ended March 31, 2016.

19. 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

19. MANAGEMENT OF CAPITAL – *Continued*

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.

20. 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, 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.

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 March 31, 2016, the Company had cash of $2,199,151 (March 31, 2015 - $5,006,937) and short-term investments of $23,000 (March 31, 2015 - $1,523,000) to settle current liabilities of $1,408,402 (March 31, 2015 - $1,787,173). As at March 31, 2016, the Company is committed to incur, on a best efforts basis, $224,580 in qualifying resource expenditures.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows or fair value 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 year ended March 31, 2016, a plus or minus 0.5% change in market interest rates would affect the Company's interest earned on cash, restricted cash and short-term investments by approximately $27,000.

(Expressed in Canadian Dollars Unless Noted Otherwise)

21. INCOME TAXES

a. The income tax provision for the year ended March 31, 2016 differs from the amount that would have resulted from applying combined Canadian federal and provincial income tax rates of 26% (March 31, 2015 – 26%).

	For the year ended March 31, 2016	For the year ended March 31, 2015
Loss before income taxes	$ (5,932,684)	$ (7,154,500)
Statutory Canadian federal and provincial tax rates	26.00%	26.00%
Expected tax recovery	(1,542,497)	(1,860,170)
Adjustments:		
Flow through shares	1,200,729	-
Flow through premium liability	(923,637)	-
Permanent differences	48,339	113,724
Benefit not recognized and other	293,429	1,746,446
Income tax (recovery) expense	**$ (923,637)**	**$ -**

b. Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial and tax purposes. The Company holds no deferred tax assets and liabilities.

c. The following are temporary differences, the net benefits of which have not been recognized at March 31, 2016 and 2015:

	March 31, 2016	March 31, 2015
Deferred income tax assets:		
Non-capital loss carry-forwards	$ 3,351,842	$ 3,118,248
Share issuance costs	267,120	380,232
Other	580,941	115,012
Exploration and evaluation assets	1,851,836	2,337,354
Total temporary differences	**$ 6,051,739**	**$ 5,950,846**

d. The Company has non-capital losses which may be applied to reduce future year's taxable income. At March 31, 2016, the non-capital losses amounted to $12,893,139 (March 31, 2015 – $11,252,737) which will expire between the years 2026 and 2036.

There are no income taxes owing by Pure Gold at March 31, 2016.

22. SUBSEQUENT EVENTS

a. A total of 4,146,500 share purchase warrants with an exercise price of $0.50 per share were exercised for total proceeds of $2.1 million.

b. A total of 250,000 incentive stock options with strike prices ranging from $0.28 - $0.35 were exercised for total proceeds of $84,000. In addition, 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. The share-based compensation expense related to these options will be reversed in fiscal 2017.

22. SUBSEQUENT EVENTS – *Continued*

c. On May 20, 2016 the Company completed the sale of certain surface rights to Premier Gold and received a further $0.5 million in sales proceeds.

d. On May 26, 2016, the Company granted incentive stock options to its 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.

e. On June 8, 2016, the Company sold 8,334,000 flow-through common shares at a price of $0.75 per share on a bought deal private placement basis (the “Offering”), for gross proceeds of $6.3 million. In consideration for their services, the underwriters received a cash commission equal to 6% of the gross proceeds of the Offering.