Pure Gold Mining Inc.

Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2019

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

Notice of no Auditor Review of
Interim Financial Statements

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

The accompanying unaudited condensed interim consolidated financial statements of Pure Gold Mining Inc. (the "Company") as at June 30, 2019, and for the three and six months ended June 30, 2019, have been prepared by and are the responsibility of the Company's management.

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

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	As at June 30, 2019	As at December 31, 2018
ASSETS		
Current Assets		
Cash	$ 3,283,919	$ 4,254,624
Short-term investments *(Note 5)*	23,000	23,000
Amounts receivable *(Note 6)*	173,298	309,686
Prepaid expenses *(Note 7)*	651,583	289,397
Interest receivable	-	176
	4,131,800	4,876,883
Non-current Assets		
Exploration and evaluation asset acquisition costs *(Note 8a)*	7,986,845	7,846,101
Property, plant and equipment *(Note 9)*	7,070,869	6,520,902
Reclamation deposits *(Note 10)*	1,322,799	1,322,799
Deposits *(Note 14)*	305,280	305,280
Total Assets	$ 20,817,593	$ 20,871,965
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,043,824	$ 1,006,138
Flow-through premium liability *(Note 16b)*	849,637	-
Lease liabilities *(Note 12)*	131,455	13,270
	2,024,916	1,019,408
Non-current Liabilities		
Provision for closure and reclamation *(Note 11)*	2,601,794	2,438,919
Lease liabilities *(Note 12)*	508,331	-
Total Liabilities	5,135,041	3,458,327
Equity		
Share capital *(Note 13a)*	113,683,828	107,996,948
Equity reserves *(Note 13c and Note 13d)*	10,009,453	10,552,337
Accumulated deficit	(108,010,729)	(101,135,647)
Total Equity	15,682,552	17,413,638
Total Liabilities and Equity	$ 20,817,593	$ 20,871,965

Commitments & Contingencies *(Note 16)*

Approved by the Audit Committee of the Board of Directors on August 14, 2019:

"Lenard Boggio", Audit Committee Chair

"Graeme Currie", Director

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

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the three months ended June 30, 2019	For the three months ended June 30, 2018	For the six months ended June 30, 2019	For the six months ended June 30, 2018
Expenses				
Exploration and evaluation expenditures *(Note 8b)*	$ 1,957,783	$ 7,288,670	$ 3,604,264	$ 14,907,936
Wages, consulting and director fees	405,511	350,848	796,914	749,996
Professional fees	750,204	40,510	976,555	130,479
Listing and filing fees	460,337	19,744	606,907	26,789
Share-based compensation *(Note 13d)*	128,417	280,013	258,182	557,661
Office and rent	131,971	157,878	259,137	354,330
Investor relations and communication	181,302	62,134	308,430	214,593
Depreciation	38,588	2,960	77,869	6,442
Total Expenses	(4,054,511)	(8,202,757)	(6,888,258)	(16,948,226)
Other Income and Expenses				
Finance income	37,323	59,852	62,673	113,686
Administration fee	-	59,551	-	59,551
Accretion expense *(Note 11)*	(10,267)	(12,302)	(22,131)	(24,402)
Finance expense	(13,190)	(2,290)	(27,366)	(4,216)
Loss before Income Taxes	(4,040,249)	(8,097,946)	(6,875,082)	(16,803,607)
Income tax recovery *(Note 16a)*	-	402,506	-	1,911,229
Net Loss and Comprehensive Loss for the Period	(4,040,249)	(7,695,440)	(6,875,082)	(14,892,378)
Weighted Average Number of Common Shares Outstanding	267,172,425	236,723,889	261,996,426	230,057,561
Basic and Diluted Loss per Common Share	$ (0.02)	$ (0.03)	$ (0.03)	$ (0.06)

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

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Number of Common Shares		Share Capital		Equity Reserves		Accumulated Deficit		Total
Balance – December 31, 2017	223,219,384	$	90,030,212	$	7,877,426	$	(72,037,524)	$	25,870,114
Flow-through common share issuance *(Note 13b)*	4,000,000		3,000,000		-		-		3,000,000
Flow-through premium liability	-		(360,000)		-		-		(360,000)
Common share issuance *(Note 13b)*	28,930,000		17,936,600		-		-		17,936,600
Share issue costs – cash	-		(1,087,980)		-		-		(1,087,980)
Fair value of warrants issued with common shares *(Note 13c)*	-		(1,683,070)		1,683,070		-		-
Share issue costs allocated to warrants	-		91,024		(91,024)		-		-
Exercised stock options	158,333		36,366		-		-		36,366
Fair value of exercised stock options *(Note 13d)*	-		27,796		(27,796)		-		-
Share-based compensation *(Note 13d)*	-		-		557,661		-		557,661
Net loss for the period	-		-		-		(14,892,378)		(14,892,378)
Balance – June 30, 2018	256,307,717	$	107,990,948	$	9,999,337	$	(86,929,903)	$	31,060,843
Exercised stock options	33,333		3,667		-		-		3,667
Fair value of exercised stock options *(Note 13d)*	-		2,333		(2,333)		-		-
Share-based compensation *(Note 13d)*	-		-		555,333		-		555,333
Net loss for the period	-		-		-		(14,205,744)		(14,205,744)
Balance – December 31, 2018	256,341,050	$	107,996,948	$	10,552,337	$	(101,135,647)	$	17,413,638
Flow-through common share issuance *(Note 13b)*	7,723,975		5,175,063		-		-		5,175,063
Flow-through premium liability	-		(849,637)		-		-		(849,637)
Share issue costs – cash	-		(526,312)		-		-		(526,312)
Exercised stock options	3,146,667		1,086,700		-		-		1,086,700
Fair value of exercised stock options *(Note 13d)*	-		801,066		(801,066)		-		-
Share-based compensation *(Note 13d)*	-		-		258,182		-		258,182
Net loss for the period	-		-		-		(6,875,082)		(6,875,082)
Balance – June 30, 2019	267,211,692	$	113,683,828	$	10,009,453	$	(108,010,729)	$	15,682,552

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

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

		For the six months ended June 30, 2019		For the six months ended June 30, 2018
Operating Activities				
Net loss for the period	$	(6,875,082)	$	(14,892,378)
Items not affecting cash:				
Deferred income tax recovery		-		(1,911,229)
Share-based compensation (*Note 13d)*		258,182		577,661
Depreciation (*Note 9)*		148,258		90,460
Accretion expense (*Note 11)*		22,131		24,402
Finance expense		27,366		4,214
Finance income		(62,673)		(113,687)
Changes in non-cash working capital:				
Accounts payable and accrued liabilities		37,686		1,728,925
Provisions		-		(55,968)
Prepaid expenses		(362,187)		(116,064)
Amounts receivable		136,388		(613,118)
Net cash used in operating activities		(6,669,931)		(15,296,783)
Investing Activities				
Interest received		62,850		113,686
Reclamation deposits		-		111,936
Property, plant and equipment (*Note 9)*		(8,308)		(83,643)
Net cash provided by investing activities		54,542		141,979
Financing Activities				
Proceeds from financing *(Note 13b)*		5,175,063		20,936,600
Proceeds from exercised stock options (*Note 13d)*		1,086,700		36,366
Share issue costs		(526,312)		(1,087,520)
Payment of lease liabilities (*Note 12)*		(90,767)		(16,400)
Net cash provided by financing activities		5,644,684		19,869,046
Net (Decrease) Increase in Cash		(970,705)		4,714,242
Cash - Beginning of the Period		4,254,624		14,856,993
Cash - End of the Period	$	3,283,919	$	19,571,235

Supplemental Cash Flow Information *(Note 17)*

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

1. GENERAL INFORMATION

Pure Gold Mining Inc. ("Pure Gold" or the "Company"), is a publicly listed company incorporated and domiciled in Canada. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "PGM." and the London Stock Exchange under the symbol "PUR". 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.

In March 2019, Pure Gold filed a technical report for a feasibility-study on the Madsen Gold Project. 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

Change in Year End

During the nine months ended December 31, 2018, the Company changed its fiscal year end to December 31, from March 31. The Company's transition period is the nine months ended December 31, 2018, and the comparative period for these condensed interim consolidated financial statements is the six months ended June 30, 2018. The new financial year aligns the Company with its peer group in the mineral resources sector.

Statement of Compliance

The Company prepares its annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34").

These condensed interim consolidated financial statements do not include all of the information required for full IFRS financial statements and therefore should be read in conjunction with the Company's most recent annual consolidated financial statements as at and for the nine month period ended December 31, 2018.

The accounting policies and methods of application applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's audited financial statements for the nine month period ended December 31, 2018, except as described in Note 3.

3. NEW, AMENDED AND FUTURE IFRS PRONOUNCEMENTS

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

<u>IFRS 16 – Leases</u>

On January 1, 2019 the Company adopted IFRS 16 – Leases ("IFRS 16"). The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been

(Expressed in Canadian Dollars Unless Noted Otherwise)

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

restated and continues to be reported under IAS 17. On transition to IFRS 16, the Company recognized a right-of-use asset of $689,918, and a lease liability of $689,918. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate of 8%.

The following table sets forth the adjustments to the Company's operating lease commitments as disclosed in the Company's financial statements for the nine month period ended December 31, 2018, used to derive the lease obligations recognized on initial application of IFRS 16 at January 1, 2019:

Finance lease commitment - December 31, 2018	$	13,270
Add: operating lease commitment at December 31, 2018		1,379,589
Effect of excluding variable lease payments (Note 12)		(546,036)
Effect of discounting commitment using the incremental borrowing rate of 8%		(143,635)
Lease liabilities recognized at January 1, 2019	**$**	**703,188**

The following are the significant accounting policies which have been amended as a result of IFRS 16, and applied at January 1, 2019:

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset of a period of time in exchange for consideration. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest rate method, and is re-measured when there is a change in future lease payments. When the lease liability is re-measured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'property, plant & equipment', and lease liabilities in 'lease liabilities' in the statement of financial position. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months of less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Expressed in Canadian Dollars Unless Noted Otherwise)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements. In addition, the Company made the following critical estimate upon adopting IFRS 16:

Determining the Discount Rate for Leases

IFRS 16 requires the Company to discount lease payments using the rate implicit in the lease if that rate is readily available. If that rate cannot be readily determined, the lessee is required to use its incremental borrowing rate. The Company generally uses the incremental borrowing rate when initially recording real estate leases as the implicit rates are not readily available as information from the lessor regarding the fair value of underlying assets and initial direct costs incurred by the lessor related to the leased assets is not available. The Company determines the incremental borrowing rate as the interest rate the Company would pay to borrow over a similar term the funds necessary to obtain an asset of a similar value to the right-of-use-asset in a similar economic environment.

5. SHORT-TERM INVESTMENTS

As of June 30, 2019, the Company has invested $23,000 (December 31, 2018 - $23,000) into a Guaranteed Investment Certificate ("GIC") with a Canadian financial institution. The GIC yields interest at a rate of 1.25% and has an original maturity date of greater than three months but not more than one year.

6. AMOUNTS RECEIVABLE

Amounts receivable comprised of the following:

	June 30, 2019	December 31, 2018
Refundable goods and services tax/ harmonized sales tax	$ 170,978	$ 255,476
Other receivables	2,320	54,210
Total	**$ 173,298**	**$ 309,686**

7. PREPAID EXPENSES

Prepaid expenses comprised of the following:

	June 30, 2019	December 31, 2018
Advances for Madsen work programs	$ 311,025	$ 120,439
Advance for financial advisory services	133,990	-
Software licenses	55,583	75,440
Insurance and benefits premiums	54,865	28,431
Investor relations and communication	49,476	10,394
Surety bond premium	16,167	44,460
Other prepaid expenses	30,478	10,233
Total	**$ 651,584**	**$ 289,397**

(Expressed in Canadian Dollars Unless Noted Otherwise)

8. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

a. Acquisition Costs

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

	Madsen Gold Project
Balance – March 31, 2018	$ 7,818,750
Change in estimate of provision for closure and reclamation	27,351
Balance – December 31, 2018	**$ 7,846,101**

	Madsen Gold Project
Balance – December 31, 2018	$ 7,846,101
Change in estimate of provision for closure and reclamation	140,744
Balance – June 30, 2019	**$ 7,986,845**

b. Expenditures

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

For the six months ended June 30, 2019	Madsen Gold Project	Other Properties[1]	Total
Salaries, wages and benefits	$ 750,070	$ -	$ 750,070
Contractors / consultants	623,378	-	623,378
Drilling	492,629	-	492,629
Feasibility Study	395,821	-	395,821
Engineering	331,290	-	331,290
Assaying	188,490	-	188,490
Utilities	178,302	-	178,302
Preliminary Economic Assessment	170,366	-	170,366
Camp & field costs	112,552	-	112,552
Travel and accommodation	91,308	-	91,308
Depreciation	70,389	-	70,389
Equipment rental	64,163	-	64,163
Community & safety	56,014	-	56,014
Property fees	55,417	-	55,417
Administration and other	24,075	-	24,075
Expenditures for the period	**3,604,264**	**-**	**3,604,264**
Cumulative balance – December 31, 2018	77,208,536	8,258,097	85,466,633
Cumulative balance – June 30, 2019	**$ 80,812,800**	**$ 8,258,097**	**$ 89,070,897**

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

(Expressed in Canadian Dollars Unless Noted Otherwise)

8. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

For the fiscal period ended December 31, 2018	Madsen Gold Project	Other Properties[(1)]	Total
Drilling	$ 2,406,534	$ -	$ 2,406,534
Contractors / consultants	2,494,080	-	2,494,080
Bulk Sample	5,718,051	-	5,718,051
Feasibility Study	2,630,674	-	2,630,674
Assaying and geochemical	1,060,350	-	1,060,350
Engineering	1,534,944	-	1,534,944
Salaries, wages and benefits	1,233,390	-	1,233,390
Equipment rental	351,201	-	351,201
Camp & field costs	434,428	-	434,428
Travel and accommodation	241,296	-	241,296
Utilities	624,316	-	624,316
Property fees	74,160	3,955	78,115
Supplies	126,131	-	126,131
Community & safety	239,887	-	239,887
Depreciation	120,720	-	120,720
Administration and other	32,705	-	32,705
Refundable mineral exploration tax credit	-	33,891	33,891
Expenditures for the period	**19,322,867**	**37,846**	**19,360,713**
Cumulative balance – March 31, 2018	57,885,669	8,220,251	66,105,920
Cumulative balance – December 31, 2018	**$ 77,208,536**	**$ 8,258,097**	**$ 85,466,633**

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

c. Madsen Gold Project, Ontario

On March 4, 2014, the Company acquired a 100% interest in the Madsen Gold Project from Claude Resources Inc. ("Claude"). The Madsen Gold Project is located in the Red Lake gold camp of Northwestern Ontario.

On June 24, 2014, the Company acquired a 100% interest in the Newman-Madsen Property from Sabina Gold and Silver Corp ("Sabina"). The Newman-Madsen Property is considered part of the Madsen Gold Project. Certain of the Newman-Madsen claims acquired are subject to royalty arrangements based on Net Smelter Returns ("NSRs") ranging from 0.5% to 3%. Of the known resources on the Madsen Gold Project, only the Russet South resources are subject to a 2% NSR which is capped at $2,000,000.

On December 30, 2015, the Company entered into an agreement (the "Buffalo Agreement") to sell 28 mineral claims of the Madsen Gold Project to Premier Gold Mines Ltd ("Premier"), in exchange for $2,500,000 in cash, $2,500,000 in common shares of Premier, and a 1% NSR royalty on substantially all of the claims sold. On December 30, 2015, the Company received cash of $2,000,000, and 1,001,721 common shares of Premier, while Premier received the underlying mineral rights of the claims being sold. On May 20, 2016, the Company received the final $500,000 while Premier received the surface rights to the claims.

Derlak

On March 10, 2017, the Company acquired a 100% interest in the Derlak Gold Property from Orefinders Resources Inc. ("Orefinders"). The Derlak Gold Property is considered part of the Madsen Gold Project.

(Expressed in Canadian Dollars Unless Noted Otherwise)

8. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

Upon completion of the acquisition, Pure Gold issued 1,290,322 of its common shares to Orefinders (fair value of $696,774), and paid $500,000 in cash. The 11 claims acquired are subject to a royalty arrangement based on a Net Smelter Return (“NSR”) of 3%.

d. Van Horne Property, Ontario

During the year ended March 31, 2018, the Company completed the acquisition of surface rights at its Van Horne property.

On March 12, 2018, the Company signed an option agreement with KG Exploration Canada Inc. (“Kinross”) a subsidiary of Kinross Gold Corp. whereby Kinross has the option to acquire up to a 70% interest in the Company’s Van Horne property. To earn its 70% interest Kinross must spend a total of $4,000,000 on Van Horne over a four year period, with a committed minimum of $750,000 in year one (completed), and pay to the Company $100,000. Kinross may also satisfy the expenditures by making a cash payment to the Company.

9. PROPERTY, PLANT AND EQUIPMENT

Six Months Ended June 30, 2019									
Cost	Computer Equipment & Software ($)	Office Furniture & Other Equipment ($)	Buildings ($)	Land ($)	Vehicles ($)	Exploration Equipment & Infrastructure ($)	Mill ($)	Mine Property & Equipment ($)	Total ($)
December 31, 2018	132,680	67,133	-	5,048,767	33,396	1,001,177	616,650	173,245	7,073,048
Right-of-use asset	-	-	689,918	-	-	-	-	-	689,918
Additions	6,422	1886	-	-	-	-	-	-	8,308
Disposals	-	-	-	-	-	-	-	-	-
June 30, 2019	139,102	69,019	689,918	5,048,767	33,396	1,001,177	616,650	173,245	7,771,274
Accumulated Depreciation									
December 31, 2018	(123,886)	(34,999)	-	-	(19,082)	(341,094)	-	(33,085)	(552,146)
Depreciation	(5,142)	(3,495)	(72,623)	-	(2,338)	(56,945)	-	(7,716)	(148,259)
Disposals	-	-	-	-	-	-	-	-	-
June 30, 2019	(129,028)	(38,494)	(72,623)	-	(21,420)	(398,039)	-	(40,801)	(700,405)
Carrying Amounts									
December 31, 2018	**8,794**	**32,134**	-	**5,048,767**	**14,314**	**660,083**	**616,650**	**140,160**	**6,520,902**
June 30, 2019	**10,074**	**30,525**	**617,295**	**5,048,767**	**11,976**	**603,138**	**616,650**	**132,444**	**7,070,869**

(Expressed in Canadian Dollars Unless Noted Otherwise)

9. PROPERTY, PLANT & EQUIPMENT (continued)

Fiscal Period Ended December 31, 2018								
Cost	Computer Equipment & Software ($)	Office Furniture & Other Equipment ($)	Land ($)	Vehicles ($)	Exploration Equipment & Infrastructure ($)	Mill ($)	Mine Property & Equipment ($)	Total ($)
March 31, 2018	132,130	66,486	5,066,363	33,396	908,462	616,650	140,325	6,963,812
Additions	550	647	-	-	92,715	-	32,920	126,832
Disposals	-	-	(17,596)	-	-	-	-	(17,596)
December 31, 2018	132,680	67,133	5,048,767	33,396	1,001,177	616,650	173,245	7,073,048
Accumulated Depreciation								
March 31, 2018	(116,674)	(29,184)	-	(14,692)	(243,526)	-	(19,958)	(424,034)
Depreciation	(7,212)	(5,815)	-	(4,390)	(97,568)	-	(13,127)	(128,112)
Disposals	-	-	-	-	-	-	-	-
December 31, 2018	(123,886)	(34,999)	-	(19,082)	(341,094)	-	(33,085)	(552,146)
Carrying Amounts								
March 31, 2018	**15,456**	**37,302**	**5,066,363**	**18,704**	**664,936**	**616,650**	**120,367**	**6,539,778**
December 31, 2018	**8,794**	**32,134**	**5,048,767**	**14,314**	**660,083**	**616,650**	**140,160**	**6,520,902**

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

10. RECLAMATION DEPOSITS

In December 2017, the Company established a surety bonding arrangement with a United States-based surety group (the "Surety"), with respect to two separate Closure Plans for the Madsen Gold Project, to replace certain letters of credit on file with the Minister of Northern Development and Mines ("MNDM"). As a condition for the Surety providing two surety bonds pertaining to the Closure Plans, the Company was required to make a deposit of $1,322,799, as collateral with a US bank. The deposit currently yields interest at a rate of 1.97% per annum and has no maturity date.

The collateral required by the Surety has resulted in a reclamation deposit balance at June 30, 2019 of $1,322,799 (December 31, 2018 - $1,322,799). All deposits are classified as long-term, regardless of their term, as the funds will remain on deposit until the surety bonds are extinguished.

11. PROVISION FOR CLOSURE AND RECLAMATION

The Company has recognized a liability relating to its Madsen Gold Project and has determined that no significant closure and reclamation liabilities exist in connection with the exploration activities on its other exploration and evaluation assets. The Company has calculated the present value of the closure and reclamation provision at June 30, 2019 using a pre-tax discount rate of 1.46% and inflation rate of 2.00% (December 31, 2018 – 1.96% and 2.00%, respectively). The estimated total future undiscounted, but inflation-adjusted, cash flows to settle the provision for closure and reclamation at June 30, 2019 is $3,152,680 (December 31, 2018 - $3,231,694). The Company has estimated that payments will be made in 2032 (December 31, 2018 – 2033).

(Expressed in Canadian Dollars Unless Noted Otherwise)

11. PROVISION FOR CLOSURE AND RECLAMATION (continued)

	Six Months Ended June 30, 2019	Fiscal Period Ended December 31, 2018
Balance, beginning of the period	$ 2,438,919	$ 2,372,958
New estimated cash flows and changes in estimates	140,744	27,351
Accretion on discounted obligation	22,131	38,610
Balance, end of the period	**$ 2,601,794**	**$ 2,438,919**

12. LEASES

a. Right-of-use assets

The Company leases assets such as office space (Note 14) and equipment. These assets are classified as property, plant and equipment in the statement of financial position.

The Company's lease with respect to its head office premises is paid by Oxygen pursuant to the Oxygen Agreement (Note 14).

Balance - December 31, 2018	$ 722,231
Depreciation	(74,533)
Balance – June 30, 2019	**$ 647,698**

b. Lease liabilities

Below is a maturity analysis of the Company's lease payments:

	Head Office Lease	Equipment Lease
2019	$ 84,768	$ 8,000
2020	171,891	-
2021	178,955	-
2022	178,955	-
2023	134,216	-
Total undiscounted lease payments	**$ 748,785**	**$ 8,000**

Total undiscounted lease payments excludes leases that are classified as short-term and leases for low-value assets, which are not recognized as lease liabilities.

For the six months ended June 30, 2019, the Company recognized $27,366 in interest expense on lease liabilities.

The Company's lease with respect to its head office premises includes variable payments that do not depend on an index or rate. As such, these payments have been excluded from the lease liability. The Company expensed $47,815 of variable lease payments during the six months ended June 30, 2019.

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13. EQUITY

a. Share Capital

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

b. Private Placements

On March 29, 2019 the Company completed a bought deal private placement of 7,723,975 Flow Through Shares (the "FT Shares") at a price of $0.67 per FT Share, for gross proceeds of $5,175,063. In connection with the private placement the Company paid commissions, legal fees and filing fees totaling $526,312.

On May 24, 2018 the Company completed a bought deal private placement of 16,130,000 units at a price of $0.62 per unit (the "Units"), and 4,000,000 Flow Through Shares (the "FT Shares") at a price of $0.75 per FT Share, for gross proceeds of $13,000,600. Each Unit consists of one common share of the Company (a "Unit Share") and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant is transferrable and entitles the holder to acquire one common share of the Company until May 24, 2020 at a price of $0.85. In connection with the private placement, the Company paid the underwriters a cash commission equal to 6.0% of the gross proceeds.

Concurrent with the above bought deal private placement, the Company completed a non-brokered private placement with Anglogold Ashanti Limited for 12,800,000 Units of the Company at $0.62 per Unit for gross proceeds of $7,936,000, increasing its ownership percentage in the Company to 14.9% of the common shares issued and outstanding on a non-diluted basis. Each Warrant issued as part of the non-brokered private placement is transferrable and entitles the holder to acquire one common share of the Company until May 24, 2020 at a price of $0.85.

In connection with the above transactions the Company paid commissions, legal fees and filing fees totaling $1,087,980.

The Warrants issued have been valued at $1,592,046 ($1,683,070 net of allocated share issuance costs of $91,024) using the Black-Scholes option pricing model with the following assumptions:

Assumptions	
Risk-free interest rate	1.99%
Expected stock price volatility	50.62%
Expected dividend yield	0.00%
Expected life of warrants	2 years

c. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the six months ended June 30, 2019 and the nine months ended December 31, 2018 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding Balance - March 31, 2018	-	-
Issued	14,465,000	$0.85
Outstanding Balance – December 31, 2018 and June 30, 2019	**14,465,000**	**$0.85**

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. EQUITY (continued)

At the time of issuance, the 14,465,000 share purchase warrants had a fair value of $1,592,046 ($1,683,070 net of allocated share issuance costs of $91,024), which is included in equity reserves in the Company's consolidated statement of financial position at June 30, 2019.

d. Stock Options

The Company has established a share purchase option plan (the "Stock Option Plan") whereby the board of directors may, from time to time, grant options to directors, officers, employees, consultants or technical and administrative company employees (Note 14). 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 options.

At June 30, 2019, the following options are outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Life in Years	Number of Options Exercisable
February 10, 2020	$0.35	200,000	0.62	200,000
March 19, 2020	$0.28	650,000	0.72	650,000
December 3, 2020	$0.11	33,333	1.43	33,333
December 11, 2020	$0.11	2,700,000	1.45	2,700,000
May 26, 2021	$0.63	400,000	1.91	400,000
October 11, 2021	$0.72	300,000	2.28	200,000
November 14, 2021	$0.72	75,000	2.38	75,000
December 21, 2021	$0.44	4,635,000	2.48	3,690,002
June 16, 2022	$0.54	200,000	2.96	200,000
July 24, 2022	$0.54	100,000	3.07	33,333
December 15, 2022	$0.49	5,160,000	3.46	2,920,001
June 5, 2023	$0.65	50,000	3.93	16,667
June 11, 2023	$0.65	200,000	3.95	200,000
May 6, 2024	$0.54	200,000	4.85	-
	$0.41	**14,903,333**	**2.58**	**11,318,336**

The options exercisable at June 30, 2019 have a weighted average exercise price of $0.38.

Details of options granted, exercised, expired and forfeited during the six months ended June 30, 2019 and the nine months ended December 31, 2018 are as follows:

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. EQUITY (continued)

	Number of Options	Weighted Average Exercise Price
Balance – March 31, 2018	18,291,666	$0.39
Granted during the period	250,000	$0.65
Exercised during the period	(91,666)	$0.22
Balance – December 31, 2018	18,450,000	$0.39
Granted during the period	200,000	$0.54
Exercised during the period	(3,146,667)	$0.35
Expired during the period	(590,000)	$0.35
Forfeited during the period	(10,000)	$0.47
Balance – June 30, 2019	**14,903,333**	**$0.41**

Granting of Options

The fair value of newly granted options are calculated using the Black-Scholes option pricing model. For all grants, the assumed dividend yield and forfeiture rate were nil and nil, respectively. Other conditions and assumptions for options granted in the six months ended June 30, 2019 and the nine months ended December 31, 2018 were as follows:

Issue Date	Expected Life of Options in Years	Exercise Price	Risk-free Interest Rate	Volatility	Weighted Average Black-Scholes Fair Value
June 5, 2018	5.0	$0.65	2.16%	84.23%[1]	$0.44
June 11, 2018	5.0	$0.65	2.17%	84.16%[1]	$0.44
May 6, 2019	5.0	$0.54	1.59%	66.89%[2]	$0.30

[1]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.
[2]Volatility was determined using the average historic volatility of the Company, calculated over the same period as the expected life of the option.

Options granted are typically subject to vesting provisions whereby one third vest one year from the grant date, one third vest two years from the grant date, and one third vest three years from the grant date. The following option grants are subject to alternate vesting provisions:

(i) The 200,000 options granted June 11, 2018 were granted to a consultant and subject to vesting provisions whereby one half will vest six months from the grant date, and one half will vest one year from the grant date.

Exercise of Options

During the six months ended June 30, 2019, 2,940,000 stock options with an exercise price of $0.35, 150,000 stock options with an exercise price of $0.32, 46,667 stock options with an exercise price of $0.11, 6,667 stock options with an exercise price of $0.44, and 3,333 stock options with an exercise price of $0.49 were exercised for total proceeds of $1,086,700. The weighted average share price on the date the options were exercised during the period was $0.55. In connection with these option exercises, the related fair value amount of $801,066 was transferred from equity reserves to share capital.

During the nine months ended December 31, 2018, 30,000 stock options with an exercise price of $0.35, 53,333 stock options with an exercise price of $0.11, and 8,333 stock options with an exercise price of

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. EQUITY (continued)

$0.44 were exercised for total proceeds of $20,033. The weighted average share price on the date the options were exercised during the period was $0.64. In connection with these option exercises, the related fair value amount of $14,069 was transferred from equity reserves to share capital.

Forfeiture of Options

During the six months ended June 30, 2019 3,333 stock options with an exercise price of $0.44 and 6,667 stock options with an exercise price of $0.49 were forfeited. As a result of the forfeitures, previously recognized share-based compensation relating to the unvested options of $2,004 was reversed, resulting in a net expense for the period of $258,182. No options were forfeited during the nine months ended December 31, 2018.

Expiry of Options

During the six months ended June 30, 2019 590,000 stock options with an exercise price of $0.35 expired. No options expired during the nine months ended December 31, 2018.

14. RELATED PARTY TRANSACTIONS

<u>Oxygen Capital Corp (“Oxygen”).</u>

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 under an Amended Technical and Administrative Services Agreement (the “Oxygen Agreement”) at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. As at June 30, 2019, Oxygen holds a refundable deposit of $305,280 on behalf of the Company (December 31, 2018 - $305,280). During the six months ended June 30, 2019, a total of $921,976 (June 30, 2018 - $855,274) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at June 30, 2019, the Company has a payable amount to Oxygen of $114,522 (December 31, 2018 - $123,567). This amount was paid subsequent to June 30, 2019.

The Oxygen Agreement was amended on October 1, 2017, and may be terminated by either party giving at least 180 days’ prior written notice of such termination. Upon termination, by the Company, of the Oxygen Agreement, the Company shall pay to Oxygen an amount equal to the average general and administrative monthly costs incurred under the Agreement for the previous six month period, the Company’s share of committed lease costs, any employee termination fees due under the Agreement as a result of the termination as such term is defined under the Agreement, and the Company’s share of any contractual obligations entered into on its behalf by Oxygen.

<u>Compensation of key management personnel</u>

Key management includes members of the Board, the President and Chief Executive Officer, the VP of Exploration, the VP of Operations, the Chief Financial Officer, and the Corporate Secretary. The total compensation paid or payable to key management for employee services directly or via Oxygen is as follows:

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Salaries and other short-term employee benefits	$ 602,500	$ 452,500
Directors fees	205,000	317,500
Share-based compensation	155,892	366,792
Total	**$ 963,392**	**$ 1,136,792**

(Expressed in Canadian Dollars Unless Noted Otherwise)

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.

16. COMMITMENTS & CONTINGENCIES

a. The Company had incurred the full qualifying resource expenditures relating to the May 24, 2018 private placement (Note 13b) by November 30, 2018. The Company filed its renunciation forms in December 2018, and therefore reversed the associated flow-through liability and recognized a deferred tax recovery of $360,000 in the Company's consolidated statement of loss and comprehensive loss for the nine months ended December 31, 2018.

The Company had incurred the full qualifying resource expenditures relating to the Super FT Shares of $6,300,250, and the full qualifying resource expenditures relating to the FT Shares of $5,159,120, pursuant to the November 1, 2017 private placement (Note 13b) by June 30, 2018. The Company filed its renunciation forms in February 2018, and therefore reversed the remaining portion of the Super FT Share and FT Share flow-through liabilities and recognized a deferred tax recovery of $402,506 in the Company's consolidated statement of loss and comprehensive loss for the nine months ended December 31, 2018. The Company recognized a deferred tax recovery of $1,508,723 in the Company's consolidated statement of loss and comprehensive loss for the year ended March 31, 2018.

b. As at June 30 2019, the Company is committed to incur, on a best efforts basis, qualifying resource expenditures pursuant to the March 29, 2019 private placement (Note 13b). As at June 30, 2019, the Company had incurred qualifying resource expenditures relating to the FT Shares of $1,166,835.

The Company must therefore incur the balance of $4,008,228 qualifying resource expenditures in relation to the FT Shares before January 1, 2021. 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	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Change in estimate of provision for closure and reclamation	$ (140,744)	$ 69,163

18. FINANCIAL INSTRUMENTS

a. Financial Assets and Liabilities

At June 30, 2019, the carrying amounts of cash, short-term investments, amounts receivable, interest receivable, 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.

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:

18. FINANCIAL INSTRUMENTS (continued)

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).

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 six months ended June 30, 2019.

19. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial instrument related risks. The Board provides oversight for the Company's 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 consolidated 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, 2019, the Company had cash of $3,283,919 (December 31, 2018 - $4,254,624) and short-term investments of $23,000 (December 31, 2018 - $23,000) to settle current liabilities of $2,024,916 ($1,175,279 excluding the flow-through premium liability of $849,637) (December 31, 2018 - $1,019,408). As at June 30, 2019, the Company is committed to incur, on a best efforts basis, $4,008,228 in qualifying resource expenditures.

<u>Interest Rate Risk</u>

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

19. FINANCIAL RISK MANAGEMENT (continued)

interest rates. For the six months ended June 30, 2019, 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 $12,000.

20. SUBSEQUENT EVENTS

a. On July 18, 2019 the Company closed a bought-deal private placement of 62,714,000 units at a price of $0.55 per unit (the "Units") for gross proceeds of $34,492,700. Each Unit consists of one common share of the Company (a "Unit Share") and one-half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant is transferrable and entitles the holder to acquire one common share of the Company until July 18, 2022 at a price of $0.85. In connection with the private placement, the Company paid the underwriters a cash commission equal to 6.0% of the gross proceeds.

Concurrent with the above private placement, the Company closed a non-brokered private placement of 23,700,000 Units at a price of $0.55 per unit for aggregate gross proceeds of $13,035,000. A subscription fee of 6.0% was paid on one-half of the gross proceeds of the non-brokered private placement.

The securities issued under the bought-deal private placement and non-brokered private placement have a hold period of four months and one day from closing, expiring on November 19, 2019.

b. On July 29, 2019 the Company announced the signing and implementation of a project agreement (the "Agreement") with Wabauskang First Nation and Lac Seul First Nation (together the "First Nations") with respect to the Madsen Gold Project.

The Agreement provides for communication, cooperation, and collaboration between the First Nations and Pure Gold, and establishes a framework for support for current and future operations of the Madsen Mine and defines the long-term benefits for the First Nations. Under the terms of the Agreement, the Company will issue 500,000 shares of Pure Gold to each First Nation subject to regulatory approval.

c. On August 7, 2019 the Company announced the closing of a US$90 million project financing package (the "Financing") with Sprott Resource Lending Corp. ("Sprott"). The Financing will fully fund the costs to develop an underground mine at the Madsen Gold Project (the "Project"). The Financing is comprised of a credit facility (the "Facility") for US$65 million, and a US$25 million callable gold stream (the "Gold Stream"). With the Project now fully funded, the Company also announced that its Board of Directors have approved a "decision to construct" for the Madsen Red Lake Mine.

A summary of the key terms of the Facility and Gold Stream are as follows:

The Facility

- Term of 7 years
- US$65 million in principal structured in multiple tranches:
    - US$10 million will be advanced at closing
    - Subsequent tranches available to the Company on satisfaction of customary conditions
- Interest rate of 3-month LIBOR plus 5.50% to 6.75% per annum
- 100% of interest costs capitalized to principal until March 2021
- Principal payments are sculpted to cash flow and payable in quarterly instalments from September 2022
    - 65% of the total amount advanced will be repaid prior to the maturity date
- 2.0% arrangement fee payable pro-rata on drawdown of each tranche

20. SUBSEQUENT EVENTS (continued)

- Fixed US$10 per ounce production-linked payment on the first 500,000 ounces produced
  - Payments are to be financially settled on a monthly basis and can be terminated at any time by payment of an early termination fee
- On the completion date (Completion will occur when construction is complete and the Project has successfully completed an agreed completion test) a fee of 2.25% of the principal outstanding will be payable in cash or shares at Sprott's option.
- Penalty-free repayment of outstanding principal and interest after August 2022
- No hedging, cash sweeps, cash collateralization, or offtake agreement

Callable Gold Stream

- US$25 million as prepayment for 5.0% of the gold production until 50,000 ounces of gold has been delivered
  - Gold Stream reduces to 2.5% of gold production thereafter
  - Fully advanced on closing
- Ongoing payments of 30% of the spot gold price
- Full buyback option, where Pure Gold may elect to terminate the entire Gold Stream:
  - On June 30, 2021 by paying US$35 million
  - On June 30, 2022 by paying US$38 million

As the Financing has closed the Company will issue to Sprott 3,841,000 common shares. The issuance of the common shares to Sprott at closing and on the Completion Date is subject to approval of the TSX Venture Exchange.