Pure Gold Mining Inc.
(Formerly Laurentian Goldfields Ltd.)

Condensed Interim Consolidated Financial Statements

For the three months ended June 30, 2014

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

Pure Gold Mining Inc.
(Formerly Laurentian Goldfields Ltd.)
Condensed Interim Consolidated Statements of Financial Position
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars Unless Noted Otherwise)

	As at June 30, 2014	As at March 31, 2014
ASSETS		
Current Assets		
Cash	$ 4,744,800	$ 8,991,899
Restricted cash *(Note 9d)*	9,123	104,224
Short-term investments *(Note 6)*	3,065,233	35,000
Amounts receivable	142,702	99,381
Prepaid expenses	44,717	100,848
	8,006,575	9,331,352
Non-current Assets		
Deposits *(Note 13)*	156,000	-
Property, plant and equipment *(Note 7)*	7,962,406	6,864,865
Reclamation deposits *(Note 8)*	1,412,287	1,407,736
Exploration and evaluation assets *(Note 9a)*	9,350,222	7,635,798
Total Assets	$ 26,887,490	$ 25,239,751
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 503,233	$ 587,409
Mineral property funding obligations *(Note 9d)*	9,123	104,224
Other liabilities *(Note 10)*	2,500,000	2,500,000
	3,012,356	3,191,633
Non-current Liabilities		
Provision for closure and reclamation *(Note 11)*	2,372,044	2,320,238
Total Liabilities	5,384,400	5,511,871
Equity		
Share capital *(Note 12a)*	31,357,387	28,556,296
Equity reserves *(Note 12c and Note 12d)*	8,137,380	7,549,407
Accumulated deficit	(17,991,677)	(16,377,823)
Total Equity	21,503,090	19,727,880
Total Liabilities and Equity	$ 26,887,490	$ 25,239,751

Commitments *(Note 15)*
Subsequent Events *(Note 17)*

Approved by the Audit Committee of the Board of Directors on August 15, 2014:

"Lenard Boggio", Chairman — *"Graeme Currie"*, Audit Committee Member

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

Pure Gold Mining Inc.
(Formerly Laurentian Goldfields Ltd.)
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, 2014		For the three months ended June 30, 2013
Expenses				
Share-based compensation expense *(Note 12d)*	$	607,464	$	2,068
Exploration and evaluation expenditures *(Note 9b)*		584,756		2,549
Wages, consulting and director fees		209,745		93,296
Investor relations and communication		106,101		-
Office and rent		74,896		21,578
Professional fees		18,123		-
Travel		15,237		220
Listing and filing fees		8,531		1,377
Write-down of property, plant and equipment		4,775		-
Depreciation		2,609		1,554
Loss from Operations		(1,632,237)		(122,642)
Other Income and Expenses				
Interest income		24,573		331
Management and administration fee		7,950		17,442
Accretion expense *(Note 11)*		(14,140)		-
Total Other Income		18,383		17,773
Net Loss and Comprehensive Loss for the Period	$	(1,613,854)	$	(104,869)
Weighted Average Number of Common Shares Outstanding		97,169,020		9,353,190
Basic and Diluted Loss per Common Share	$	(0.02)	$	(0.01)

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

Pure Gold Mining Inc.

(Formerly Laurentian Goldfields Ltd.)

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 – April 1, 2013	9,353,190	$	11,534,788	$	4,492,018	$	(15,279,711)	$	747,095
Share-based compensation expense	-		-		2,068		-		2,068
Net loss for the period	-		-		-		(104,869)		(104,869)
Balance – June 30, 2013	9,353,190	$	11,534,788	$	4,494,086	$	(15,384,580)	$	644,294
Balance – April 1, 2014	96,667,075	$	28,556,296	$	7,549,407	$	(16,377,823)	$	19,727,880
Fair value of shares issued for exploration and evaluation assets – Sabina	6,500,000		2,730,000		-		-		2,730,000
Exercised warrants	162,000		48,600		-		-		48,600
Fair value of exercised warrants	-		17,081		(17,081)		-		-
Exercised stock options	15,000		3,000		-		-		3,000
Fair value of exercised stock options	-		2,410		(2,410)		-		-
Share-based compensation expense	-		-		607,464		-		607,464
Net loss for the period	-		-		-		(1,613,854)		(1,613,854)
Balance – June 30, 2014	103,344,075	$	31,357,387	$	8,137,380	$	(17,991,677)	$	21,503,090

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

Pure Gold Mining Inc.
(Formerly Laurentian Goldfields Ltd.)
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the three months ended June 30, 2014	For the three months ended June 30, 2013
Operating Activities		
Net loss for the period	$ (1,613,854)	$ (104,869)
Items not affecting cash:		
Share-based compensation expense	607,464	2,068
Accretion expense	14,140	-
Write-down of property, plant and equipment	4,775	-
Depreciation	2,609	1,554
Interest income	(24,573)	-
Changes in non-cash working capital:		
Prepaid expenses	56,131	3,875
Accounts payable and accrued liabilities	(84,176)	(8,769)
Amounts receivable	(43,321)	(23,314)
Net cash used in operating activities	(1,080,805)	(129,455)
Investing Activities		
Short-term investments	(3,030,233)	-
Deposits	(156,000)	-
Transaction costs related to acquisition of Newman-Madsen Project	(50,292)	-
Property, plant and equipment	(1,391)	-
Interest received	20,022	-
Net cash used in investing activities	(3,217,894)	-
Financing Activities		
Proceeds from exercised warrants	48,600	-
Proceeds from exercised stock options	3,000	-
Net cash provided by financing activities	51,600	-
Net Decrease in Cash	(4,247,099)	(129,455)
Cash - Beginning of the Period	8,991,899	430,606
Cash - End of the Period	$ 4,744,800	$ 301,151

Supplemental Schedule of Non-Cash Investing and Financing Activities		
Fair value of shares issued for exploration and evaluation assets	$ 2,730,000	$ -
Change in estimate of provision for closure and reclamation	$ 37,666	$ -
Fair value of exercised warrants	$ 17,081	$ -
Fair value of exercised stock options	$ 2,410	$ -

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

1. GENERAL INFORMATION

Pure Gold Mining Inc. ("Pure Gold" or the "Company"), is a publicly listed company incorporated and domiciled in Canada. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "PGM." On June 24, 2014, the Company changed its name from Laurentian Goldfields Ltd. to Pure Gold Mining Inc. This change has been reflected throughout these consolidated financial statements. The Company's head office, principal address and records office is located at Suite 1900 – 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9. The Company's 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 also has an unincorporated joint arrangement with Kinross Gold Corporation and a strategic exploration alliance with Antofagasta Minerals S.A., whereby a portion of the Company's exploration and evaluation activities are conducted with its partners, and accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

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 PRESENTATION

a. Statement of Compliance

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

The accounting policies and methods of application applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's most recent annual consolidated financial statements as at and for the year ended March 31, 2014, except for those policies which have changed as a result of the adoption of new and amended IFRS pronouncements effective April 1, 2014. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and therefore should be read in conjunction with the Company's most recent annual consolidated financial statements as at and for the year ended March 31, 2014. The effects of the adoption of new and amended IFRS pronouncements have been disclosed in Note 3 of these condensed interim consolidated financial statements.

b. Approval of the Consolidated Financial Statements

The condensed interim consolidated financial statements of Pure Gold for the three months ended June 30, 2014 were approved and authorized for issue by the Audit Committee of the Board of Directors on August 15, 2014.

3. ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

The following standards have been published and are mandatory for the Company's annual accounting periods beginning on or after April 1, 2014:

IAS 36 – Impairment of Assets

In May 2013, the IASB published a revised version of this standard to reverse the unintended requirement in IFRS 13 *'Fair Value Measurements'* to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The amendments apply retrospectively for annual periods beginning on or after January 1, 2014 and the Company has early adopted the amendments to this standard. There was no impact on these consolidated financial statements as a result of the adoption of this standard.

IFRS 7 – Financial Instruments Disclosure

This standard was amended to require additional disclosures on transition from IAS 39 to IFRS 9, effective for annual periods beginning on or after January 1, 2015. The Company is currently evaluating the extent of the impact of the adoption of this standard.

IFRS 9 – Financial Instruments: Classification and Measurement

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, *'Financial Instruments: Recognition and Measurement'*. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is recorded at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is measured at fair value with changes in fair value through profit or loss. In addition, this new standard has been updated to include guidance on financial liabilities and de-recognition of financial instruments and to include guidance on hedge accounting and allowing entities to early adopt the requirement to recognize changes in fair value attributable to changes in an entity's own credit risk, from financial liabilities designated under the fair value option, in other comprehensive income. This standard is effective for years beginning on or after January 1, 2018. The Company is currently evaluating the extent of the impact of the adoption of this standard.

IFRIC 21 - Accounting for Levies Imposed by Governments

IFRIC 21, *Levies* was issued on May 20, 2013 and provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. There was no impact on these consolidated financial statements as a result of the adoption of this standard.

IAS 32

This standard was amended to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 1, 2014. There was no impact on these consolidated financial statements as a result of the adoption of this standard.

(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 for the year ended March 31, 2014.

5. ACQUISITIONS

On March 4, 2014, the Company acquired 100% interest in the Madsen Gold Project from Claude Resources Inc. ("Claude"). 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 Madsen Gold Project 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 an asset. All assets acquired and liabilities assumed were recorded at fair value.

Cash consideration paid	$	6,250,000
Share consideration paid		2,102,031
Cash or share consideration (at Pure Gold's discretion) payable by August 28, 2014		2,500,000
Transaction costs		1,308,145
Total Purchase Consideration – Madsen	**$**	**12,160,176**

Exploration and evaluation assets	$	7,032,289
Property, plant and equipment		7,448,125
Provision for closure and reclamation		(2,320,238)
Net Assets Acquired – Madsen	**$**	**12,160,176**

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 an asset. All assets acquired and liabilities assumed were recorded at fair value.

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

Exploration and evaluation assets	$	2,280,267
Property, plant and equipment		500,025
Net Assets Acquired – Newman-Madsen	**$**	**2,780,292**

(Expressed in Canadian Dollars Unless Noted Otherwise)

5. ACQUISITIONS - *Continued*

The Newman-Madsen Project is adjacent to the Madsen Gold Project. On a go forward basis, the Company considers the combined projects as the Madsen Gold Project.

6. SHORT-TERM INVESTMENTS

As of June 30, 2014, the Company has invested $3,065,233 (March 31, 2014 - $35,000) into three Guaranteed Investment Certificates ("GICs") with two Canadian Financial Institutions. These GICs yield interest at rates varying from 1.05% to 1.6% and have original maturity dates of greater than three months but not more than one year.

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Computer Equipment ($)	Office Furniture & Other Equipment ($)	Land ($)	Vehicles ($)	Mill ($)	Mine Property & Equipment ($)	Total ($)
April 1, 2014	46,370	67,301	6,024,491	22,125	616,650	181,350	6,958,287
Additions	1,391	-	500,025	-	-	-	501,416
Reclassification	-	-	603,509	-	-	-	603,509
Write-down	-	-	-	(4,775)	-	-	(4,775)
June 30, 2014	47,761	67,301	7,128,025	17,350	616,650	181,350	8,058,437
Accumulated Depreciation							
April 1, 2014	(45,181)	(48,241)	-	-	-	-	(93,422)
Depreciation	(355)	(953)	-	(1,301)	-	-	(2,609)
June 30, 2014	(45,536)	(49,194)	-	(1,301)	-	-	(96,031)
Carrying Amounts							
March 31, 2014	**1,189**	**19,060**	**6,024,491**	**22,125**	**616,650**	**181,350**	**6,864,865**
June 30, 2014	**2,225**	**18,107**	**7,128,025**	**16,049**	**616,650**	**181,350**	**7,962,406**

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

8. RECLAMATION DEPOSITS

As of June 30, 2014, the Company made three separate deposits with a Canadian financial institution to provide financial assurance for three letters of credit totaling $1,412,287 (March 31, 2014 - $1,407,736) including accrued interest. These letters of credit provide for a partial indemnification of the closure and reclamation costs with respect to the Company's Madsen Gold Project (Note 15a). These deposits yield interest at a rate of 1% per annum and mature on March 3, 2015. Upon maturity, these deposits shall be deemed to be automatically extended from year to year for successive periods of one year each from the present or any future expiration date.

(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	Van Horne	Total
Balance - April 1, 2013	$ -	$ 313,210	$ 313,210
Acquisition costs - Madsen	7,635,798	-	7,635,798
Written-off	-	(313,210)	(313,210)
Balance - March 31, 2014	**$ 7,635,798**	**$ -**	**$ 7,635,798**
Balance - April 1, 2014	$ 7,635,798	$ -	$ 7,635,798
Acquisition costs – Newman-Madsen	2,280,267	-	2,280,267
Change in estimate of provision for closure and reclamation	37,666	-	37,666
Reclassification	(603,509)	-	(603,509)
Balance – June 30, 2014	**$ 9,350,222**	**$ -**	**$ 9,350,222**

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 three months ended June 30, 2014	Madsen Gold Project	Van Horne	Other Properties(1)	Total
Salaries, wages and benefits	$ 213,293	$ -	$ -	$ 213,293
Geology and geophysics	120,550	-	-	120,550
Camp field costs	73,582	1,681	10,600	85,863
Contractors / consultants	58,462	-	-	58,462
Utilities	38,122	-	-	38,122
Travel and accommodation	30,106	-	-	30,106
Administration and other	19,274	-	-	19,274
Property maintenance	11,351	-	-	11,351
Assaying and geochemical	7,489	-	-	7,489
Property fees	232	-	-	232
Project management	14	-	-	14
Expenditures for the period	**572,475**	**1,681**	**10,600**	**584,756**
Expenditures, beginning of the period	168,588	$ 1,735,223	$ 6,261,571	$ 8,165,382
Cumulative Balance – June 30, 2014	**$ 741,063**	**$ 1,736,904**	**$ 6,272,171**	**$ 8,750,138**

(1) *Other properties include Maze Lake, Thundercloud, Goldpines North, Goldpines South and generative projects.*

For the three months ended June 30, 2013	Van Horne	Goldpines South	Other Properties(1)	**Total**
Field expenses	$ 5,666	$ 1,320	$ 61	$ 7,047
Government assistance	-	-	(4,498)	(4,498)
Expenditures for the period	5,666	1,320	(4,437)	2,549
Expenditures, beginning of the period	1,726,136	81,157	6,180,454	7,987,747
Cumulative Balance – June 30, 2013	**$ 1,731,802**	**$ 82,477**	**$ 6,176,017**	**$ 7,990,296**

(1) *Other properties include Maze Lake, Thundercloud, Goldpines North and generative projects.*

(Expressed in Canadian Dollars Unless Noted Otherwise)

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

c. Madsen Gold Project, Ontario

On March 4, 2014, the Company acquired a 100% interest in the Madsen Gold Project from Claude. The Madsen Gold Project comprises in excess of 4,000 hectares in the prolific Red Lake gold camp of Northwestern Ontario.

Consideration to Claude incorporated both cash payments and share consideration as follows:

- Cash consideration of $3.75 million at closing *(paid)*;
- Cash consideration of $2.5 million payable on or before 3 months following closing *(paid)*;
- Cash or share consideration (at Pure Gold's option) of $2.5 million payable on or before 6 months following closing; and
- Share consideration at closing representing 19.9% of Pure Gold's shares outstanding following completion of the acquisition and based upon an initial $7.5 million financing *(issued 9,776,885 common shares – fair value of $2,102,031)*.

Macquarie Capital Markets Canada Ltd. acted as financial advisor to Pure Gold in connection with the Madsen transaction and upon closing received a success fee of $300,000 in cash and 1,200,000 common shares of Pure Gold (fair value of $258,000).

Oxygen Capital Corp. ("Oxygen") also received a success fee of $500,000, payable in Units upon closing of the Madsen transaction. These Units consist of 2,000,000 common shares of Pure Gold priced at $0.25 per share and one-half of one common share purchase warrant, each whole warrant entitling Oxygen to acquire 1,000,000 common shares of Pure Gold at a price of $0.50 until September 4, 2016.

The share purchase warrants attached to this success fee have been valued at $71,312 using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	1.02%
Expected stock price volatility	90.34%
Expected dividend yield	0.00%
Expected life of warrants	2.5 years

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), which are subject to a statutory four month hold period. Pure Gold and Sabina also entered into an equity participation agreement pursuant to which Sabina has a right to maintain its equity position. Such right will expire on the earlier of 24 months from the closing date or the date on which Sabina ceases to hold at least 3.5% of the shares of Pure Gold.

(Expressed in Canadian Dollars Unless Noted Otherwise)

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

d. Antofagasta Alliance, Quebec

On July 25, 2012, the Company entered into a US$1,500,000, two year strategic exploration alliance (the "Alliance") with Antofagasta Minerals S.A., a wholly owned subsidiary of Antofagasta PLC ("Antofagasta") for generative copper exploration in southern Quebec, Canada.

As at June 30, 2014, the Company received $991,459 in aggregate funding from Antofagasta and incurred an aggregate of $982,336 in exploration expenditures. As a result, the Company has restricted cash of $9,123 (March 31, 2014 - $104,224) which must be spent on exploration relating to the Alliance.

As operator, the following costs were incurred on behalf of Antofagasta and accordingly, were not included in the Company's exploration and evaluation expenditures:

		For the three months ended June 30, 2014		For the three months ended June 30, 2013
Assay and sampling	$	4,375	$	-
Camp field costs		49,054		89,622
Geological consulting		33,093		22,025
General and administrative		629		36,937
Operator's fee		7,950		11,165
Cash calls / funds used		(95,101)		(159,749)
	$	**-**	**$**	**-**

10. OTHER LIABILITIES

Other liabilities, which have been classified as current, consist of the $2,500,000 final payment in cash or shares (at Pure Gold's option) owing to Claude on or before August 28, 2014 (Note 9c).

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, 2014 using a pre-tax discount rate of 2.24% (March 31, 2014 – 2.46%). The estimated total future undiscounted and inflation-adjusted cash flows to settle the provision for closure and reclamation at June 30, 2014 is $2,943,920. Since no abandonment plans are being considered as well as the uncertainty surrounding the end of the life of mine, the Company has estimated that payments will be made in 2024.

	Three Months Ended June 30, 2014	Year Ended March 31, 2014
Balance, beginning of the period	$ 2,320,238	$ -
New estimated cash flows	37,666	2,320,238
Accretion on discounted obligation	14,140	-
Balance, end of the period	**$ 2,372,044**	**$ 2,320,238**

(Expressed in Canadian Dollars Unless Noted Otherwise)

12. EQUITY

a. Share Capital

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

b. Private Placement

March 2014

On March 4, 2014, the Company completed a private placement of 74,326,500 units at a price of $0.25 per unit for aggregate gross proceeds of $18,581,625. Each unit comprises of one common share and one-half of one common share purchase warrant. Each whole warrant entitles its holder to subscribe for one additional common share for a period of 30 months from the date of its issuance at a price of $0.50. The share purchase warrants attached to this issuance have been valued at $2,650,183 using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	1.02%
Expected stock price volatility	90.34%
Expected dividend yield	0.00%
Expected life of warrants	2.5 years

In connection with this private placement, the Company paid finder's fees, legal fees and filing fees totalling $1,366,194 and issued 4,142,191 compensation options ("Compensation Options"). Each Compensation Option is exercisable for a period of 24 months from issuance and has a strike price of $0.25. Upon exercise, the holder is entitled to one Common Share of the Company and one-half common share purchase warrant. Each whole warrant entitles 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. The Company has recorded the fair value of these compensation options as share issuance costs. These compensation options were valued at $337,951 using the Cox, Ross and Rubinstein Binomial Tree Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	1.34%
Expected stock price volatility	90.34%
Expected dividend yield	0.00%
Expected life of options	2 years

(Expressed in Canadian Dollars Unless Noted Otherwise)

12. EQUITY - *Continued*

c. Share Purchase Warrants

Details of issued and outstanding share purchase warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance - March 31, 2013	3,622,667	$0.29
Issued	38,163,250	$0.50
Exercised	(10,500)	$0.30
Expired	(443,167)	$0.20
Balance - March 31, 2014	41,332,250	$0.48
Exercised	(162,000)	$0.30
Balance – June 30, 2014	**41,170,250**	**$0.49**

At June 30, 2014, the following share purchase warrants are outstanding:

Expiry Date	Exercise Price	Number of Warrants	Warrant Valuation
January 7, 2015	$0.30	2,507,000	$ 260,771
March 20, 2015	$0.30	500,000	38,483
September 4, 2016	$0.50	37,163,250	2,650,183
September 4, 2016	$0.50	1,000,000	71,312
Weighted Average	**$0.49**	**41,170,250**	**$ 3,020,749**

The above noted fair value of $3,020,749 is included in equity reserves in the Company's consolidated statement of financial position at June 30, 2014.

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.

Three months ended June 30, 2014

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.

(Expressed in Canadian Dollars Unless Noted Otherwise)

12. EQUITY - *Continued*

d. Stock Options - *Continued*

Three months ended June 30, 2014 - *Continued*

April 2014 - *Continued*

The fair value of these options is $1,129,040, of which $601,654 has been recognized as share-based compensation expense during the three month period ended June 30, 2014. 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

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 is $70,231, of which $5,810 has been recognized as share-based compensation expense during the three month period ended June 30, 2014. 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:

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

Expiry of Stock Options

On June 4, 2014, 20,000 incentive stock options with a strike price of $0.20 expired without exercise.

Exercise of Stock Options

On June 30, 2014, 15,000 incentive stock options with a strike price of $0.20 were exercised for total proceeds of $3,000. In connection with this option exercise, the related fair value amount of $2,410 was transferred from equity reserves to share capital.

(Expressed in Canadian Dollars Unless Noted Otherwise)

12. EQUITY - *Continued*

d. Stock Options - *Continued*

Three months ended June 30, 2013

There were no stock options granted during the three month period ended June 30, 2013.

During the three month period ended June 30, 2013, the Company recorded share-based compensation expense of $2,068 relating to 30,000 stock options granted during the year ended March 31, 2013 and which partially vested during the three month period ended June 30, 2013.

Details of issued and outstanding stock options are as follows:

	Number of Options	Weighted Average Exercise Price
Balance – March 31, 2013	692,500	$0.20
Forfeited	(160,000)	$0.20
Balance – March 31, 2014	532,500	$0.20
Granted	4,680,000	$0.35
Exercised	(15,000)	$0.20
Expired	(20,000)	$0.20
Balance – June 30, 2014	**5,177,500**	**$0.33**

At June 30, 2014, 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
August 11, 2014*	$0.20	42,500	0.12	42,500
January 21, 2016	$0.20	40,000	1.56	40,000
March 11, 2016	$0.20	50,000	1.70	50,000
February 25, 2018	$0.20	365,000	3.66	365,000
April 8, 2019	$0.35	4,380,000	4.78	2,000,000
May 13, 2019	$0.32	300,000	4.87	-
	$0.33	**5,177,500**	**4.61**	**2,497,500**

** Subsequent quarter ended June 30, 2014, 20,000 of these incentive stock options were exercised and the remaining 22,500 expired without exercise.*

13. RELATED PARTY TRANSACTIONS

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

Oxygen Capital Corp ("Oxygen").

Oxygen 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 June 30, 2014, Oxygen holds a refundable deposit of $156,000 on behalf of the Company. During the three month period ended June 30, 2014, a total of $327,253 (June 30, 2013 - $Nil) was paid or accrued to Oxygen. Additionally, as at June 30, 2014, the Company held a payable amount to Oxygen of $240,473 (March 31, 2014 - $5,712). This amount was paid subsequent June 30, 2014.

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. RELATED PARTY TRANSACTIONS - *Continued*

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 Director of Investor Relations and the Corporate Secretary. The aggregate total compensation paid or payable to key management for employee services directly or via Oxygen is as follows:

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013
Salaries and other short-term employee benefits	$ 126,075	$ 81,500
Directors fees	40,000	-
Share-based compensation	579,243	-
Total	**$ 745,318**	**$ 81,500**

14. SEGMENTED INFORMATION

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

15. COMMITMENTS

a. The Company is required to provide financial assurance to the Ministry of Northern Development and Mines in Ontario (the "Ministry"), in connection with the mine closure plans for its Madsen Gold Project. The financial assurance can be provided for in the form of cash or a letter of credit from a financial institution and will grant the Company partial indemnification of the closure and reclamation costs with respect to its Madsen Gold Project. The Ministry has accepted a financial assurance payment schedule and the Company is required to make the following remaining payments: $339,763 on or before December 1, 2014; $339,763 on or before June 1, 2015; and $339,763 on or before December 1, 2015; (Note 8)

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

16. FAIR VALUE MEASUREMENT

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).

The Company does not have any financial assets and liabilities that are measured at fair value on a recurring basis and also does not have any non-financial assets and liabilities measured at fair value on a non-recurring basis.

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Cash
- Restricted Cash
- Short-term Investments
- Amounts receivable (excluding sales tax receivable and resource tax credits)
- Trade accounts payable and accrued liabilities
- Mineral property funding obligations
- Other liabilities

17. SUBSEQUENT EVENTS

(a) Exercise of Stock Options

On July 7, 2014, 30,000 incentive stock options with a strike price of $0.20 were exercised for total proceeds of $6,000.

On August 6, 2014, 20,000 incentive stock options with a strike price of $0.20 were exercised for total proceeds of $4,000.

On August 11, 2014, 10,000 incentive stock options with a strike price of $0.20 were exercised for total proceeds of $2,000.

(b) Exercise of Compensation Options

On August 11, 2014, 2,899,533 compensation options were exercised with a strike price of $0.25 for total proceeds of $724,883. Upon the exercise of these compensation options, the holder was granted 2,899,533 common shares of the Company and 1,449,767 share purchase warrants. Each share purchase warrant entitles the holder to subscribe for one additional common share at a price of $0.50 until March 4, 2016.

(c) Expiry of Stock Options

On August 11, 2014, 22,500 incentive stock options with a strike price of $0.20 expired without exercise.