



**Pure Gold Mining Inc.**

**Condensed Interim Consolidated Financial Statements**

**For the three months ended June 30, 2017 and 2016**

*(Unaudited – Prepared by Management)*

*(Expressed in Canadian Dollars Unless Noted Otherwise)*

# 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, 2017	As at March 31, 2017
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 9,398,936	\$ 16,508,815
Short-term investments (Note 5)	23,000	23,000
Amounts receivable (Note 6)	654,743	813,197
Prepaid expenses (Note 7)	227,361	912,312
Interest receivable	-	131
	<u>10,304,040</u>	<u>18,257,455</u>
<b>Non-current Assets</b>		
Exploration and evaluation asset acquisition costs (Note 8a)	7,971,456	7,969,320
Property, plant and equipment (Note 9)	6,476,173	6,262,715
Reclamation deposits (Note 10)	2,517,025	2,517,025
Deposits (Note 13)	305,280	305,280
<b>Total Assets</b>	<b>\$ 27,573,974</b>	<b>\$ 35,311,795</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,502,615	\$ 2,055,559
Flow-through premium liability (Note 15d)	2,992,000	2,992,000
Provisions	241,468	55,968
	<u>4,736,083</u>	<u>5,103,527</u>
<b>Non-current Liabilities</b>		
Provision for closure and reclamation (Note 11)	2,492,415	2,480,540
Other long-term liabilities	39,668	48,461
<b>Total Liabilities</b>	<b>7,268,166</b>	<b>7,632,528</b>
<b>Equity</b>		
Share capital (Note 12a)	74,118,556	74,118,556
Equity reserves (Note 12c and Note 12d)	6,833,938	6,634,106
Accumulated deficit	(60,646,686)	(53,073,395)
<b>Total Equity</b>	<b>20,305,808</b>	<b>27,679,267</b>
<b>Total Liabilities and Equity</b>	<b>\$ 27,573,974</b>	<b>\$ 35,311,795</b>

### Commitments & Contingencies (Note 15)

Approved by the Audit Committee of the Board of Directors on August 18, 2017:

"Lenard Boggio", Audit Committee Chair

"Graeme Currie", Director

- See Accompanying Notes to the 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, 2017	For the three months ended June 30, 2016
<b>Expenses</b>		
Exploration and evaluation expenditures (Note 8b)	\$ 6,808,919	\$ 2,979,398
Wages, consulting and director fees	289,175	253,259
Share-based compensation (Note 12d)	199,832	46,428
Office and rent	140,603	81,112
Investor relations and communication	102,416	140,822
Professional fees	44,623	52,905
Listing and filing fees	16,275	10,239
Depreciation	3,314	3,032
Administrative travel	941	24,595
<b>Total Expenses</b>	<b>(7,606,098)</b>	<b>(3,591,790)</b>
<b>Other Income and Expenses</b>		
Gain on sale of available for sale investment (Note 8c)	-	749,399
Finance income	36,456	13,671
Gain on disposal of property, plant and equipment (Note 9)	8,629	-
Accretion expense (Note 11)	(9,739)	(7,529)
Finance expense	(2,539)	(1,259)
Loss before Income Taxes	(7,573,291)	(2,837,508)
Income tax recovery (Note 15d)	-	44,916
<b>Net Loss for the Period</b>	<b>(7,573,291)</b>	<b>(2,792,592)</b>
<b>Other Comprehensive Income</b>		
<b>Items that may be subsequently reclassified to other income and expenses</b>		
Mark to market gain on available for sale investment (Note 8c)	-	298,625
Mark to market gain reclassified to profit or loss (Note 8c)	-	(749,399)
<b>Total Comprehensive Loss for the Period</b>	<b>\$ (7,573,291)</b>	<b>\$ (3,243,366)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>191,531,092</b>	<b>129,815,195</b>
<b>Basic and Diluted Loss per Common Share</b>	<b>\$ (0.04)</b>	<b>\$ (0.02)</b>

- See Accompanying Notes to the Consolidated Financial Statements -

# Pure Gold Mining Inc.

## Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Number of Common Shares	Share Capital	Equity Reserves	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
Balance – March 31, 2016	125,769,854	\$ 37,388,161	\$ 8,528,621	\$ 450,774	\$ (28,541,370)	\$ 17,826,186
Flow-through common share issuances (Note 12b)	25,934,000	19,450,500	-	-	-	19,450,500
Flow-through premium liabilities	-	(3,908,740)	-	-	-	(3,908,740)
Share issue costs – cash (Note 12b)	-	(1,513,063)	-	-	-	(1,513,063)
Fair value of shares issued for Derlak (Note 8c)	1,290,322	696,774	-	-	-	696,774
Exercised warrants	38,007,250	19,003,625	-	-	-	19,003,625
Fair value of exercised warrants (Note 12c)	-	2,710,370	(2,710,370)	-	-	-
Exercised options	529,666	168,716	-	-	-	168,716
Fair value of exercised options (Note 12d)	-	122,213	(122,213)	-	-	-
Accumulated other comprehensive income – revaluation gain on AFS investment (Note 8c)	-	-	-	298,625	-	298,625
Accumulated other comprehensive income – revaluation gain reclassified to other income and expenses (Note 8c)	-	-	-	(749,399)	-	(749,399)
Share-based compensation (Note 12d)	-	-	938,068	-	-	938,068
Net loss for the year	-	-	-	-	(24,532,025)	(24,532,025)
Balance – March 31, 2017	191,531,092	\$ 74,118,556	\$ 6,634,106	\$ -	\$ (53,073,395)	\$ 27,679,267
Share-based compensation (Note 12d)	-	-	199,832	-	-	199,832
Net loss for the period	-	-	-	-	(7,573,291)	(7,573,291)
Balance – June 30, 2017	191,531,092	\$ 74,118,556	\$ 6,833,938	\$ -	\$ (60,646,686)	\$ 20,305,808

- See Accompanying Notes to the Consolidated Financial Statements -

# Pure Gold Mining Inc.

## Condensed Interim Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the three months ended June 30, 2017	For the three months ended June 30, 2016
<b>Operating Activities</b>		
Net loss for the period	\$ (7,573,291)	\$ (2,792,592)
Items not affecting cash:		
Deferred income tax recovery	-	(44,916)
Gain on sale of available for sale investment (Note 8c)	-	(749,399)
Share-based compensation (Note 12d)	199,832	46,428
Depreciation (Note 9)	31,396	14,915
Accretion expense (Note 11)	9,739	7,529
Gain on disposal of property, plant and equipment	(8,629)	-
Finance expense	2,539	-
Finance income	(36,456)	(13,671)
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	(557,077)	(637,310)
Provisions	185,500	-
Prepaid expenses	684,951	(321,431)
Amounts receivable	158,454	(91,511)
<b>Net cash used in operating activities</b>	<b>(6,903,042)</b>	<b>(4,581,958)</b>
<b>Investing Activities</b>		
Proceeds from disposal of property, plant and equipment	15,000	-
Proceeds from sale of available for sale investment	-	3,403,960
Proceeds from sale of land (Note 8c)	-	500,000
Interest received	36,587	13,842
Property, plant and equipment (Note 9)	(251,224)	(35,121)
<b>Net cash (used in) provided by investing activities</b>	<b>(199,637)</b>	<b>3,882,681</b>
<b>Financing Activities</b>		
Proceeds from financing (Note 12b)	-	6,250,500
Proceeds from exercised warrants (Note 12c)	-	2,555,750
Proceeds from exercised stock options (Note 12d)	-	88,550
Share issue costs	-	(542,962)
Repayment of finance lease obligation (Note 15c)	(7,200)	-
<b>Net cash (used in) provided by financing activities</b>	<b>(7,200)</b>	<b>8,351,838</b>
<b>Net (Decrease) Increase in Cash</b>	<b>(7,109,879)</b>	<b>7,652,561</b>
<b>Cash - Beginning of the Period</b>	<b>16,508,815</b>	<b>2,199,151</b>
<b>Cash - End of the Period</b>	<b>\$ 9,398,936</b>	<b>\$ 9,851,712</b>

### Supplemental Cash Flow Information (Note 16)

- See Accompanying Notes to the Consolidated Financial Statements -

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

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### 1. GENERAL INFORMATION

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

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

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

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### 2. BASIS OF PREPARATION

#### Statement of Compliance

The Company prepares their 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”).

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, 2017. 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 year ended March 31, 2017.

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### 3. NEW, AMENDED AND FUTURE IFRS PRONOUNCEMENTS

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

#### Future IFRS Pronouncements

##### **IFRS 9 – Financial Instruments**

IFRS 9 – *Financial Instruments* addresses the classification, measurement and recognition of financial assets and financial liabilities. The July 2014 publication of IFRS 9 is the completed version of the Standard, replacing earlier versions of IFRS 9 and superseding the guidance relating to the classification and measurement of financial instruments in IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 provides a revised model for recognition and measurement of financial instruments and a single, forward-looking 'expected loss' impairment model. IFRS 9 also includes a substantially reformed approach to hedge accounting. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

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

#### IFRS 16 – Leases

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

### 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.

### 5. SHORT-TERM INVESTMENTS

As of June 30, 2017, the Company has invested \$23,000 (March 31, 2017 - \$23,000) into a Guaranteed Investment Certificate ("GIC") with a Canadian financial institution. The GIC yields interest at a rate of 0.60% 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:

	Three Months Ended June 30, 2017	Year Ended March 31, 2017
Refundable goods and services tax/ harmonized sales tax	\$ 653,369	\$ 811,718
Other receivables	1,374	1,479
<b>Total</b>	<b>\$ 654,743</b>	<b>\$ 813,197</b>

### 7. PREPAID EXPENSES

Prepaid expenses comprised of the following:

	Three Months Ended June 30, 2017	Year Ended March 31, 2017
Advances for Madsen work programs	\$ 85,440	\$ 786,838
Insurance and benefits premiums	57,944	73,415
Software licenses	38,850	17,399
Investor relations and communication	32,701	19,866
Other prepaid expenses	12,426	14,794
<b>Total</b>	<b>\$ 227,361</b>	<b>\$ 912,312</b>

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(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, 2016	\$ 6,908,651
Acquisition costs – Derlak (Note 8c)	1,070,575
Change in estimate of provision for closure and reclamation	(9,906)
<b>Balance – March 31, 2017</b>	<b>\$ 7,969,320</b>

	Madsen Gold Project
Balance – March 31, 2017	\$ 7,969,320
Change in estimate of provision for closure and reclamation	2,136
<b>Balance – June 30, 2017</b>	<b>\$ 7,971,456</b>

#### 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 three months ended June 30, 2017	Madsen Gold Project	Other Properties <sup>(1)</sup>	Total
Drilling	\$ 3,414,934	\$ -	\$ 3,414,934
Contractors / consultants	1,413,626	9,580	1,423,206
Assaying and geochemical	419,346	-	419,346
Engineering	473,435	-	473,435
Salaries, wages and benefits	314,033	-	314,033
Equipment rental	140,329	-	140,329
Camp & field costs	217,568	-	217,568
Travel and accommodation	140,916	-	140,916
Utilities	70,333	-	70,333
Property fees	32,229	1,819	34,048
Geologic modelling & surveying	64,417	-	64,417
Supplies	36,706	-	36,706
Community & safety	25,142	-	25,142
Depreciation	28,081	-	28,081
Administration and other	6,425	-	6,425
<b>Expenditures for the period</b>	<b>6,797,520</b>	<b>11,399</b>	<b>6,808,919</b>
Cumulative balance – March 31, 2017	31,904,845	7,858,054	39,762,899
<b>Cumulative balance – June 30, 2017</b>	<b>\$ 38,702,365</b>	<b>\$ 7,869,453</b>	<b>\$ 46,571,818</b>

<sup>(1)</sup> Other properties include Van Horne and generative projects.



# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 8. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

For the year ended March 31, 2017	Madsen Gold Project	Other Properties <sup>(1)</sup>	Total
Drilling	\$ 11,247,655	\$ -	\$ 11,247,655
Contractors / consultants	4,219,373	-	4,219,373
Assaying and geochemical	2,190,999	-	2,190,999
Engineering	1,661,160	-	1,661,160
Salaries, wages and benefits	1,045,485	-	1,045,485
Equipment rental	689,670	-	689,670
Camp & field costs	648,727	-	648,727
Travel and accommodation	392,665	-	392,665
Utilities	222,529	-	222,529
Property fees	150,212	3,845	154,057
Geologic modelling & surveying	134,775	-	134,775
Supplies	101,293	-	101,293
Community & safety	98,808	-	98,808
Depreciation	72,876	-	72,876
Administration and other	17,808	-	17,808
<b>Expenditures for the period</b>	<b>22,894,035</b>	<b>3,845</b>	<b>22,897,880</b>
Cumulative balance – March 31, 2016	9,010,810	7,854,209	16,865,019
<b>Cumulative balance – March 31, 2017</b>	<b>\$ 31,904,845</b>	<b>\$ 7,858,054</b>	<b>\$ 39,762,899</b>

<sup>(1)</sup> 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%.

On December 30, 2015, the Company entered into an 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.

The Company accounted for its investment in Premier as an available for sale financial instrument and measured it fair value. The Company disposed of its investment in Premier in May 2016, at which time the unrealized gain recorded in other comprehensive income (“OCI”) of \$749,399 was reclassified to other income in the consolidated statement of loss and comprehensive loss.

#### 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 consists of 11 patented mining claims and is adjacent to Pure Gold’s Madsen Gold Project in the Red Lake gold camp, and is considered part of the Madsen Gold Project.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(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 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 NSR of 3%.

### 9. PROPERTY, PLANT AND EQUIPMENT

Three Months Ended June 30, 2017								
	Computer Equipment & Software	Office Furniture & Other Equipment	Land	Vehicles	Exploration Equipment & Infrastructure	Mill	Mine Property & Equipment	Total
Cost	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
March 31, 2017	120,620	106,541	4,952,463	33,396	602,058	616,650	139,300	6,571,028
Additions	2,091	-	185,500	-	63,633	-	-	251,224
Disposals	-	(48,159)	-	-	-	-	-	(48,159)
June 30, 2017	122,711	58,382	5,137,963	33,396	665,691	616,650	139,300	6,774,093
Accumulated Depreciation								
March 31, 2017	(104,833)	(62,209)	-	(6,676)	(127,308)	-	(7,287)	(308,313)
Depreciation	(3,235)	(2,060)	-	(2,279)	(20,435)	-	(3,387)	(31,396)
Disposals	-	41,789	-	-	-	-	-	41,789
June 30, 2017	(108,068)	(22,480)	-	(8,955)	(147,743)	-	(10,674)	(297,920)
Carrying Amounts								
March 31, 2017	15,787	44,332	4,952,463	26,720	474,750	616,650	132,013	6,262,715
June 30, 2017	14,643	35,902	5,137,963	24,441	517,948	616,650	128,626	6,476,173

  

Year Ended March 31, 2017								
	Computer Equipment & Software	Office Furniture & Other Equipment	Land	Vehicles	Exploration Equipment & Infrastructure	Mill	Mine Property & Equipment	Total
Cost	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
March 31, 2016	105,147	67,301	5,584,226	25,350	239,751	616,650	178,650	6,817,075
Additions	15,473	39,240	203,000	21,896	362,307	-	-	641,916
Disposals	-	-	(834,763)	(13,850)	-	-	(39,350)	(887,963)
March 31, 2017	120,620	106,541	4,952,463	33,396	602,058	616,650	139,300	6,571,028
Accumulated Depreciation								
March 31, 2016	(88,115)	(55,103)	-	(7,351)	(75,837)	-	-	(226,406)
Depreciation	(16,718)	(7,106)	-	(7,364)	(51,471)	-	(7,287)	(89,946)
Disposals	-	-	-	8,039	-	-	-	8,039
March 31, 2017	(104,833)	(62,209)	-	(6,676)	(127,308)	-	(7,287)	(308,313)
Carrying Amounts								
March 31, 2016	17,032	12,198	5,584,226	17,999	163,914	616,650	178,650	6,590,669
March 31, 2017	15,787	44,332	4,952,463	26,720	474,750	616,650	132,013	6,262,715

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.

The carrying value of property, plant, and equipment under finance leases at June 30, 2017 was \$124,463 (March 31, 2017 - \$131,604).

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 10. RECLAMATION DEPOSITS

As of June 30, 2017, the Company made seven deposits with a Canadian financial institution to provide financial assurance for seven letters of credit totaling \$2,517,025 (March 31, 2017 - \$2,517,025). These letters of credit provide for a partial indemnification of the closure and reclamation costs with respect to the Company's Madsen Gold Project. The deposits yield interest at a rate of 0.85% per annum and have no maturity date. All deposits are considered long-term, regardless of their term, as the funds will remain on deposit until the letters of credit are extinguished.

### 11. PROVISION FOR CLOSURE AND RECLAMATION

The Company has recognized a liability relating to its Madsen Gold Project and has determined that no significant closure and reclamation liabilities exist in connection with the exploration activities on its other exploration and evaluation assets. The Company has calculated the present value of the closure and reclamation provision at June 30, 2017 using a pre-tax discount rate of 1.56% and inflation rate of 2.00% (March 31, 2017 – 1.63% 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, 2017 is \$2,831,931 (March 31, 2017 - \$2,845,985). The Company has estimated that payments will be made in 2025.

	Three Months Ended June 30, 2017	Year Ended March 31, 2017
Balance, beginning of the period	\$ 2,480,540	\$ 2,459,774
New estimated cash flows and changes in estimates	2,136	(9,906)
Accretion on discounted obligation	9,739	30,672
<b>Balance, end of the period</b>	<b>\$ 2,492,415</b>	<b>\$ 2,480,540</b>

### 12. EQUITY

#### a. Share Capital

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

#### b. Private Placements

On February 22, 2017, the Company completed a private placement of 17,600,000 flow-through common shares at a price of \$0.75 per flow-through share for aggregate gross proceeds of \$13,200,000. In connection with the private placement the Company paid commissions, legal fees and filing fees totaling \$969,721.

On June 8, 2016, the Company completed a private placement of 8,334,000 flow-through common shares at a price of \$0.75 per flow-through share for aggregate gross proceeds of \$6,250,500. In connection with the private placement the Company paid commissions, legal fees and filing fees totaling \$543,342.

#### c. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the three months ended June 30, 2017 and the year ended March 31, 2017 are as follows:

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars Unless Noted Otherwise)

### 12. EQUITY (continued)

	Number of Warrants	Weighted Average Exercise Price
Outstanding Balance - March 31, 2016	38,163,250	\$0.50
Exercised during the year ended March 31, 2017	(38,007,250)	\$0.50
Expired during the year ended March 31, 2017	(156,000)	\$0.50
<b>Outstanding Balance – March 31, 2017 and June 30, 2017</b>	<b>-</b>	<b>-</b>

At the time of issuance, the 38,163,250 share purchase warrants had a fair value of \$2,721,495, which was included in equity reserves in the Company's consolidated statement of financial position. In connection with the warrants exercised during the year ended March 31, 2017, the related fair value amount of \$2,710,370 was transferred from equity reserves to share capital.

#### d. Stock Options

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

At June 30, 2017, the following options are outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Life in Years	Number of Options Exercisable
February 25, 2018	\$0.20	100,000	0.66	100,000
April 8, 2019	\$0.35	3,560,000	1.77	3,560,000
May 13, 2019	\$0.32	150,000	1.87	150,000
February 10, 2020	\$0.35	200,000	2.62	133,333
March 19, 2020	\$0.28	650,000	2.72	433,333
December 3, 2020	\$0.11	83,333	3.43	16,667
December 11, 2020	\$0.11	2,760,000	3.45	2,019,999
February 18, 2021	\$0.16	75,000	3.64	75,000
May 26, 2021	\$0.63	400,000	3.91	133,334
October 11, 2021	\$0.72	300,000	4.28	-
November 14, 2021	\$0.72	75,000	4.38	25,000
December 21, 2021	\$0.44	4,670,000	4.48	1,800,000
June 16, 2022	\$0.54	200,000	4.96	-
	<b>\$0.35</b>	<b>13,223,333</b>	<b>3.34</b>	<b>8,446,666</b>

The options exercisable at June 30, 2017 have a weighted average exercise price of \$0.31.

Details of options granted, exercised, expired and forfeited during the three months ended June 30, 2017 and the year ended March 31, 2017 are as follows:

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### 12. EQUITY (continued)

	Number of Options	Weighted Average Exercise Price
Balance – March 31, 2016	9,060,000	\$0.25
Granted during the period	5,545,000	\$0.48
Exercised during the period	(529,666)	\$0.32
Forfeited during the period	(1,035,002)	\$0.23
Expired during the period	(16,999)	\$0.35
Balance – March 31, 2017	13,023,333	\$0.34
Granted during the period	200,000	\$0.54
<b>Balance – June 30, 2017</b>	<b>13,223,333</b>	<b>\$0.35</b>

#### 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 three months ended June 30, 2017 and the year ended March 31, 2017 were as follows:

Issue Date	Expected Life of Options in Years	Exercise Price	Risk-free Interest Rate	Volatility <sup>1</sup>	Weighted Average Black-Scholes Fair Value
May 26, 2016	5.0	\$0.63	0.76%	84.79%	\$0.42
October 11, 2016	5.0	\$0.72	0.76%	91.86%	\$0.50
November 14, 2016	5.0	\$0.72	0.96%	91.78%	\$0.31
December 21, 2016	5.0	\$0.44	1.21%	91.71%	\$0.31
June 16, 2017	5.0	\$0.54	1.14%	90.87%	\$0.38

<sup>1</sup>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.

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 75,000 options granted November 14, 2016 were granted to a consultant and subject to vesting provisions whereby one third will vest six months from the grant date, one third will vest one year from the grant date, and one third will vest eighteen months from the grant date.
- (ii) 1,800,000 of the 4,670,000 options granted December 21, 2016 were granted to non-executive directors and vested immediately. The remaining 2,870,000 options were granted to employees and subject to typical vesting provisions.
- (iii) The 200,000 options granted June 16, 2017 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

No options were exercised during the three months ended June 30, 2017.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 12. EQUITY (continued)

During the year ended March 31, 2017, 413,000 options with a strike price of \$0.35, 66,666 options with a strike price of \$0.28, and 50,000 options with a strike price of \$0.11 were exercised for total proceeds of \$168,716. 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 \$122,213 was transferred from equity reserves to share capital.

#### *Forfeiture of Options*

No options were forfeited during the three months ended June 30, 2017.

During the year ended March 31, 2017, 100,000 options with a strike price of \$0.63, 215,001 options with a strike price of \$0.35, 133,334 options with a strike price of \$0.28, and 586,667 options with a strike price of \$0.11 were forfeited. As a result of the forfeitures, previously recognized share-based compensation relating to the unvested options of \$72,330 was reversed, resulting in a net expense for the year of \$938,068.

#### *Expiry of Options*

No options expired during the three months ended June 30, 2017.

During the year ended March 31, 2017, 16,999 options with a strike price of \$0.35 expired without exercise. These options had fully vested prior to expiry.

### 13. RELATED PARTY TRANSACTIONS

#### Oxygen Capital Corp (“Oxygen”).

Oxygen is a private company partially owned by one director and one officer of the Company. Oxygen provides technical and administrative services to the Company (the “Oxygen Agreement”) at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. As at June 30, 2017, Oxygen holds a refundable deposit of \$305,280 on behalf of the Company (March 31, 2017 - \$305,280). During the three months ended June 30, 2017, a total of \$463,266 (June 30, 2016 - \$329,834) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at June 30, 2017, the Company has a payable amount to Oxygen of \$101,811 (March 31, 2017 - \$102,168). This amount was paid subsequent to June 30, 2017.

#### Compensation of key management personnel

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:

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016
Salaries and other short-term employee benefits	\$ 246,991	\$ 222,833
Directors fees	65,000	40,000
Share-based compensation	149,116	39,100
<b>Total</b>	<b>\$461,107</b>	<b>\$301,933</b>

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 14. SEGMENTED INFORMATION

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

### 15. COMMITMENTS & CONTINGENCIES

- a. The Company's operating lease with respect to its head office premises is paid by Oxygen pursuant to the Oxygen Agreement. The Oxygen Agreement may be terminated by either party giving at least 180 days' prior written notice of such termination. Upon termination, by the Company, of the Oxygen Agreement, the Company shall pay to Oxygen an amount equal to the average monthly costs incurred under the Agreement for the previous six month period, plus any employee termination fees due under the Agreement as a result of the termination as such term is defined under the Agreement.
- b. The Company has committed to certain operating leases for two vehicles used on-site at its Madsen Gold Project in Red Lake, Ontario.
- c. The Company has committed to a finance lease with a third party for a custom ventilation and heating system used underground at the Madsen Gold Project. The lease commenced on February 21, 2017 with a term of 18 months, at which time the Company has the option to purchase the equipment. The lease has an implicit interest rate of 1.4%.

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

	GMC Sierra 2500 HD	GMC Sierra 2500 HD	Equipment Finance Lease
2017	4,803	5,711	16,272
2018	4,803	5,711	18,984
<b>Total</b>	<b>\$ 9,606</b>	<b>\$ 11,422</b>	<b>\$ 35,256</b>

- d. As at June 30 2017, the Company is committed to incur, on a best efforts basis, qualifying resource expenditures pursuant to the February 22, 2017 private placement (Note 12b). As at June 30, 2017, the Company had incurred qualifying resource expenditures of \$7,939,187. The Company must therefore incur the \$5,260,813 balance of qualifying resource expenditures before January 1, 2019. 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

The Company had incurred the full qualifying resource expenditures of \$6,250,500 pursuant to the June 2016 private placement (Note 12b) by December 31, 2016. The Company filed its renunciation forms in January 2017, and subsequently reversed the flow-through liability of \$916,740 and included it in the Company's consolidated statement of loss and comprehensive loss as a deferred tax recovery for the year ended March 31, 2017.

During April 2016 the Company incurred the remaining \$224,580 of qualifying resource expenditures pursuant to the February 2015 private placement, resulting in the reversal of the remaining flow-through premium liability and subsequent recognition of a deferred tax recovery of \$44,916 for the year ended March 31, 2017.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars Unless Noted Otherwise)

### 15. COMMITMENTS & CONTINGENCIES (continued)

- e. On April 19, 2017, the Company's subsidiary, Laurentian Copper Corp., received draft assessments indicating a reduction in the tax credit relating to resources claimed following a tax audit of its fiscal 2013-2015 income tax returns by Revenu Quebec, in which certain deductions claimed by the Company were disallowed. The Company has responded to the draft assessment and Revenu Quebec is currently evaluating the response. At this time the Company is unable to determine what the outcome of this review will be. A total of \$305,129 has been received by the Company in tax credits relating to resources claimed in fiscal 2013-2015.

In the event that management's estimate of the future resolution of this matter changes, the Company will recognize the effect of the change in its consolidated financial statements of the period in which the change occurs.

### 16. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016
<b>Non-Cash Investing and Financing Activities</b>		
Unrealized gain on available for sale investment	\$ -	\$ (298,625)
Change in estimate of provision for closure and reclamation	\$ 2,136	\$ 20,005

### 17. FINANCIAL INSTRUMENTS

#### a. Financial Assets and Liabilities

At June 30, 2017, 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.

The Company's equity investment in Premier (Note 8c) was designated as available for sale and held at fair value, as determined by the closing price of Premier's shares as at the date of the consolidated statement of financial position. Any unrealized gains or losses on available for sale assets were recognized in OCI.

Premier is a publicly-listed company and the fair value was based on the trading price of its shares as at the date of the consolidated statement of financial position. The Company disposed of its investment in Premier in May 2016, at which time the unrealized gain recorded in other comprehensive income ("OCI") of \$749,399 was reclassified to other income in the consolidated statement of loss and comprehensive loss.

#### b. Fair Value

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

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

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

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



# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 17. FINANCIAL INSTRUMENTS (continued)

The Company does not have any financial assets and liabilities measured and recognized at fair value on a non-recurring basis, nor any non-financial assets and liabilities measured at fair value on a recurring basis. The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between levels in the fair value hierarchy during the three months ended June 30, 2017.

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### 18. 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:

#### Credit Risk

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

#### Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. At June 30, 2017, the Company had cash of \$9,398,936 (March 31, 2017 - \$16,508,815) and short-term investments of \$23,000 (March 31, 2017 - \$23,000) to settle current liabilities of \$4,736,083 (\$1,744,083 excluding the flow-through premium liability of \$2,992,000) (March 31, 2017 - \$5,103,527). As at June 30, 2017, the Company is committed to incur, on a best efforts basis, \$5,260,813 in qualifying resource expenditures.

#### Interest Rate Risk

Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate due to changes in market interest rates. Cash and short-term investments include deposits which are at variable interest rates. For the three months ended June 30, 2017, 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 \$18,000.

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# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 19. SUBSEQUENT EVENTS

- a. A total of 100,000 stock options with an exercise price of \$0.54 were granted to an employee of Oxygen Capital Corp. on July 24, 2017. The options will vest one third in one year from the grant date, one third two years from the grant date, and one third three years from the grant date.
  - b. A total of 75,000 stock options with an exercise price of \$0.16 were exercised on August 3, 2017 for total proceeds of \$12,000.
-