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

# Condensed Interim Consolidated Financial Statements

## For the six months ended September 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 September 30, 2014 | As at March 31, 2014 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash | $ 1,800,494 | $ 8,991,899 |
| Restricted cash *(Note 10d)* | - | 104,224 |
| Short-term investments *(Note 6)* | 3,077,240 | 35,000 |
| Amounts receivable *(Note 7)* | 346,528 | 99,381 |
| Prepaid expenses | 28,786 | 100,848 |
| | 5,253,048 | 9,331,352 |
| **Non-current Assets** | | |
| Deposits *(Note 14)* | 156,000 | - |
| Property, plant and equipment *(Note 8)* | 8,040,893 | 6,864,865 |
| Reclamation deposits *(Note 9)* | 1,415,835 | 1,407,736 |
| Exploration and evaluation assets *(Note 10a)* | 9,358,383 | 7,635,798 |
| **Total Assets** | $ 24,224,159 | $ 25,239,751 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | $ 401,058 | $ 587,409 |
| Mineral property funding obligations *(Note 10d)* | - | 104,224 |
| Other liabilities *(Note 11)* | - | 2,500,000 |
| | 401,058 | 3,191,633 |
| **Non-current Liabilities** | | |
| Provision for closure and reclamation *(Note 12)* | 2,393,378 | 2,320,238 |
| Other long-term liabilities | 3,295 | - |
| **Total Liabilities** | 2,797,731 | 5,511,871 |
| **Equity** | | |
| Share capital *(Note 13a)* | 33,123,163 | 28,556,296 |
| Equity reserves *(Note 13c and Note 13d)* | 7,939,368 | 7,549,407 |
| Accumulated deficit | (19,636,103) | (16,377,823) |
| **Total Equity** | 21,426,428 | 19,727,880 |
| **Total Liabilities and Equity** | $ 24,224,159 | $ 25,239,751 |

**Commitments** *(Note 16)*

Approved by the Audit Committee of the Board of Directors on November 13, 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 September 30, 2014 | For the three months ended September 30, 2013 | For the six months ended September 30, 2014 | For the six months ended September 30, 2013 |
|---|---|---|---|---|
| **Expenses** | | | | |
| Exploration and evaluation expenditures *(Note 10b and 10d)* | $ 1,003,655 | $ 4,140 | $ 1,588,411 | $ 6,689 |
| Share-based compensation expense (recovery) *(Note 13d)* | 105,997 | (1,783) | 713,461 | 285 |
| Wages, consulting and director fees | 206,082 | 75,889 | 415,827 | 169,185 |
| Investor relations and communication | 217,798 | - | 335,878 | - |
| Office and rent | 83,836 | 19,980 | 158,732 | 41,558 |
| Professional fees | 15,042 | 683 | 33,165 | 683 |
| Listing and filing fees | 9,917 | 3,224 | 18,448 | 4,601 |
| Travel | 10,338 | 823 | 13,596 | 1,043 |
| Write-down of property, plant and equipment | 3,500 | - | 8,275 | - |
| Depreciation | 2,084 | 1,554 | 4,693 | 3,108 |
| **Loss from Operations** | (1,658,249) | (104,510) | (3,290,486) | (227,152) |
| **Other Income and Expenses** | | | | |
| Interest income | 26,296 | 126 | 50,869 | 457 |
| Management and administration fee | 700 | 21,786 | 8,650 | 39,228 |
| Accretion expense *(Note 12)* | (13,173) | - | (27,313) | - |
| **Total Other Income** | 13,823 | 21,912 | 32,206 | 39,685 |
| **Net Loss and Comprehensive Loss for the Period** | $ (1,644,426) | $ (82,598) | $ (3,258,280) | $ (187,467) |
| **Weighted Average Number of Common Shares Outstanding** | 105,517,211 | 9,353,190 | 101,365,925 | 9,353,190 |
| **Basic and Diluted Loss per Common Share** | $ (0.02) | $ (0.01) | $ (0.03) | $ (0.02) |

- 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 | - | | - | | 285 | | - | | 285 |
| Net loss for the period | - | | - | | - | | (187,467) | | (187,467) |
| Balance – September 30, 2013 | 9,353,190 | $ | 11,534,788 | $ | 4,492,303 | $ | (15,467,178) | $ | 559,913 |
| | | | | | | | | | |
| 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 compensation options | 2,899,533 | | 724,883 | | - | | - | | 724,883 |
| Fair value of exercised compensation options | - | | 146,345 | | (146,345) | | - | | - |
| Exercised warrants | 1,611,767 | | 773,484 | | - | | - | | 773,484 |
| Fair value of exercised warrants | - | | 107,301 | | (107,301) | | - | | - |
| Exercised stock options | 75,000 | | 15,000 | | - | | - | | 15,000 |
| Fair value of exercised stock options | - | | 69,854 | | (69,854) | | - | | - |
| Share-based compensation expense | - | | - | | 713,461 | | - | | 713,461 |
| Net loss for the period | - | | - | | - | | (3,258,280) | | (3,258,280) |
| Balance – September 30, 2014 | 107,753,375 | $ | 33,123,163 | $ | 7,939,368 | $ | (19,636,103) | $ | 21,426,428 |

- 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 six months ended September 30, 2014 | For the six months ended September 30, 2013 |
|---|---|---|
| **Operating Activities** | | |
| Net loss for the period | $ (3,258,280) | $ (187,467) |
| Items not affecting cash: | | |
| Share-based compensation expense | 713,461 | 285 |
| Accretion expense | 27,313 | - |
| Write-down of property, plant and equipment | 8,275 | - |
| Other non-cash expenditures on the statement of loss | 9,117 | 3,108 |
| Interest income | (50,869) | - |
| Changes in non-cash working capital: | | |
| Prepaid expenses | 72,062 | 6,480 |
| Accounts payable and accrued liabilities | (186,351) | (35,917) |
| Amounts receivable | (247,147) | (23,070) |
| Net cash used in operating activities | (2,912,419) | (236,581) |
| **Investing Activities** | | |
| Short-term investments | (3,042,240) | - |
| Exploration and evaluation assets | (2,500,000) | - |
| Deposits | (156,000) | - |
| Transaction costs related to acquisition of Newman-Madsen Project | (50,292) | - |
| Property, plant and equipment | (89,886) | - |
| Interest received | 42,770 | - |
| Other long-term liabilities | 3,295 | - |
| Net cash used in investing activities | (5,792,353) | - |
| **Financing Activities** | | |
| Proceeds from exercised warrants | 773,484 | - |
| Proceeds from exercised compensation options | 724,883 | - |
| Proceeds from exercised stock options | 15,000 | - |
| Net cash provided by financing activities | 1,513,367 | - |
| **Net Decrease in Cash** | (7,191,405) | (236,581) |
| **Cash - Beginning of the Period** | 8,991,899 | 430,606 |
| **Cash - End of the Period** | $ 1,800,494 | $ 194,025 |

| **Supplemental Schedule of Non-Cash Investing and Financing Activities** | | |
|---|---|---|
| Fair value of shares issued for exploration and evaluation assets | $ 2,730,000 | $ - |
| Fair value of exercised compensation options | $ 146,345 | $ - |
| Fair value of exercised warrants | $ 107,301 | $ - |
| Fair value of exercised stock options | $ 69,854 | $ - |
| Change in estimate of provision for closure and reclamation | $ 45,827 | $ - |

- 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 whereby a portion of the Company's exploration and evaluation activities are conducted with its partner, 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

### 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 and for the following accounting policy which has been added to these condensed interim consolidated financial statements and is discussed below. 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.

**Property, Plant and Equipment** – The Company acquired an office facility for its Madsen Gold Project which has been classified under exploration equipment in Note 8 of these condensed interim consolidated financial statements. Exploration equipment is recorded at cost less accumulated depreciation using the declining balance method at a rate of 20%.

## 3. NEW, AMENDED AND FUTURE 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 assessing the impact of adopting IFRS 7 on these consolidated financial statements.

**IFRS 9 – Financial Instruments: Classification and Measurement**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 would be annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact and timing of adopting IFRS 9 on these consolidated financial statements.

**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 | $ | 8,750,000 |
| Share consideration paid | | 2,102,031 |
| 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 September 30, 2014, the Company has invested $3,077,240 (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. AMOUNTS RECEIVABLE

Amounts receivable comprised of the following:

| | Six Months Ended September 30, 2014 | Year Ended March 31, 2014 |
|---|---|---|
| Refundable goods and services tax/ harmonized sales tax | $ 184,094 | $ 75,868 |
| Refundable mineral exploration tax credits | 161,511 | - |
| Other receivables | 923 | 23,513 |
| **Total** | **$ 346,528** | **$ 99,381** |

## 8. PROPERTY, PLANT AND EQUIPMENT

| Cost | Computer Equipment ($) | Office Furniture & Other Equipment ($) | Land ($) | Vehicles ($) | Exploration Equipment ($) | Mill ($) | 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 | - | 88,495 | - | - | 589,911 |
| Reclassification | - | - | 603,509 | - | - | - | - | 603,509 |
| Write-down | - | - | - | (8,275) | - | - | - | (8,275) |
| September 30, 2014 | 47,761 | 67,301 | 7,128,025 | 13,850 | 88,495 | 616,650 | 181,350 | 8,143,432 |
| **Accumulated Depreciation** | | | | | | | | |
| April 1, 2014 | (45,181) | (48,241) | - | - | - | - | - | (93,422) |
| Depreciation | (709) | (1,906) | - | (2,078) | (4,424) | - | - | (9,117) |
| September 30, 2014 | (45,890) | (50,147) | - | (2,078) | (4,424) | - | - | (102,539) |
| **Carrying Amounts** | | | | | | | | |
| **March 31, 2014** | **1,189** | **19,060** | **6,024,491** | **22,125** | **-** | **616,650** | **181,350** | **6,864,865** |
| **September 30, 2014** | **1,871** | **17,154** | **7,128,025** | **11,772** | **84,071** | **616,650** | **181,350** | **8,040,893** |

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.

*(Expressed in Canadian Dollars Unless Noted Otherwise)*

## 9. RECLAMATION DEPOSITS

As of September 30, 2014, the Company made three separate deposits with a Canadian financial institution to provide financial assurance for three letters of credit totaling $1,415,835 (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 16a). 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.

## 10. 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 | 45,827 | - | 45,827 |
| Reclassification | (603,509) | - | (603,509) |
| **Balance – September 30, 2014** | **$ 9,358,383** | **$ -** | **$ 9,358,383** |

### 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 six months ended September 30, 2014** | Madsen Gold Project | Other Properties[1] | Total |
|---|---|---|---|
| Salaries, wages and benefits | $ 504,259 | $ - | $ 504,259 |
| Contractors / consultants | 350,825 | - | 350,825 |
| Drilling | 327,103 | - | 327,103 |
| Camp field costs | 140,689 | 12,706 | 153,756 |
| Geology and geophysics | 136,233 | - | 136,233 |
| Travel and accommodation | 83,303 | - | 83,303 |
| Utilities | 61,516 | - | 61,516 |
| Assaying and geochemical | 50,615 | - | 50,615 |
| Property fees | 41,233 | - | 41,233 |
| Administration and other | 25,067 | - | 25,067 |
| Property maintenance | 8,764 | - | 8,764 |
| Depreciation | 4,424 | - | 4,424 |
| Equipment rental | 2,182 | - | 2,182 |
| Project management | 1,003 | - | 1,003 |
| Refundable mineral exploration tax credit[2] | - | (161,511) | (161,511) |
| **Expenditures (recovery) for the period** | **1,737,216** | **(148,805)** | **1,588,411** |
| Expenditures, beginning of the period | 168,588 | 7,996,794 | 8,165,382 |
| **Cumulative Balance – September 30, 2014** | **$ 1,905,804** | **$ 7,847,989** | **$ 9,753,793** |

*(1) Other properties include Van Horne, Maze Lake, Thundercloud, Goldpines North and South, and generative projects.*
*(2) Refer to Note 10d.*

*(Expressed in Canadian Dollars Unless Noted Otherwise)*

## 10. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES - *Continued*

### b. Expenditures - *Continued*

| **For the six months ended September 30, 2013** | Van Horne | Goldpines South | Other Properties[1] | **Total** |
|---|---|---|---|---|
| Field expenses | $ 6,551 | $ 1,320 | $ 3,316 | $ 11,187 |
| Government assistance | - | - | (4,498) | (4,498) |
| **Expenditures for the period** | 6,551 | 1,320 | (1,182) | 6,689 |
| Expenditures, beginning of the period | 1,726,136 | 81,157 | 6,180,454 | 7,987,747 |
| **Cumulative Balance – September 30, 2013** | **$ 1,732,687** | **$ 82,477** | **$ 6,179,272** | **$ 7,994,436** |

*(1) Other properties include Maze Lake, Thundercloud, Goldpines North 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. 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 *(paid $2.5 million cash);* 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 |

*(Expressed in Canadian Dollars Unless Noted Otherwise)*

## 10. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES - *Continued*

### c. Madsen Gold Project, Ontario - *Continued*

*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 in the Company. 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.

### 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.

Effective July 25, 2014, the Alliance was terminated and therefore the Company no longer has any obligations with respect to the Alliance. Under the terms of the Alliance, the Company had received $991,459 in aggregate funding from Antofagasta and incurred an aggregate of $991,098 in exploration expenditures. At September 30, 2014, the Company had a refundable mineral exploration tax credit receivable of $161,511 for eligible exploration expenditures incurred in the Province of Quebec. This amount has been netted against exploration and evaluation expenditures. Subsequent to the quarter ended September 30, 2014, the Company received the entire refund of $161,511. At March 31, 2014, the Company had restricted cash of $104,224 that was subsequently spent by 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 six months ended September 30, 2014 | | For the six months ended September 30, 2013 |
|---|---|---|---|---|
| Assay and sampling | $ | 4,375 | $ | 34,039 |
| Camp field costs | | 49,752 | | 303,443 |
| Geological consulting | | 39,393 | | 57,942 |
| General and administrative | | 1,693 | | 12,821 |
| Operator's fee | | 8,650 | | 33,038 |
| Cash calls / funds used | | (104,224) | | (441,283) |
| | **$** | **(361)** (1) | **$** | **-** |

(1) *This amount has been included in cash in the Statement of Financial Position as at September 30, 2014.*

*(Expressed in Canadian Dollars Unless Noted Otherwise)*

## 11. OTHER LIABILITIES

During the comparative period ended March 31, 2014, other liabilities, which had been classified as current, consisted 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 10c). On August 28, 2014, the Company made the $2,500,000 final payment to Claude in cash.

## 12. PROVISION FOR CLOSURE AND RECLAMATION

The Company has recognized a liability relating to its Madsen Gold Project and has determined that no significant closure and reclamation liabilities exist in connection with the exploration activities on its other exploration and evaluation assets. The Company has calculated the present value of the closure and reclamation provision at September 30, 2014 using a pre-tax discount rate of 2.15% (March 31, 2014 – 2.46%). The estimated total future undiscounted and inflation-adjusted cash flows to settle the provision for closure and reclamation at September 30, 2014 is $2,929,381. 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.

| | Six Months Ended September 30, 2014 | Year Ended March 31, 2014 |
|---|---|---|
| Balance, beginning of the period | $ 2,320,238 | $ - |
| New estimated cash flows | 45,827 | 2,320,238 |
| Accretion on discounted obligation | 27,313 | - |
| **Balance, end of the period** | **$ 2,393,378** | **$ 2,320,238** |

## 13. EQUITY

### a. Share Capital

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

### b. Private 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 |

*(Expressed in Canadian Dollars Unless Noted Otherwise)*

## 13. EQUITY - *Continued*

### b. Private Placement - *Continued*

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 |

On August 11, 2014, 2,899,533 Compensation Options were exercised for total proceeds of $724,883. Upon exercise, the Company issued 2,899,533 common shares and 1,449,767 share purchase warrants with an exercise price of $0.50 which expire on March 4, 2016.

On August 29, 2014, the 1,449,767 share purchase warrants mentioned above were exercised for total proceeds of $724,884.

Details of issued and outstanding Compensation Options are as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| Balance - March 31, 2013 | - | - |
| Issued | 4,142,191 | $0.25 |
| Balance - March 31, 2014 | 4,142,191 | $0.25 |
| Exercised | (2,899,533) | $0.25 |
| **Balance – September 30, 2014** | **1,242,658** | **$0.25** |

### 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 |
| Issued | 1,449,767 | $0.50 |
| Exercised | (1,611,767) | $0.48 |
| **Balance – September 30, 2014** | **41,170,250** | **$0.49** |

*(Expressed in Canadian Dollars Unless Noted Otherwise)*

## 13. EQUITY - *Continued*

### c. Share Purchase Warrants - *Continued*

At September 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 September 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.

Six months ended September 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.

The fair value of these options at issuance was $1,129,040, of which $696,886 has been recognized as share-based compensation expense during the six month period ended September 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 |

*(Expressed in Canadian Dollars Unless Noted Otherwise)*

**13. EQUITY** - *Continued*

**d. Stock Options** - *Continued*

*May 2014*

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

The fair value of these options at issuance was $70,231, of which $16,575 has been recognized as share-based compensation expense during the six month period ended September 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:

Six months ended September 30, 2014 - *Continued*

*May 2014* - *Continued*

| **Assumptions** | |
|---|---|
| Risk-free interest rate | 1.62% |
| Expected stock price volatility | 97.02% |
| Expected dividend yield and forfeiture rate | 0.00% |
| Expected life of options | 5 years |

*Expiry of Stock Options*

During the six month period ended September 30, 2014, 42,500 incentive stock options with a strike price of $0.20 expired without exercise.

*Exercise of Stock Options*

During the six month period ended September 30, 2014, 75,000 incentive stock options with a strike price of $0.20 were exercised for total proceeds of $15,000. In connection with this option exercise, the related fair value amount of $69,854 was transferred from equity reserves to share capital.

Six months ended September 30, 2013

There were no stock options granted during the six month period ended September 30, 2013.

During the six month period ended September 30, 2013, the Company recorded share-based compensation expense of $285, net. Share-based compensation expense of $2,068 was recorded and related to 30,000 stock options granted during the year ended March 31, 2013 and which had partially vested during the six month period ended September 30, 2013. These 30,000 stock options were then forfeited during the six month period ended September 30, 2013 resulting in the reversal of $1,783 relating to 22,500 unvested stock options.

*(Expressed in Canadian Dollars Unless Noted Otherwise)*

## 13. EQUITY - *Continued*

### d. Stock Options - *Continued*

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 | (75,000) | $0.20 |
| Expired | (42,500) | $0.20 |
| **Balance – September 30, 2014** | **5,095,000** | **$0.34** |

At September 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 |
|---|---|---|---|---|
| January 21, 2016 | $0.20 | 30,000 | 1.31 | 30,000 |
| March 11, 2016 | $0.20 | 50,000 | 1.45 | 50,000 |
| February 25, 2018 | $0.20 | 335,000 | 3.41 | 335,000 |
| April 8, 2019 | $0.35 | 4,380,000 | 4.52 | 2,000,000 |
| May 13, 2019 | $0.32 | 300,000 | 4.62 | - |
| | **$0.34** | **5,095,000** | **4.41** | **2,415,000** |

## 14. RELATED PARTY TRANSACTIONS

Oxygen Capital Corp (“Oxygen”).

Oxygen is a private company partially owned by one director and one officer of the Company. Oxygen provides technical and administrative services to the Company (the “Oxygen Agreement”) at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. As at September 30, 2014, Oxygen holds a refundable deposit of $156,000 on behalf of the Company. During the six month period ended September 30, 2014, a total of $437,458 (September 30, 2013 - $Nil) was paid or accrued to Oxygen. Additionally, as at September 30, 2014, the Company held a payable amount to Oxygen of $63,348 (March 31, 2014 - $5,712). This amount was paid subsequent September 30, 2014.

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:

*(Expressed in Canadian Dollars Unless Noted Otherwise)*

## 14. RELATED PARTY TRANSACTIONS - *Continued*

| | Six Months Ended September 30, 2014 | Six Months Ended September 30, 2013 |
|---|---|---|
| Salaries and other short-term employee benefits | $ 271,170 | $ 163,000 |
| Directors fees | 80,000 | - |
| Share-based compensation | 654,394 | - |
| **Total** | **$ 1,005,564** | **$ 163,000** |

## 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

**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 9).

**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.

**c.** Effective August 6, 2014, the Company entered into a rental lease agreement for a house located in Madsen, Ontario for a period of 12 months. The Company has also committed to certain operating leases for two vehicles to be used for on-site at its Madsen Gold Project in Red Lake, Ontario. The future minimum lease payments required under these agreements are indicated in the table below:

| | Madsen Rental House | GMC Sierra 2500 HD | GMC Sierra 2500 HD |
|---|---|---|---|
| 2014 | $ 4,500 | $ 2,401 | $ 2,855 |
| 2015 | 10,500 | 9,606 | 11,422 |
| 2016 | - | 9,606 | 11,422 |
| 2017 | - | 9,606 | 11,422 |
| 2018 | - | 4,803 | 5,711 |
| **Total** | **$ 15,000** | **$ 36,022** | **$ 42,832** |

## 17. 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