Pure Gold Mining Inc.

Condensed Interim Consolidated Financial Statements

For the six months ended September 30, 2015

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

Notice of no Auditor Review of
Interim Financial Statements

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

The accompanying unaudited condensed interim consolidated financial statements of Pure Gold Mining Inc. (the "Company") as at September 30, 2015, and for the six months ended September 30, 2015, have been prepared by and are the responsibility of the Company's management.

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

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Financial Position

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

	As at September 30, 2015	As at March 31, 2015
ASSETS		
Current Assets		
Cash	$ 993,069	$ 5,006,937
Short-term investments *(Note 6)*	2,033,849	1,523,000
Amounts receivable *(Note 8)*	72,832	130,048
Prepaid expenses *(Note 7)*	44,578	83,180
Interest receivable	1,562	34,718
	3,145,890	6,777,883
Non-current Assets		
Exploration and evaluation assets *(Note 11a)*	11,006,362	11,052,776
Property, plant and equipment *(Note 10)*	6,616,274	6,604,523
Reclamation deposits *(Note 9)*	2,087,262	1,747,499
Deposits *(Note 14)*	156,000	156,000
Total Assets	$ 23,011,788	$ 26,338,681
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 143,355	$ 818,620
Flow-through premium liability	968,553	968,553
	1,111,908	1,787,173
Non-current Liabilities		
Provision for closure and reclamation *(Note 12)*	2,541,167	2,568,480
Other long-term liabilities	3,295	3,295
Total Liabilities	3,656,370	4,358,948
Equity		
Share capital *(Note 13a)*	37,362,311	37,362,311
Equity reserves *(Note 13b and Note 13c)*	8,285,726	8,149,745
Accumulated deficit	(26,292,619)	(23,532,323)
Total Equity	19,355,418	21,979,733
Total Liabilities and Equity	$ 23,011,788	$ 26,338,681

Commitments *(Note 16)*
Contingencies *(Note 17)*

Approved by the Audit Committee of the Board of Directors on November 16, 2015:

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

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

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

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

	For the three months ended September 30, 2015	For the three months ended September 30, 2014	For the six months ended September 30, 2015	For the six months ended September 30, 2014
Expenses				
Exploration and evaluation expenditures *(Note 11b)*	$ 935,200	$ 1,003,655	$ 2,036,179	$ 1,588,411
Wages, consulting and director fees	115,535	206,082	325,666	415,827
Office and rent	75,440	83,836	155,422	158,732
Share-based compensation *(Note 13c)*	51,096	105,997	135,981	713,461
Investor relations and communication	39,497	217,798	85,165	335,878
Depreciation	11,240	2,084	18,430	4,693
Listing and filing fees	5,062	9,917	14,073	18,448
Professional fees	1,005	15,042	5,424	33,165
Administrative travel	575	10,338	2,364	13,596
Write-down of property, plant and equipment	-	3,500	-	8,275
Total Expenses	(1,234,650)	(1,658,249)	(2,778,704)	(3,290,486)
Other Income and Expenses				
Interest income	16,159	26,296	37,509	50,869
Management and administration fee	-	700	-	8,650
Accretion expense *(Note 12)*	(10,412)	(13,173)	(19,101)	(27,313)
Total Other Income	5,747	13,823	18,408	32,206
Net Loss and Comprehensive Loss for the Period	$ (1,228,903)	$ (1,644,426)	$ (2,760,296)	$ (3,258,280)
Weighted Average Number of Common Shares Outstanding	125,719,854	105,517,211	125,719,854	101,365,925
Basic and Diluted Loss per Common Share	$ (0.01)	$ (0.02)	$ (0.02)	$ (0.03)

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

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Changes in Equity

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

	Number of Common Shares		Share Capital		Equity Reserves		Accumulated Deficit		Total
Balance – March 31, 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	-		-		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
Balance – March 31, 2015	125,719,854	$	37,362,311	$	8,149,745	$	(23,532,323)	$	21,979,733
Share-based compensation	-		-		135,981		-		135,981
Net loss for the period	-		-		-		(2,760,296)		(2,760,296)
Balance – September 30, 2015	125,719,854	$	37,362,311	$	8,285,726	$	(26,292,619)	$	19,355,418

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

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the six months ended September 30, 2015	For the six months ended September 30, 2014
Operating Activities		
Net loss for the period	$ (2,760,296)	$ (3,258,280)
Items not affecting cash:		
Share-based compensation	135,981	713,461
Depreciation	41,648	9,117
Accretion expense	19,101	27,313
Write-down of property, plant and equipment	-	8,275
Interest income	(37,509)	(50,869)
Changes in non-cash working capital:		
Amounts receivable	57,216	(247,147)
Prepaid expenses	38,602	72,062
Accounts payable and accrued liabilities	(675,265)	(186,351)
Net cash used in operating activities	(3,180,522)	(2,912,419)
Investing Activities		
Purchase of short-term investments	(510,849)	(3,042,240)
Reclamation deposits	(339,763)	-
Property, plant and equipment	(53,399)	(89,886)
Exploration and evaluation assets	-	(2,500,000)
Deposits	-	(156,000)
Interest received	70,665	42,770
Other long-term liabilities	-	3,295
Transaction costs related to acquisition of the Newman-Madsen Project	-	(50,292)
Net cash used in investing activities	(833,346)	(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	(4,013,868)	(7,191,405)
Cash - Beginning of the Period	5,006,937	8,991,899
Cash - End of the Period	$ 993,069	$ 1,800,494

Supplemental Cash Flow Information *(Note 18)*

- 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. The Company's head office and principal address is located at Suite 1900 – 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9. The Company's records office and registered office address is c/o McMillan LLP, 1500 Royal Centre PO Box 1117, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

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

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

2. BASIS OF PREPARATION

Statement of Compliance

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").

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, 2015, except for those policies which have changed as a result of the adoption of new and amended IFRS pronouncements effective April 1, 2015. 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, 2015. The effects of the adoption of new, amended and future IFRS pronouncements have been disclosed in Note 3 of these condensed interim consolidated financial statements.

3. NEW, AMENDED AND FUTURE IFRS PRONOUNCEMENTS

Changes in Accounting Policies

The Company has adopted the following revised standards, effective April 1, 2015. There was no consequential impact upon adoption.

3. NEW, AMENDED AND FUTURE IFRS PRONOUNCEMENTS - *Continued*

IFRS 8 – Operating Segments

IFRS 8, Operating segments, was amended to require (i) disclosure of judgements made by management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when segment assets are reported.

IAS 24 – Related Party Transactions

IAS 24 – Related party transactions was amended to (i) revise the definition of "related party" to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements.

Future IFRS Pronouncements

The following standards have been published and are effective for annual accounting periods beginning on or after January 1, 2018:

IFRS 7

This standard was amended to require additional disclosures on transition from IAS 39 to IFRS 9. The Company is currently evaluating the extent of the impact of the adoption of this standard.

IFRS 9 – Financial Instruments

IFRS 9, Financial Instruments introduces new requirements for the classification and measurement of financial assets and liabilities. The Company is currently evaluating the extent of the impact of the adoption of this standard.

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, 2015.

5. ACQUISITIONS

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

(Expressed in Canadian Dollars Unless Noted Otherwise)

5. ACQUISITIONS - *Continued*

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

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

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

6. SHORT-TERM INVESTMENTS

As of September 30, 2015, the Company has invested $2,033,849 (March 31, 2015 - $1,523,000) into two Guaranteed Investment Certificates ("GICs") with two Canadian Financial Institutions. These GICs yield interest at rates of 0.75% and 1.05% and have original maturity dates of greater than three months but not more than one year.

7. PREPAID EXPENSES

Prepaid expenses comprised of the following:

	Six Months Ended September 30, 2015	Year Ended March 31, 2015
Insurance and benefits premiums	$ 27,125	$ 44,780
Other prepaid expenses	14,045	15,523
Advance for mapping and sampling program at Madsen	3,116	-
Investor relations and communication	292	22,877
Total	**$ 44,578**	**$ 83,180**

8. AMOUNTS RECEIVABLE

Amounts receivable comprised of the following:

	Six Months Ended September 30, 2015	Year Ended March 31, 2015
Refundable goods and services tax/ harmonized sales tax	$ 56,488	$ 129,008
Other receivables	16,344	1,040
Total	**$ 72,832**	**$ 130,048**

9. RECLAMATION DEPOSITS

As of September 30, 2015, the Company made four deposits with Canadian financial institutions to provide financial assurance for four letters of credit totaling $2,087,262 (March 31, 2015 - $1,747,499). These letters of credit provide for a partial indemnification of the closure and reclamation costs with respect to the Company's Madsen Gold Project (Note 16a). The deposits yield interest at a rate of 1.10% 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.

(Expressed in Canadian Dollars Unless Noted Otherwise)

10. PROPERTY, PLANT AND EQUIPMENT

Six Months Ended September 30, 2015

Cost	Computer Equipment & Software ($)	Office Furniture & Other Equipment ($)	Land ($)	Vehicles ($)	Exploration Equipment ($)	Mill ($)	Mine Property & Equipment ($)	Total ($)
March 31, 2015	47,761	67,301	5,584,226	13,850	233,991	616,650	178,650	6,742,429
Additions	47,639	-	-	-	5,760	-	-	53,399
September 30, 2015	95,400	67,301	5,584,226	13,850	239,751	616,650	178,650	6,795,828
Accumulated Depreciation								
March 31, 2015	(46,599)	(52,053)	-	(4,155)	(35,099)	-	-	(137,906)
Depreciation	(18,203)	(1,525)	-	(1,455)	(20,465)	-	-	(41,648)
September 30, 2015	(64,802)	(53,578)	-	(5,610)	(55,564)	-	-	(179,554)
Carrying Amounts								
March 31, 2015	**1,162**	**15,248**	**5,584,226**	**9,695**	**198,892**	**616,650**	**178,650**	**6,604,523**
September 30, 2015	**30,598**	**13,723**	**5,584,226**	**8,240**	**184,187**	**616,650**	**178,650**	**6,616,274**

Year Ended March 31, 2015

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

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

(Expressed in Canadian Dollars Unless Noted Otherwise)

11. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

a. Acquisition Costs

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

	Madsen Gold Project
Balance – March 31, 2014	$ 7,635,798
Acquisition costs – Newman-Madsen	2,280,267
Change in estimate of provision for closure and reclamation	197,171
Reclassification	939,540
Balance – March 31, 2015	**$ 11,052,776**
Balance – March 31, 2015	$ 11,052,776
Change in estimate of provision for closure and reclamation	(46,414)
Balance – September 30, 2015	**$ 11,006,362**

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, 2015	Madsen Gold Project	Other Properties(1)	Total
Contractors / consultants	$ 672,240	$ -	$ 672,240
Salaries, wages and benefits	599,833	-	599,833
Assaying and geochemical	224,262	275	224,537
Drilling	161,621	-	161,621
Equipment rental	107,450	-	107,450
Camp field costs	70,038	10,141	80,179
Travel and accommodation	69,179	-	69,179
Property fees	47,537	1,779	49,316
Utilities	42,948	-	42,948
Depreciation	23,218	-	23,218
Engineering study	17,978	-	17,978
Supplies	15,855	-	15,855
Administration and other	5,230	-	5,230
Refundable mineral exploration tax credit	-	(33,405)	(33,405)
Expenditures for the period	**2,057,389**	**(21,210)**	**2,036,179**
Cumulative balance – March 31, 2015	4,768,080	7,875,159	12,643,239
Cumulative balance – September 30, 2015	**$ 6,825,469**	**$ 7,853,949**	**$ 14,679,418**

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

(Expressed in Canadian Dollars Unless Noted Otherwise)

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

b. Expenditures - *Continued*

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	153,395
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	-	(161,511)	(161,511)
Expenditures for the period	**1,737,216**	**(148,805)**	**1,588,411**
Cumulative balance – March 31, 2014	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.*

c. Madsen Gold Project, Ontario

On March 4, 2014, the Company acquired a 100% interest in the Madsen Gold Project from Claude for cash consideration of $8.75 million and share consideration of $2.1 million. The Madsen Gold Project comprises in excess of 4,000 hectares in the Red Lake gold camp of Northwestern Ontario.

Newman-Madsen

On June 24, 2014, the Company acquired a 100% interest in the Newman-Madsen Property from Sabina. The Newman-Madsen Property consists of 38 patented mining claims and is adjacent to Pure Gold's Madsen Gold Project in the prolific Red Lake gold camp, and going forward is to be considered as part of the Madsen Gold Project.

Upon completion of the acquisition, Pure Gold issued 6,500,000 of its common shares to Sabina (fair value of $2,730,000). Pure Gold and Sabina also entered into an equity participation agreement pursuant to which Sabina has a right to maintain its equity position in the Company. Such right will expire on the earlier of June 24, 2016 or the date on which Sabina ceases to hold at least 3.5% of the shares of Pure Gold.

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, 2015 using a pre-tax discount rate of 1.45% (March 31, 2015 – 1.36%). The estimated total future undiscounted and inflation-adjusted cash flows to settle the provision for closure and reclamation at September 30, 2015 is $2,871,942 (March 31, 2015 - $2,900,520). 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.

(Expressed in Canadian Dollars Unless Noted Otherwise)

12. PROVISION FOR CLOSURE AND RECLAMATION - *Continued*

	Six Months Ended September 30, 2015	Year Ended March 31, 2015
Balance, beginning of the period	$ 2,568,480	$ 2,320,238
New estimated cash flows and changes in estimates	(46,414)	197,171
Accretion on discounted obligation	19,101	51,071
Balance, end of the period	**$ 2,541,167**	**$ 2,568,480**

13. EQUITY

a. Share Capital

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

b. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the six months ended September 30, 2015 and the year ended March 31, 2015 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding Balance - March 31, 2014	41,332,250	$0.48
Issued during the year ended March 31, 2015	1,449,767	$0.50
Exercised during the year ended March 31, 2015	(1,661,767)	$0.47
Expired during the year ended March 31, 2015	(2,957,000)	$0.30
Outstanding Balance – March 31, 2015 and September 30, 2015	**38,163,250**	**$0.50**

At the time of issuance, the 38,163,250 outstanding share purchase warrants noted above had a deemed fair value of $2,721,495. This amount has been included in equity reserves in the Company's consolidated statement of financial position at September 30, 2015.

c. 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.

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. EQUITY - *Continued*

c. Stock Options - *Continued*

There were no stock options granted during the six month period ended September 30, 2015.

During the six month period ended September 30, 2015, 75,000 incentive stock options which were granted in 2013 and which had a strike price of $0.20 expired without exercise. These options had fully-vested prior to expiry.

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 $1,131,481, of which $87,762 has been recognized as share-based compensation expense during the six months ended September 30, 2015 (September 30, 2014 - $696,886). 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

During the six month period ended September 30, 2015, 100,000 incentive stock options with a strike price of $0.35 relating to the above noted grant were forfeited. As a result of the forfeiture, the $87,762 recognized as share-based compensation expense was offset by $8,824 due to a reversal of previously recognized share-based compensation expense relating to unvested options.

May 2014

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

The fair value of these options at issuance was $70,373, of which $10,019 has been recognized as share-based compensation expense during the six months ended September 30, 2015 (September 30, 2014 - $16,575). The corresponding share-based compensation expense has a weighted average fair value of $0.23 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. EQUITY - *Continued*

c. Stock Options - *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

During the six month period ended September 30, 2015, 150,000 incentive stock options with a strike price of $0.32 relating to the above noted grant were forfeited. As a result of the forfeiture, the $10,019 recognized as share-based compensation expense was offset by $11,098 due to a reversal of previously recognized share-based compensation expense relating to unvested options.

February 2015

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

The fair value of these options at issuance was $37,384, of which $11,423 has been recognized as share-based compensation expense during the six months ended September 30, 2015 (September 30, 2014 - $Nil). The corresponding share-based compensation expense has a weighted average fair value of $0.19 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	0.73%
Expected stock price volatility	92.04%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

March 2015

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

The fair value of these options at issuance was $161,918, of which $48,172 has been recognized as share-based compensation expense during the six months ended September 30, 2015 (September 30, 2014 - $Nil). The corresponding share-based compensation expense has a weighted average fair value of $0.17 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. EQUITY - *Continued*

c. Stock Options - *Continued*

March 2015 - Continued

Assumptions	
Risk-free interest rate	0.74%
Expected stock price volatility	91.48%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

During the six month period ended September 30, 2015, 50,000 incentive stock options with a strike price of $0.28 relating to the above noted grant were forfeited. As a result of the forfeiture, the $48,172 recognized as share-based compensation expense was offset by $1,473 due to a reversal of previously recognized share-based compensation expense relating to unvested options.

Exercises and Expiry of Stock Options during the Year Ended March 31, 2015

During the year ended March 31, 2015, 75,000 incentive stock options with a strike price of $0.20 were exercised for total proceeds of $15,000. The weighted average trading price for stock options exercised during the year was $0.45. In connection with this option exercise, the related fair value amount of $69,854 was transferred from equity reserves to share capital.

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

Details of stock options granted, exercised, expired and forfeited during the six months ended September 30, 2015 and the year ended March 31, 2015 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance – March 31, 2014	532,500	$0.20
Granted during the period	5,830,000	$0.34
Exercised during the period	(75,000)	$0.20
Expired during the period	(172,500)	$0.20
Balance – March 31, 2015	6,115,000	$0.33
Expired during the period	(75,000)	$0.20
Forfeited during the period	(300,000)	$0.32
Balance – September 30, 2015	**5,740,000**	**$0.33**

At September 30, 2015, 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	10,000	0.31	10,000
March 11, 2016	$0.20	50,000	0.45	50,000
February 25, 2018	$0.20	150,000	2.41	150,000
April 8, 2019	$0.35	4,280,000	3.52	2,760,000
May 13, 2019	$0.32	150,000	3.62	50,000
February 10, 2020	$0.35	200,000	4.37	-
March 19, 2020	$0.28	900,000	4.47	-
	$0.33	**5,740,000**	**3.64**	**3,020,000**

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. EQUITY - *Continued*

d. Compensation Options

Details of issued and outstanding compensation options are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance - March 31, 2014	4,142,190	$0.25
Exercised during the year ended March 31, 2015	(2,899,533)	$0.25
Balance – March 31, 2015 and September 30, 2015	**1,242,657**	**$0.25**

The above mentioned compensation options are exercisable for a period of 24 months from the date of issuance (March 4, 2014) and have 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.

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, 2015, Oxygen holds a refundable deposit of $156,000 (March 31, 2015 - $156,000) on behalf of the Company. During the six months ended September 30, 2015, a total of $486,567 (September 30, 2014 - $437,458) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at September 30, 2015, the Company has a payable amount to Oxygen of $54,052 (March 31, 2015 - $84,157). This amount was paid subsequent to September 30, 2015.

Compensation of key management personnel

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

	Six Months Ended September 30, 2015	Six Months Ended September 30, 2014
Salaries and other short-term employee benefits	$ 295,781	$ 271,170
Directors fees	40,000	80,000
Share-based compensation	83,156	654,394
Total	**$ 418,937**	**$ 1,005,564**

15. SEGMENTED INFORMATION

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

(Expressed in Canadian Dollars Unless Noted Otherwise)

16. COMMITMENTS

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 a remaining final payment of $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. Upon expiry of the lease agreement, both parties mutually agreed that the lease agreement would operate on a month-to-month basis. During the month of September, 2015, the Company was notified that the lease agreement would be terminated at the end of November, 2015. The Company has also committed to certain operating leases for two vehicles to be used 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
2015	$ 3,000	$ 2,402	$ 2,856
2016	-	9,606	11,422
2017	-	9,606	11,422
2018	-	4,803	5,711
Total	**$ 3,000**	**$ 26,417**	**$ 31,411**

d. As at September 30, 2015, the Company is committed to incur, on a best efforts basis, qualifying resource expenditures pursuant to a private placement for which flow-through proceeds have been received. The Company will file its renunciation forms by the end of February 2016. As at September 30, 2015, the Company had incurred qualifying resource expenditures of $2,720,658. The Company must therefore incur the $2,122,109 balance of qualifying resource expenditures before January 1, 2017.

If the Company does not spend these funds in compliance with the Government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfill its flow-through commitments within the given time constraints.

17. CONTINGENCIES

During the six months ended September 30, 2015, the directors and the CEO and CFO of the Company, voluntarily reduced their cash compensation in an effort to preserve cash in the Company.

As a result, the Company has entered into supplementary "Top Up" Agreements with each of these individuals indicating that in the event the Company completes a transaction; such individual may be reimbursed for the amount of compensation that has been foregone. A transaction is defined to include i) a change of control of the Company or ii) a financing, that in the Board's sole discretion in exercising its fiduciary duties, allows the Company to be in a position to reimburse these individuals.

(Expressed in Canadian Dollars Unless Noted Otherwise)

17. CONTINGENCIES - *Continued*

As at September 30, 2015, a total of $53,125 would be paid under these Agreements in the event of a transaction. Effective October 15, 2015, the remaining salaried employees of the Company have also voluntarily reduced their cash compensation and are subject to the same Top Up Agreements as discussed above.

18. SUPPLEMENTAL CASH FLOW INFORMATION

Non-Cash Investing and Financing Activities		Six Months Ended September 30, 2015		Six Months Ended September 30, 2014
Change in estimate of provision for closure and reclamation	$	46,414	$	45,827
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

19. 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 because of their short-term nature:

- Cash
- Short-term investments
- Amounts receivable (excluding sales tax receivable and resource tax credits)
- Interest receivable
- Trade accounts payable and accrued liabilities

The fair value of the following financial assets and liabilities approximate their carrying amount and fall within Level 3 of the fair value hierarchy:

- Deposits
- Reclamation deposits
- Other long-term liabilities

20. MANAGEMENT OF CAPITAL

Pure Gold considers the items included in the consolidated statement of shareholders' equity as capital. Management of the Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders. The Company is not subject to externally imposed capital requirements. Pure Gold's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

21. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of documented treasury policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is explained as follows:

Credit Risk

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

The Company deposits its cash 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 September 30, 2015, the Company had cash of $993,069 (March 31, 2015 - $5,006,937) and short-term investments of $2,033,849 (March 31, 2015 - $1,523,000) to settle current liabilities of $1,111,907 (March 31, 2015 - $1,787,173). As at September 30, 2015, the Company is committed to incur, on a best efforts basis, $2,122,209 in qualifying resource expenditures.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows 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 six months ended September 30, 2015, a plus or minus 0.5% change in market interest rates would affect the Company's interest earned on cash and short-term investments by approximately $15,000.

Fair Value Estimation

The carrying value of the Company's financial assets and liabilities approximates their estimated fair value.