



**Pure Gold Mining Inc.**

**Condensed Interim Consolidated Financial Statements**

**For the six months ended September 30, 2016**

*(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, 2016, and for the six months ended September 30, 2016, 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, 2016	As at March 31, 2016
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 20,028,163	\$ 2,199,151
Short-term investments (Note 5)	23,000	23,000
Amounts receivable (Note 6)	334,448	210,266
Prepaid expenses (Note 7)	468,977	77,389
Available for sale investment (Note 17)	-	3,105,335
Interest receivable	-	171
	<b>20,854,588</b>	<b>5,615,312</b>
<b>Non-current Assets</b>		
Exploration and evaluation assets (Note 8a)	6,927,418	6,908,651
Property, plant and equipment (Note 9)	5,839,501	6,590,669
Reclamation deposits (Note 10)	2,427,025	2,427,025
Deposits (Note 13)	156,000	156,000
<b>Total Assets</b>	<b>\$ 36,204,532</b>	<b>\$ 21,697,657</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,506,725	\$ 1,028,723
Flow-through premium liability	916,740	44,916
Other liability (Note 8c)	-	334,763
	<b>2,423,465</b>	<b>1,408,402</b>
<b>Non-current Liabilities</b>		
Provision for closure and reclamation (Note 11)	2,492,635	2,459,774
Other long-term liabilities	3,295	3,295
<b>Total Liabilities</b>	<b>4,919,395</b>	<b>3,871,471</b>
<b>Equity</b>		
Share capital (Note 12a)	64,174,503	37,388,161
Equity reserves (Note 12c and Note 12d)	5,771,443	8,528,621
Accumulated other comprehensive income	-	450,774
Accumulated deficit	(38,660,809)	(28,541,370)
<b>Total Equity</b>	<b>31,285,137</b>	<b>17,826,186</b>
<b>Total Liabilities and Equity</b>	<b>\$ 36,204,532</b>	<b>\$ 21,697,657</b>

### Commitments & Contingencies (Note 15)

Approved by the Audit Committee of the Board of Directors on November 14, 2016:

"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, 2016	For the three months ended September 30, 2015	For the six months ended September 30, 2016	For the six months ended September 30, 2015
<b>Expenses</b>				
Exploration and evaluation expenditures (Note 8b)	\$ 6,774,089	\$ 935,200	\$ 9,753,487	\$ 2,036,179
Wages, consulting and director fees	212,099	115,535	465,358	325,666
Investor relations and communication	126,295	39,497	267,116	85,165
Office and rent	97,080	75,440	178,192	155,422
Professional fees	40,453	1,005	93,358	5,424
Share-based compensation (Note 12d)	25,477	51,096	71,905	135,981
Listing and filing fees	42,722	5,062	52,961	14,073
Administrative travel	1,497	575	26,092	2,364
Depreciation	4,000	11,240	7,033	18,430
<b>Total Expenses</b>	<b>(7,323,712)</b>	<b>(1,234,650)</b>	<b>(10,915,502)</b>	<b>(2,778,704)</b>
<b>Other Income and Expenses</b>				
Gain on sale of available for sale investment (Note 8c)	-	-	749,399	-
Finance income	30,225	16,159	43,896	37,509
Loss on disposal of property, plant and equipment (Note 9)	(26,795)	-	(26,795)	-
Accretion expense (Note 11)	(6,565)	(10,412)	(14,094)	(19,101)
Finance Expense	-	-	(1,259)	-
<b>Total Other (Expense) Income</b>	<b>(3,135)</b>	<b>5,747</b>	<b>751,147</b>	<b>18,408</b>
Loss before income taxes	(7,326,847)	(1,228,903)	(10,164,355)	(2,760,296)
Income tax recovery (Note 15c)	-	-	44,916	-
<b>Net Loss and Comprehensive Loss for the Period</b>	<b>\$ (7,326,847)</b>	<b>\$ (1,228,903)</b>	<b>\$ (10,119,439)</b>	<b>\$ (2,760,296)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>154,563,030</b>	<b>125,719,854</b>	<b>142,256,729</b>	<b>125,719,854</b>
<b>Basic and Diluted Loss per Common Share</b>	<b>\$ (0.05)</b>	<b>\$ (0.01)</b>	<b>\$ (0.07)</b>	<b>\$ (0.02)</b>

- 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 Other Comprehensive Income	Accumulated Deficit	Total
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
Exercised stock options	50,000	10,000	-	-	-	10,000
Fair value of exercised stock options (Note 12d)	-	15,850	(15,850)	-	-	-
Accumulated other comprehensive income (Note 8c)	-	-	-	450,774	-	450,774
Share-based compensation (Note 12d)	-	-	258,745	-	-	258,745
Net loss for the period	-	-	-	-	(2,248,751)	(2,248,751)
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 issuance (Note 12b)	8,334,000	6,250,500	-	-	-	6,250,500
Flow-through premium liability	-	(916,740)	-	-	-	(916,740)
Share issue costs - cash	-	(543,342)	-	-	-	(543,342)
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 stock options	479,666	163,216	-	-	-	163,216
Fair value of exercised stock options (Note 12d)	-	118,713	(118,713)	-	-	-
Accumulated other comprehensive income (Note 8c)	-	-	-	(450,774)	-	(450,774)
Share-based compensation (Note 12d)	-	-	71,905	-	-	71,905
Net loss for the period	-	-	-	-	(10,119,439)	(10,119,439)
Balance – September 30, 2016	172,590,770	\$ 64,174,503	\$ 5,771,443	\$ -	\$ (38,660,809)	\$ (31,285,137)

- 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, 2016	For the six months ended September 30, 2015
<b>Operating Activities</b>		
Net loss for the period	\$ (10,119,439)	\$ (2,760,296)
Items not affecting cash:		
Gain on sale of available for sale investment (Note 8c)	(749,399)	-
Deferred income tax recovery (Note 15c)	(44,916)	-
Share-based compensation (Note 12d)	71,905	135,981
Depreciation (Note 9)	31,554	41,648
Loss on sale of property, plant and equipment	26,795	-
Accretion expense (Note 11)	14,094	19,101
Finance income	(43,896)	(37,509)
Changes in non-cash working capital:		
Amounts receivable	(124,182)	57,216
Prepaid expenses	(391,588)	38,602
Accounts payable and accrued liabilities	478,002	(675,265)
<b>Net cash used in operating activities</b>	<b>(10,851,070)</b>	<b>(3,180,522)</b>
<b>Investing Activities</b>		
Proceeds from sale of available for sale investment	3,403,960	-
Proceeds from sale of land (Note 8c)	500,000	-
Proceeds from sale of property, plant and equipment	3,557	-
Purchase of short-term investments	-	(510,849)
Reclamation deposits (Note 10)	-	(339,763)
Purchase of property, plant and equipment (Note 9)	(145,501)	(53,399)
Interest received	44,067	70,665
<b>Net cash provided by (used in) investing activities</b>	<b>3,806,083</b>	<b>(833,346)</b>
<b>Financing Activities</b>		
Proceeds from exercised warrants (Note 12c)	19,003,625	-
Proceeds from financing (Note 12b)	6,250,500	-
Proceeds from exercised stock options (Note 12d)	163,216	-
Share issue costs	(543,342)	-
<b>Net cash provided by financing activities</b>	<b>24,873,999</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash</b>	<b>17,829,012</b>	<b>(4,013,868)</b>
<b>Cash - Beginning of the Period</b>	<b>2,199,151</b>	<b>5,006,937</b>
<b>Cash - End of the Period</b>	<b>\$ 20,028,163</b>	<b>\$ 993,069</b>

### Supplemental Cash Flow Information (Note 16)

- See Accompanying Notes to the Condensed Interim 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

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, 2016. 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, 2016.

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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

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

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.

#### **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 extent of the impact of the adoption of this standard on its consolidated financial statements.

#### **IFRS 2 – Share-Based Payment**

IFRS 2- *Share-Based Payment* has been revised to provide clarification on the classification and measurement of share-based transactions. Specifically, accounting for cash-settled share-based transactions, share-based payment transactions with a net settlement feature and modifications of share-based payment transactions that change classification from cash-settled to equity settled. The amendments are effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not expect this amendment to have any significant impact upon adoption.

#### **IAS 7 – Statement of Cash Flows**

IAS 7- *Statement of Cash Flows* has been revised to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company does not expect this amendment to have any significant impact upon adoption.

#### **IAS 12 – Income Taxes**

IAS 12 - *Income Taxes* has been amended to clarify the accounting for deferred tax assets for unrealized losses on debt instruments. The revised standard is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted. The Company does not expect this amendment to have any significant impact upon adoption.

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### 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, 2016.



# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 5. SHORT-TERM INVESTMENTS

As of September 30, 2016, the Company has invested \$23,000 (March 31, 2016 - \$23,000) into a Guaranteed Investment Certificate (“GIC”) with a Canadian Financial Institution as collateral for the Company’s corporate credit card. The GIC yields interest at a rate of 0.75% 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:

	Six Months Ended September 30, 2016	Year Ended March 31, 2016
Refundable goods and services tax/ harmonized sales tax	\$ 325,294	\$ 184,859
Other receivables	9,154	25,407
<b>Total</b>	<b>\$ 334,448</b>	<b>\$ 210,266</b>

### 7. PREPAID EXPENSES

Prepaid expenses comprised of the following:

	Six Months Ended September 30, 2016	Year Ended March 31, 2016
Advances for Madsen work programs	\$ 379,135	\$ 10,000
Insurance and benefits premiums	37,609	48,622
Software licenses	36,260	5,119
Investor relations and communication	10,579	5,103
Other prepaid expenses	5,394	8,545
<b>Total</b>	<b>\$ 468,977</b>	<b>\$ 77,389</b>

### 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, 2015	\$ 11,052,776
Partial disposal of exploration and evaluation asset, net	(3,998,746)
Change in estimate of provision for closure and reclamation	(27,860)
Reduction in provision for closure and reclamation for assets divested during the period ( <i>Note 11</i> )	(117,519)
<b>Balance – March 31, 2016</b>	<b>\$ 6,908,651</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 (continued)

	Madsen Gold Project
Balance – March 31, 2016	\$ 6,908,651
Change in estimate of provision for closure and reclamation	18,767
<b>Balance – September 30, 2016</b>	<b>\$ 6,927,418</b>

#### b. Expenditures

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

For the six months ended September 30, 2016	Madsen Gold Project	Other Properties <sup>(1)</sup>	Total
Drilling	\$ 4,991,862	\$ -	\$ 4,991,862
Contractors / consultants	1,973,365	-	1,973,365
Assaying and geochemical	1,181,411	-	1,181,411
Salaries, wages and benefits	373,100	-	373,100
Camp & field costs	264,349	-	264,349
Equipment rental	252,805	-	252,805
Engineering	186,200	-	186,200
Travel and accommodation	137,714	-	137,714
Utilities	86,830	-	86,830
Geologic modelling	81,375	-	81,375
Property fees	77,003	1,712	78,715
Supplies	53,600	-	53,600
Community & safety	29,833	-	29,833
Aerial surveying	29,600	-	29,600
Depreciation	24,522	-	24,522
Administration and other	8,206	-	8,206
<b>Expenditures for the period</b>	<b>9,751,775</b>	<b>1,712</b>	<b>9,753,487</b>
Cumulative balance – March 31, 2016	9,010,810	7,854,209	16,865,019
<b>Cumulative balance – September 30, 2016</b>	<b>\$ 18,762,585</b>	<b>\$ 7,855,921</b>	<b>\$ 26,618,506</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 six months ended September 30, 2015	Madsen Gold Project	Other Properties <sup>(1)</sup>	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)
<b>Expenditures for the period</b>	<b>2,057,389</b>	<b>(21,210)</b>	<b>2,036,179</b>
Cumulative balance – March 31, 2015	4,768,080	7,875,159	12,643,239
<b>Cumulative balance – September 30, 2015</b>	<b>\$ 6,825,469</b>	<b>\$ 7,853,949</b>	<b>\$ 14,679,418</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”) for cash consideration of \$8,750,000 and share consideration of \$2,102,031. 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 Gold & Silver Corp (“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 considered 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). Certain of the Newman-Madsen claims acquired are subject to royalty arrangements based on Net Smelter Returns (“NSRs”) ranging from 0.5% to 3%.

##### Partial sale to Premier Gold Mines Ltd.

On December 30, 2015, the Company entered into an asset purchase agreement (“APA”) with Premier Gold Mines Ltd (“Premier”). Under the terms of the APA, the Company sold 28 mineral claims (primarily patented mineral claims consisting of surface and mineral rights) of the Madsen Gold Project to Premier, in exchange for \$2,500,000 in cash and \$2,500,000 in common shares of Premier, calculated using the 20-day Volume Weighted Average Price of Premier’s shares, and a 1% Net Smelter Return royalty (“NSR”) on substantially all of the claims being sold.

# 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)

The transaction closed in two tranches. The first tranche closed on December 30, 2015, with the Company receiving cash consideration of \$2,000,000, share consideration with a fair value of \$2,654,561 (consisting of 1,001,721 common shares of Premier) and the NSR, while Premier received the underlying mineral rights of the claims being sold.

The second tranche closed on May 20, 2016, at which time the Company received the final \$500,000 while Premier received the surface rights to the claims. At this time, the Company removed the “other” current liability of \$334,763 consisting of the portion of the consideration received on the closing of the first tranche considered to be a prepayment for the surface rights tranche of the transaction, and adjusted the Land account balance for the full value of the surface rights.

The Company accounted for its investment in Premier as an available for sale financial instrument which is measured at 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”) at March 31, 2016 of \$450,774 was reclassified to other income in the condensed interim consolidated statement of loss and comprehensive loss.

### 9. PROPERTY, PLANT AND EQUIPMENT

<b>Six Months Ended September 30, 2016</b>								
<b>Cost</b>	Computer Equipment & Software	Office Furniture & Other Equipment	Land	Vehicles	Exploration Equipment	Mill	Mine Property & Equipment	Total
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
March 31, 2016	105,147	67,301	5,584,226	25,350	239,751	616,650	178,650	6,817,075
Additions	6,852	39,240	-	2,450	96,959	-	-	145,501
Disposal	-	-	(834,763)	(12,850)	-	-	(25,000)	(872,613)
September 30, 2016	111,999	106,541	4,749,463	14,950	336,710	616,650	153,650	6,089,963
<b>Accumulated</b>								
<b>Depreciation</b>								
March 31, 2016	(88,115)	(55,103)	-	(7,351)	(75,837)	-	-	(226,406)
Depreciation	(6,197)	(1,874)	-	(3,067)	(20,416)	-	-	(31,554)
Disposal	-	-	-	7,498	-	-	-	7,498
September 30, 2016	(94,312)	(56,977)	-	(2,920)	(96,253)	-	-	(250,462)
<b>Carrying Amounts</b>								
March 31, 2016	17,032	12,198	5,584,226	17,999	163,914	616,650	178,650	6,590,669
September 30, 2016	17,687	49,564	4,749,463	12,030	240,457	616,650	153,650	5,839,501

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 9. PROPERTY, PLANT AND EQUIPMENT (continued)

Year Ended March 31, 2016									
Cost	Office		Land	Vehicles	Exploration Equipment	Mill	Mine		Total
	Computer Equipment & Software	Furniture & Other Equipment					Property & Equipment	Equipment	
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
March 31, 2015	47,761	67,301	5,584,226	13,850	233,991	616,650	178,650	6,742,429	
Additions	57,386	-	-	11,500	5,760	-	-	74,646	
March 31, 2016	105,147	67,301	5,584,226	25,350	239,751	616,650	178,650	6,817,075	
<b>Accumulated Depreciation</b>									
March 31, 2015	(46,599)	(52,053)	-	(4,155)	(35,099)	-	-	(137,906)	
Depreciation	(41,516)	(3,050)	-	(3,196)	(40,738)	-	-	(88,500)	
March 31, 2016	(88,115)	(55,103)	-	(7,351)	(75,837)	-	-	(226,406)	
<b>Carrying Amounts</b>									
March 31, 2015	1,162	15,248	5,584,226	9,695	198,892	616,650	178,650	6,604,523	
March 31, 2016	17,032	12,198	5,584,226	17,999	163,914	616,650	178,650	6,590,669	

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.

### 10. RECLAMATION DEPOSITS

As of September 30, 2016, the Company made six deposits with Canadian financial institutions to provide financial assurance for six letters of credit totaling \$2,427,025 (March 31, 2016 - \$2,427,025). 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 currently 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. A portion of the Provision for Closure and Reclamation that relates to mineral rights sold to Premier, with a present value of \$117,519, was derecognized at December 30, 2015 (Note 8c).

The Company has calculated the present value of the closure and reclamation provision at September 30, 2016 using a pre-tax discount rate of 1.00% and inflation rate of 2.00% (March 31, 2016 – 1.23% and 2.00%, respectively). The estimated total future undiscounted and inflation-adjusted cash flows to settle the provision for closure and reclamation at September 30, 2016 is \$2,685,771 (March 31, 2016 - \$2,712,496). The Company has estimated that payments will be made in 2024.

# Pure Gold Mining Inc.

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### 11. PROVISION FOR CLOSURE AND RECLAMATION (continued)

	Six Months Ended September 30, 2016	Year Ended March 31, 2016
Balance, beginning of the period	\$ 2,459,774	\$ 2,568,480
New estimated cash flows and changes in estimates	18,767	(27,860)
Accretion on discounted obligation	14,094	36,673
Reduction in provision for closure and reclamation for assets divested in the period	-	(117,519)
<b>Balance, end of the period</b>	<b>\$ 2,492,635</b>	<b>\$ 2,459,774</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 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 six months ended September 30, 2016 and the year ended March 31, 2016 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding Balance - March 31, 2015 and March 31, 2016	38,163,250	\$0.50
Exercised during the period	(38,007,250)	\$0.50
Expired during the period	(156,000)	\$0.50
<b>Outstanding Balance – September 30, 2016</b>	<b>-</b>	<b>-</b>

At the time of issuance, the 38,163,250 share purchase warrants had a deemed 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 six months ended September 30, 2016, 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 services 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

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### 12. EQUITY (continued)

restriction shall exist. The Company applies the fair value based method of accounting for stock options.

Details of stock options granted, exercised, expired and forfeited during the six months ended September 30, 2016 and the year ended March 31, 2016 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance – March 31, 2015	6,115,000	\$0.33
Granted during the period	3,555,000	\$0.11
Exercised during the period	(50,000)	\$0.20
Forfeited during the period	(350,000)	\$0.32
Expired during the period	(210,000)	\$0.25
Balance – March 31, 2016	9,060,000	\$0.25
Granted during the period	500,000	\$0.63
Exercised during the period	(479,666)	\$0.34
Forfeited during the period	(868,335)	\$0.20
Expired during the period	(16,666)	\$0.35
<b>Balance – September 30, 2016</b>	<b>8,195,333</b>	<b>\$0.27</b>

At September 30, 2016, 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	1.41	100,000
April 8, 2019	\$0.35	3,560,333	2.52	3,040,330
May 13, 2019	\$0.32	150,000	2.62	100,000
February 10, 2020	\$0.35	200,000	3.36	66,666
March 19, 2020	\$0.28	650,000	3.47	216,666
December 3, 2020	\$0.11	100,000	4.18	-
December 11, 2020	\$0.11	2,860,000	4.20	1,650,000
February 18, 2021	\$0.16	75,000	4.39	37,500
May 26, 2021	\$0.63	500,000	4.65	-
	<b>\$0.27</b>	<b>8,195,333</b>	<b>3.19</b>	<b>5,211,162</b>

The options exercisable at September 30, 2016 have a weighted average exercise price of \$0.27.

#### Issuance of Stock Options

##### May 2016

On May 26, 2016, the Company granted incentive stock options to certain employees exercisable to purchase up to 500,000 common shares in the capital of the Company until May 26, 2021 at an exercise price of \$0.63 per share. The incentive stock options were granted in accordance with the Company's Stock Option Plan and are subject to vesting provisions whereby 166,666 options will vest one year from the grant date, 166,667 options will vest two years from the grant date and the remaining 166,667 will vest three years from the grant date.

The corresponding share-based compensation expense has a weighted average fair value of \$0.42 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

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(Expressed in Canadian Dollars Unless Noted Otherwise)

### 12. EQUITY (continued)

<b>Assumptions</b>	
Risk-free interest rate	0.76%
Expected stock price volatility	84.79%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

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.

#### February 2016

On February 18, 2016, the Company granted incentive stock options to a consultant exercisable to purchase up to 75,000 common shares in the capital of the Company until February 18, 2021 at an exercise price of \$0.16 per share. The incentive stock options were granted in accordance with the Company's Stock Option Plan and are subject to vesting provisions whereby 37,500 options will vest six months from the grant date, and the remaining 37,500 options will vest one year from the grant date.

The corresponding share-based compensation expense has a weighted average fair value of \$0.10 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

<b>Assumptions</b>	
Risk-free interest rate	0.59%
Expected stock price volatility	83.14%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

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.

#### December 2015

On December 3, 2015, the Company granted incentive stock options to certain employees exercisable to purchase up to 100,000 common shares in the capital of the Company until December 3, 2020 at an exercise price of \$0.11 per share. The incentive stock options were granted in accordance with the Company's Stock Option Plan and are subject to vesting provisions whereby 33,333 options will vest one year from the grant date, 33,333 options will vest two years from the grant date and the remaining 33,334 will vest three years from the grant date.

The corresponding share-based compensation expense has a weighted average fair value of \$0.07 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

<b>Assumptions</b>	
Risk-free interest rate	0.97%
Expected stock price volatility	80.88%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

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.

On December 11, 2015, the Company granted incentive stock options to its directors, employees and consultants exercisable to purchase up to 3,380,000 common shares in the capital of the Company until December 11, 2020 at an exercise price of \$0.11 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-



# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 12. EQUITY (continued)

executive directors, are subject to vesting provisions whereby 576,666 options will vest one year from the grant date, 576,667 options will vest two years from the grant date and the remaining 576,667 will vest three years from the grant date. The 1,650,000 options granted to non-executive directors vested immediately.

The corresponding share-based compensation expense has a weighted average fair value of \$0.07 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

<b>Assumptions</b>	
Risk-free interest rate	0.74%
Expected stock price volatility	80.65%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

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.

#### *Exercise of Stock Options*

During the six months ended September 30, 2016, 413,000 incentive stock options with a strike price of \$0.35 and 66,666 incentive stock options with a strike price of \$0.28 were exercised for total proceeds of \$163,216. In connection with these option exercises, the related fair value amount of \$118,713 was transferred from equity reserves to share capital.

During the year ended March 31, 2016, 50,000 incentive stock options with a strike price of \$0.20 were exercised for total proceeds of \$10,000. In connection with this option exercise, the related fair value amount of \$15,850 was transferred from equity reserves to share capital.

#### *Forfeiture of Stock Options*

During the six months ended September 30, 2016, 215,001 incentive stock options with a strike price of \$0.35, 133,334 incentive stock options with a strike price of \$0.28, and 520,000 incentive stock 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 \$61,833 was reversed, resulting in a net expense for the period of \$71,905 (2015 – \$135,981).

During the year ended March 31, 2016, 150,000 incentive stock options with a strike price of \$0.35, 100,000 incentive stock options with a strike price of \$0.32, and 100,000 incentive stock options with a strike price of \$0.28 were forfeited.

#### *Expiry of Stock Options*

During the six months ended September 30, 2016, 16,666 incentive stock options with a strike price of \$0.35 expired without exercise. These options had fully vested prior to expiry.

During the year ended March 31, 2016, 135,000 incentive stock options with a strike price of \$0.20, 50,000 incentive stock options with a strike price of \$0.32, and 25,000 incentive stock options with a strike price of \$0.35 expired without exercise. These options had fully vested prior to expiry.

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# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

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### 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. There is no mark-up on the services provided by Oxygen. As at September 30, 2016, Oxygen holds a refundable deposit of \$156,000 (March 31, 2016 - \$156,000) on behalf of the Company. During the six months ended September 30, 2016, a total of \$635,441 (September 30, 2015 - \$486,567) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at September 30, 2016, the Company has a payable amount to Oxygen of \$123,709 (March 31, 2016 - \$59,465). This amount was paid subsequent to September 30, 2016.

#### 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, and the Corporate Secretary. During the six months ended September 30, 2015, key management also included 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, 2016	Six Months Ended September 30, 2015
Salaries and other short-term employee benefits	\$ 405,833	\$ 295,781
Directors fees	80,000	40,000
Share-based compensation	35,564	83,156
<b>Total</b>	<b>\$ 521,397</b>	<b>\$ 418,937</b>

### 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 Oxygen Agreement for the previous six month period, plus any employee termination fee due under the Oxygen Agreement as a result of the termination as such term is defined under the Oxygen Agreement.
- b. Pursuant to a rental lease agreement dated February 29, 2012, the Company is committed to pay rent for office space in Winnipeg, Canada. The lease expires on June 30, 2017. On November 14, 2012, the Company sub-leased this site office to a third party for the same rental cost. The third party is bound by all the covenants, terms and conditions of the original rental lease agreement. 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.

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### 15. COMMITMENTS & CONTINGENCIES (continued)

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

	GMC Sierra 2500 HD	GMC Sierra 2500 HD	Winnipeg Office Lease
2016	\$ 2,401	\$ 2,855	\$ 10,466
2017	9,606	11,422	17,637
2018	4,803	5,711	-
<b>Total</b>	<b>\$ 16,810</b>	<b>\$ 19,988</b>	<b>\$ 28,103</b>

- c. As at September 30, 2016, the Company had incurred the full qualifying resource expenditures of \$6,250,500 pursuant to the private placement for which flow-through proceeds have been received (Note 12b). The Company expects to file its renunciation forms by the end of February 2017, at which time the flow-through premium liability amount will be reversed and included in the Company's Statement of Loss and Comprehensive Loss as a deferred tax recovery.

During April 2016 the Company incurred the remaining \$224,580 of qualifying resource expenditures pursuant to the February 2015 private placement, resulting in the recognition of an income tax recovery of \$44,916 for the six months ended September 30, 2016.

### 16. SUPPLEMENTAL CASH FLOW INFORMATION

	Six Months Ended September 30, 2016	Six Months Ended September 30, 2015
<b>Non-Cash Investing and Financing Activities</b>		
Fair value of exercised warrants	\$ 2,710,370	\$ -
Fair value of exercised stock options	\$ 118,713	\$ -
Change in estimate of provision for closure and reclamation	\$ (18,767)	\$ 46,414

### 17. FINANCIAL INSTRUMENTS

#### a. Financial Assets and Liabilities

At September 30, 2016, the carrying amounts of cash, short-term investments, amounts receivable, interest receivable, deposits, reclamation deposits, and accounts payable and accrued liabilities are considered to be a reasonable approximation of their fair values.

The Company's equity investment in Premier is designated as available for sale and is held at fair value, as determined by the closing price of Premier's shares as at the date of the condensed interim consolidated statement of financial position. Any unrealized gains or losses on available for sale assets are recognized in OCI. Premier is a publicly-listed company and the fair value is based on the trading price of its shares as at the date of the condensed interim 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") at March 31, 2016 of \$450,774 was reclassified to other income in the condensed interim consolidated statement of loss and comprehensive loss. The

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### 17. FINANCIAL INSTRUMENTS (continued)

Company recorded a realized gain of \$298,625 in other income related to its investment in Premier for the six month period ended September 30, 2016.

#### 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).

At September 30, 2016, the levels in the fair value hierarchy that the Company's financial assets and liabilities which are measured and recognized on a recurring basis were categorized as follows:

	Six Months Ended September 30, 2016	Year Ended March 31, 2016
	Level 1	Level 1
Available for sale investment in Premier	\$ -	\$ 3,105,335

The Company does not have any financial assets and liabilities measured and recognized at fair value on a non-recurring basis, nor any non-financial assets and liabilities measured at fair value on a recurring basis.

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between levels in the fair value hierarchy during the six months ended September 30, 2016.

### 18. 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.

### 19. 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:

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### 19. FINANCIAL RISK MANAGEMENT (continued)

#### 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, 2016, the Company had cash of \$20,028,163 (March 31, 2016 - \$2,199,151) and short-term investments of \$23,000 (March 31, 2016 - \$23,000) to settle current liabilities of \$2,423,465 (March 31, 2016 - \$1,408,402).

#### 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, 2016, 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 \$22,000.

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### 20. SUBSEQUENT EVENTS

- a) A total of 300,000 stock options with an exercise price of \$0.72 were granted to an employee on October 11, 2016. The options will vest in equal thirds over three years from the date of grant.
  - b) A total of 100,000 unvested stock options with an exercise price of \$0.63 were forfeited on November 4, 2016.
  - c) A total of 75,000 stock options with an exercise price of \$0.72 were granted to a consultant on November 14, 2016. The options will vest in equal thirds over 18 months from the date of grant.
-