



Pure Gold Mining Inc.

(An Exploration Stage Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the six months ended September 30, 2016

**Pure Gold Mining Inc.**  
**Management's Discussion and Analysis**  
**For the three and six months ended September 30, 2016**

This Management's Discussion and Analysis (the "**MD&A**"), dated as of November 14, 2016, is for the six months ended September 30, 2016 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six months ended September 30, 2016 of Pure Gold Mining Inc. (also referred to as "**Pure Gold**", or the "**Company**", or "**we**", or "**our**", or "**its**" or "**us**" within this MD&A), the related notes thereto (together, the "**Interim Financial Statements**") and our other corporate filings including our Annual Information Form for the year ended March 31, 2016 dated June 17, 2016 (the "**AIF**"), available under Pure Gold's company profile on SEDAR at [www.sedar.com](http://www.sedar.com).

This MD&A contains forward looking statements that involve numerous risks and uncertainties. The Company continually seeks to minimize its exposure to business risks, but by nature of its business and exploration activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties, including those described under the heading "Risk factors" in our AIF and those set forth in this MD&A under the headings "Cautionary Notes Regarding Forward-Looking Statements" and "Industry and Economic Factors that May Affect our Business" materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in forward-looking statements.

The written disclosure of technical information in this MD&A has been approved by Philip Smerchanski, P.Geol, Vice President, Exploration of the Company and a Qualified Person ("**QP**") for the purposes of National Instrument 43-101, Standards of Disclosure for Mineral Projects ("**NI 43-101**"). Readers are directed to the section entitled "Scientific and Technical Disclosure" included within this MD&A.

The Company is listed on the TSX Venture Exchange ("**TSX-V**") in Canada under the symbol PGM. All dollar amounts stated in this MD&A are expressed in Canadian dollars unless noted otherwise.

### **Second Quarter Highlights and Significant Subsequent Events**

- Pure Gold raised a total of \$19.0 million from the exercise of share purchase warrants with a strike price of \$0.50 (the "Warrants"), that otherwise expired on September 6, 2016. A total of 38,007,250 Warrants were exercised representing 99.6% of the total Warrants issued;
- In August 2016, Pure Gold announced an acceleration of its current drill program by adding a fourth drill rig to its program;
- In August 2016, Pure Gold announced that it had submitted a project description to the Ministry of Northern Development of Ontario, to allow for the re-opening of the McVeigh portal to allow for underground exploration of the McVeigh horizon. The project description initiates a number of inter-governmental department reviews and the requirement by Pure Gold to submit a specific closure plan for the portal opening, with the anticipation of receiving approval to open the portal in December 2016;
- In September 2016, Pure Gold announced a \$5.8 million increase to its ongoing drill program which is expected to include 26,000 metres of additional drilling and initiation of an underground exploration program upon re-opening of the McVeigh portal to include underground inspection to confirm the condition of workings and ventilation requirements and initiation of detailed underground mapping in preparation for 2017 underground drilling;
- Also in September 2016, Pure Gold announced the addition of Ken Donner as Vice President, Operations. Mr. Donner will initially be focused on development management at Madsen, including the re-opening of the existing McVeigh portal and rehabilitation of surface infrastructure;

- In October 2016, Pure Gold announced the Company's first ever drill results from the Starratt target. The historic Starratt-Olsen mine and the Starratt target lie within 100% owned patent claims that form a core part of the Madsen Project. Drilling below stopes off of the North end of the Starratt Mine expanded the mineralization significantly down plunge from the mined zones. Drill hole PG16-198 represents the northernmost high-grade gold intercept to date within the Starratt target and intersected 11.0 metres grading 34.0 g/t gold including 2.0 metres grading 27.3 g/t gold and 3.0 metres grading 104.1 g/t gold with an estimated true thickness of the broader interval of 2.3 metres; and
- Also in October 2016, Pure Gold reported the first two drill holes from A3, a new high-grade gold target within the Austin horizon, located beyond the southern limits of the historic mining in the Austin horizon, and which is interpreted to be another sub-parallel gold bearing structure that is open in all directions.

## Outlook

Pure Gold is focused on advancing high quality assets that host the key traits of economic mines: grade, scope, size potential and access to infrastructure in mining-friendly jurisdictions. Our key asset is Madsen which comprises in excess of 4,400 hectares of primarily patented mineral claims in the prolific Red Lake gold camp of Northwestern Ontario, and hosts two significant former gold producers including the Madsen Mine which had previous gold production of approximately 2.5<sup>1</sup> million ounces. In addition to the historic production and the NI 43-101 compliant mineral resource, Madsen has strong exploration potential. Recently the Company issued a PEA that provides a base case assessment of developing a portion of the mineral resource by utilizing existing mining infrastructure, including the permitted mill and tailings facilities.

Since acquiring the project in 2014, the Company has compiled and analyzed the digitized historic geology, drilling and mining data of Madsen's parallel Austin and McVeigh mineralized horizons. The Austin horizon was the principal source of mine feed for the Madsen Mine, which was in operation for more than 30 years. During this time, well over two million ounces of gold was produced from surface to a depth of 1,200 metres, at a historic production rate that exceeds 170,000 ounces of gold per 100 vertical metres. The parallel McVeigh horizon only saw limited near-surface production with a maximum mining depth of approximately 230 metres.

Initial drilling results from the Company's recently completed winter drill program in fiscal 2016 confirm that the McVeigh horizon hosts broad shoots of high-grade gold mineralization. A better understanding of the geologic context of the McVeigh horizon suggests it may be a folded extension of the Austin. Importantly, current drilling strongly suggests there is opportunity to possibly expand the McVeigh mineralized zone.

At Madsen, numerous high-grade discoveries have been made in proximity to the ultramafic contact zone over the last decade and many of these high-grade discoveries have only been partially advanced. Additional satellite mineral zones may be identified with additional geological studies and drilling (although there can be no assurance that any resources will be defined). Some additional examples of exploration targets discovered post mine closure include the Fork Zone and the Alpha, Beta and Kappa targets at Russet South.

Pure Gold will continue to advance many of these and other earlier stage exploration targets with the goal of defining further mineral zones.

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<sup>1</sup> Historic drill hole results and production figures and other details from the Madsen and Starratt-Olsen mines disclosed in this document were completed prior to the implementation of National Instrument 43-101. A full discussion and cautionary language can be found in the National Instrument 43-101 Technical Report entitled "NI 43-101 Technical Report on the Preliminary Economic Assessment for the Madsen Gold Project" with an effective date of April 20<sup>th</sup>, 2016, which can be found on Pure Gold's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

For the balance of fiscal 2017, Pure Gold will focus its efforts drilling the McVeigh horizon to further expand mineralization at depth and the Austin horizon to expand the newly identified A3 target. Additional drilling will also occur at the Russet South, Starratt and other targets, located on the 10 km-long ultramafic contact zone with an objective of further expanding these high-grade discoveries. Work will also continue to open the McVeigh portal and conduct underground sampling and mapping. The Company has designed an exploration budget of \$14.9 million covering May to December 2016, which includes a planned 61,000 metres of drilling.

#### Madsen Gold Project, Red Lake, Ontario

In fiscal 2014 and 2015, the Company completed a series of transactions to acquire a 100% interest in what is now Madsen from Claude Resources Inc. ("Claude") and Sabina Gold & Silver Corp. for total cash and share consideration (including transaction costs) totalling \$15.0 million.

In fiscal 2016, the Company entered into an agreement with Premier Gold Mines Limited ("Premier") to sell certain non-core patented mining claims (the "Buffalo Claims") to Premier. The transaction partially closed in fiscal 2016 and the sale was completed in fiscal 2017, with Pure Gold receiving cash consideration of \$2.5 million, share consideration of \$2.5 million and a 1% net smelter return royalty on substantially all of the Buffalo Claims, in exchange for the transfer of all mineral rights and certain surface rights on the Buffalo Claims to Premier. The Company sold the Premier shares in May 2016, realizing net proceeds of \$3.4 million and a gain on sale of \$0.7 million.

Madsen now comprises 246 mining claims (predominantly patented and including accompanying surface rights) covering an area of 4,382 hectares in the prolific Red Lake gold camp of Northwestern Ontario. Madsen hosts two former gold producers including the Madsen Mine.

The Madsen Mine operated continuously from 1938 to 1974, and 1997 to 1999. Total recorded production is 7,872,679 metric tonnes at an average grade of 9.7 g/t Au producing 2,452,388 ounces of gold<sup>2</sup>.

The second former gold producer on the Madsen property is the historic Starratt-Olsen Mine. A 450 metre shaft was constructed in 1945 and mining operations were carried out from 1948 to 1956. A total of 823,544 metric tonnes were mined at an average recovered grade of 6.17 g/t Au to produce 163,990 ounces of gold<sup>2</sup>. The Starratt-Olsen Mine does not have a current mineral resource. Only limited modern day exploration has been conducted near the mine workings. Compilation of historic data at Starratt is ongoing and initial drill testing was completed by Pure Gold in late 2016.

In addition to the historic production and the mineral resources (see "Mineral Resources" below for details of mineral resources at Madsen), management believes Madsen has significant exploration potential. Following the compilation of digitized historic geology, drilling and mining data, the Company developed a new model for Madsen's parallel Austin and McVeigh mineralized horizons. While the Austin horizon was the principal source of mine feed for the Madsen Mine for more than 30 years, the McVeigh was subjected to limited historic mining. Pure Gold believes that the McVeigh is a fold continuation of the Austin and that opportunity exists to potentially expand gold mineralization within the McVeigh.

A new interpretation of the role of folded ultramafic contacts and structural controls has resulted in multiple recent discoveries in the district, including Goldcorp's High Grade Zone at the Red Lake Mine Complex. Pure Gold believes that opportunity exists to apply modern exploration science and a new understanding of the district to achieve similar success along the 10 km-long ultramafic contact at Madsen.

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<sup>2</sup> Historic drill hole results and production figures and other details from the Madsen and Starratt-Olsen mines disclosed in this document were completed prior to the implementation of National Instrument 43-101. A full discussion and cautionary language can be found in the National Instrument 43-101 Technical Report entitled "NI 43-101 Technical Report on the Preliminary Economic Assessment for the Madsen Gold Project" with an effective date of April 20<sup>th</sup>, 2016, which can be found on Pure Gold's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

At Madsen, the 20 km-long ultramafic contact is prospective for additional high-grade discoveries, and numerous recent discoveries along this contact have only been partially advanced. Pure Gold is pursuing a strategy of exploring for additional near surface high-grade mineralization along the 10 km-long unconformity and the 20 km-long ultramafic contact.

### *Mineral Resources*

The Madsen mineral resource estimate, prepared by SRK Consulting (Canada) Inc., is based upon a geostatistical block model that incorporated over 550,000 individual assays from 13,624 core boreholes (816,367 metres), 4,446 historic underground stope chip samples, and 27 levels of geologic mapping and sampling. Historic underground boreholes were typically drilled perpendicular to development drifts on all levels of the mine, usually at 25 feet (7.6 metres) spacing. Historic drilling was validated by 764 boreholes completed since 1999 by modern operators following best practices guidelines.

In 2016 SRK was contracted in preparation of the PEA (discussed below) to review the resource in light of exploration work conducted by the Company from 2014. SRK was of the opinion that the exploration work conducted by the Company from 2014 through December 31, 2015, did not materially impact the mineral resource as most of the drilling was completed outside the resource area. Table 1.0 summarizes the mineral resources.

**Table 1.0 Mineral Resource Statement for Madsen Gold Project<sup>3</sup>**

<b>Resource Classification</b>	<b>Tonnes</b>	<b>Grade (Au g/t)</b>	<b>Contained Gold (oz.)</b>
Indicated	3,236,000	8.93	928,000
Inferred	788,000	11.74	297,000

Existing mine and mill infrastructure on the property includes a 1,275 metre shaft, a 500 tonne per day mill and Carbon in Pulp “CIP” gold recovery circuit installed at site in the late 1990’s, and tailings storage facility, all of which are permitted and currently on care and maintenance. The existing permitted infrastructure provides considerable development flexibility, allowing for shortened timelines and the opportunity to leverage on exploration success.

### *Preliminary Economic Assessment*

On April 20, 2016, the Company announced a PEA for the Madsen. The PEA provides a base case assessment of developing a portion of the mineral resources by utilizing existing mining infrastructure, including the permitted mill and tailings facilities. Highlights of the PEA are as follows<sup>4</sup>:

- Pre-Tax NPV5% and IRR of \$104 million and 74% respectively with a 1.5 year payback period;
- After-tax NPV5% and IRR of \$76 million and 62% respectively with a 1.5 year payback period;
- Mine life of 6.5 years with average annual gold production of 47,191 ounces and peak annual gold production of approximately 58,000 ounces;
- Life of mine (“LOM”) diluted head grade of 8.3 g/t gold;

<sup>3</sup> Mineral resources are not mineral reserves and do not have demonstrated economic viability. All figures have been rounded to reflect the relative accuracy of the estimates. Mineral resources are reported at a cut-off grade of 5.0 g/t gold based on US\$1,000 per troy ounce gold and gold metallurgical recoveries of 94 percent. For further details as to how the mineral resource for Madsen was calculated, see the National Instrument 43-101 Technical Report entitled “NI 43-101 Technical Report on the Preliminary Economic Assessment for the Madsen Gold Project” with an effective date of April 20, 2016, which can be found on Pure Gold’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

<sup>4</sup> Base case parameters assume a gold price of US\$1,175/oz and an exchange rate (US\$ to C\$) of 0.80.

- Mine plan considers only a portion of the existing mineral resource that is within 600 metres of surface and accessible via the existing ramp;
- Pre-production capital cost estimated at \$20.1 million with a 12 month pre-production period;
- LOM sustaining capital costs estimated at \$39.2 million; and
- LOM cash cost of US\$571/oz<sup>5</sup> and LOM cash cost plus sustaining capital cost of US\$692/oz

The PEA envisions an underground mining operation utilizing the existing mining, milling, and tailings management infrastructure at Madsen. The existing McVeigh portal is approximately one kilometre from the existing mill, and currently provides ramp access to the top 150 metres of the mine workings. The PEA mine plan includes further development of the ramp to a depth of 600 metres to access the upper 12 levels of the mine. Pre-production capital costs are estimated at \$20.1 million with the majority of the costs associated with mill refurbishment as well as ramp and surface development.

The PEA supports that Madsen has the potential to be economically viable. While the PEA only considers the extraction of approximately 25% of Pure Gold's existing mineral resource tonnes, opportunities exist to expand the base case scenario through project exploration and resource growth. Pure Gold has been successful in intersecting mineralization below the shallow mine workings in the McVeigh horizon in close proximity to the proposed ramp development (see discussion under "*Exploration and development*" below). Additional opportunities to be investigated include:

- Optimizing mine plan to consider mineral resources currently outside of the scope of this PEA;
- Review optimization of mill processing rates as well as potential increases to throughput rate under the existing Environmental Compliance Approval which allows for operation of a 1,089 tonne per day mill and CIP circuit;
- Further metallurgical test work to optimize gold recovery; and
- Conversion of inferred resources to measured and indicated (although there is no certainty they can be converted).

The PEA was prepared by Nordmin Engineering Ltd., Mining Services Division of Sudbury, Ontario ("Nordmin"). Nordmin reported on the scoping-level capital costs, operating costs, and project economics associated with the potential development of the Madsen mineral resource.<sup>6</sup>

The PEA is preliminary in nature and includes inferred mineral resources that are too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that PEA results will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

#### *Exploration at Madsen during the six months ended September 30, 2016*

A \$14.9 million exploration program is ongoing at Madsen, which began in May 2016 and is expected to be completed by December 2016. It anticipates 56,000 metres of drilling, targeting the McVeigh and Austin horizons, as well as 5,000 metres targeting exploration targets at Russet South, Starratt and other targets. The program will also entail ongoing environmental monitoring, rehabilitation and tailings dam inspections, and opening and inspection of the historic McVeigh decline to allow for underground mapping and sampling of the McVeigh horizon.

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<sup>5</sup> Cash cost includes mining cost, mine-level G&A, mill and refining cost.

<sup>6</sup> For further details as to how the PEA for Madsen was calculated, see the National Instrument 43-101 Technical Report entitled "NI 43-101 Technical Report on the Preliminary Economic Assessment for the Madsen Gold Project" with an effective date of April 20, 2016, which can be found on Pure Gold's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company spent a total of \$9.8 million on exploration during the six months ended September 30, 2016 compared to a budget of \$8.9 million for the period. The Company re-forecast the May to December 2016 budget in September to account for both the acceleration in the original 35,000 metre program as well as the expansion of the program by 26,000 metres. The above variance from budget of \$0.9 million is primarily due to the accelerated drilling which took place in April 2016 as part of the expanded 16,000 metre program. A total of 45,766 metres were drilled during the six months ended September 30, 2016 targeting the McVeigh and Austin horizons near the historic Madsen mine site and the Starratt target, compared to a budget of 35,880 metres. Drilling at Russett South commenced in October, with 2,500 metres planned for this target.

Significant results obtained from drilling during the six months ended September 30, 2016 and subsequent to period end from the McVeigh and Austin horizons and the A3, Starratt, and Russett South targets, include<sup>7</sup>:

- 51.9 g/t gold over 1.0 metre in hole PG16-123 (Austin);
- 26.6 g/t gold over 2.0 metres in hole PG16-124 (Austin);
- 10.0 g/t over 6.2 metres in hole PG16-138 (Austin);
- 23.3 g/t gold over 2.0 metres in hole PG16-138 (McVeigh);
- 21.7 g/t gold over 6.0 metres in hole PG16-148 including 61.8 g/t gold over 2.0 metres (Austin);
- 30.7 g/t gold over 3.1 metres in hole PG16-148 (Austin);
- 61.0 g/t gold over 1.4 metres in hole PG16-151 (Austin);
- 32.5 g/t gold over 2.0 metres in hole PG16-152 (McVeigh);
- 50.2 g/t gold over 4.0 metres in hole PG16-154 including 185.0 g/t gold over 1.0 metre (McVeigh);
- 67.5 g/t gold over 1.1 metres in hole PG16-167 (McVeigh);
- 9.5 g/t gold over 4.9 metres in hole PG16-185 including 17.5 g/t gold over 2.3 metres (McVeigh);
- 8.3 g/t gold over 5.4 metres in hole PG16-191 including 11.6 g/t gold over 3.5 metres (McVeigh);
- 126.6 g/t gold over 3.7 metres in hole PG16-195 including 382.0 g/t gold over 1.0 metre (Austin);
- 34.0 g/t Gold over 11.0 metres in hole PG16-198, including 27.3 g/t gold over 2.0 metres and including 104.1 g/t gold over 3.0 metres (Starratt);
- 25.4 g/t gold over 8.0 metres in hole PG16-229 including 41.3 g/t gold over 4.6 metres (A3);
- 16.7 g/t gold over 1.0 metre in hole PG16-231 (A3);
- 76.0 g/t gold over 2.1 metres in hole PG16-233 including 132.0 g/t gold over 1.1 metres (Russett South); and
- 6.6 g/t gold over 9.9 metres in hole PG16-243 including 46.4 g/t gold over 1.0 metre (Russett South).

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<sup>7</sup> See Press Releases dated July 14, 2016, August 9, 2016, September 6, 2016, September 27, 2016, October 3, 2016, October 31, 2016 and November 14, 2016 available on the Company's website at [www.puregoldmining.ca](http://www.puregoldmining.ca) or under its SEDAR profile at [www.sedar.com](http://www.sedar.com), for further details of the results obtained from the McVeigh and Austin horizon and the A3, Starratt, and Russett South target drilling.

### Other Mineral Property Interests

The Company has no other material mineral property interests.

### **Selected Financial Information**

Management is responsible for the Interim Financial Statements referred to in this MD&A, and provides officers' disclosure certifications filed with the Canadian provincial securities commissions. The Audit Committee of the Company's Board of Directors (the "Board") has been delegated the responsibility to review and approve the Interim Financial Statements and MD&A.

The Interim Financial Statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, and should be read in conjunction with Pure Gold's audited consolidated financial statements for the year ended March 31, 2016 (the "Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Our significant accounting policies are presented in Note 3 of the Annual Financial Statements. No material changes for the quarter ended September 30, 2016 were noted. We have elected to expense all exploration and evaluation expenditures relating to our mineral exploration property interests. Details of new accounting standards, effective for the reporting period beginning April 1, 2016, and their effect on the financial information are discussed within this MD&A in the section entitled "Changes in Accounting Policies and New Pronouncements".

The financial data presented below for the current and comparative periods was prepared in accordance with IFRS. Because Pure Gold raises its financing and incurs head office expenses in Canadian dollars, it has been determined to have a Canadian dollar functional currency.

The Company's operations are in one industry – the exploration for gold, and other precious and base metals. At September 30, 2016, Pure Gold has one geographic location being Canada. Information discussed herein reflects the Company as a consolidated entity, consistent with our determination that the one industry in which we operate provides the most meaningful information to a user.

### **Results of Operations**

The following financial data are derived from our Interim Financial Statements for the three and six months ended September 30, 2016 and 2015, respectively:

	<b>For the three months ended September 30, 2016</b>	For the three months ended September 30, 2015	<b>For the six months ended September 30, 2016</b>	For the six months ended September 30, 2015
Total Revenue	-	-	-	-
Net Loss and Comprehensive Loss for the period attributable to shareholders	<b>7,326,847</b>	1,228,903	<b>10,119,439</b>	2,760,296
Basic and Diluted Loss per Share	<b>(0.05)</b>	(0.01)	<b>(0.07)</b>	(0.02)



**Three and six months ended September 30, 2016 vs. three and six months ended September 30, 2015**

Net losses totaled \$7.3 million and \$10.1 million for the three and six months ended September 30, 2016 compared to \$1.3 million and \$2.8 million for the same periods in the prior year. The most significant contributors to the loss for the three and six month periods ended September 30, 2016 and 2015, were (i) exploration and evaluation expenditures, (ii) wages, consulting and directors fees (iii) investor relations and communication expenditures (iv) office and rent expenses, (v) professional fees and (vi) non-cash share-based compensation expense. Explanations for material variances are described below:

Exploration and evaluation expenditures increased to \$6.8 million and \$9.8 million for the three and six months ended September 30, 2016 compared to \$0.9 million and \$2.0 million for the same periods in the prior year.

The six months ended September 30, 2016 saw a significant expansion of exploration activities at Madsen compared to the prior year period. In the prior period, the Company concluded a winter drill program in April and reduced activity at site due to financial constraints. In fiscal 2017 to date, the Company received \$19.0 million from the exercise of share purchase warrants, and completed both a flow-through share financing and the sale of non-core assets to Premier, resulting in a significantly improved financial position allowing the Company to proceed with an aggressive exploration program at Madsen.

Wages, consulting and director fees increased to \$0.2 million and \$0.5 million during the three and six months ended September 30, 2016 compared to \$0.1 million and \$0.3 million for the same period in the prior year, partially due to the payment of severance costs to the Company's former VP, Exploration. In addition, in an effort to conserve cash resources during the six months ended September 30, 2015 the Company's directors and its Chief Executive Officer and Chief Financial Officer deferred their compensation, subject to financing, resulting in decreased wages, consulting and director's fees in the prior period.

Investor relations and communication totalled \$0.1 million and \$0.3 million during the three and six months ended September 30, 2016 compared to \$39,497 and \$0.1 million for the same periods in the prior year. During the three and six months ended September 30, 2016, the Company increased its marketing activities in conjunction with an increased gold price and renewed investor interest in the gold sector. During the three and six months ended September 30, 2015, the Company, in light of difficult financing markets, reduced its level of promotional activities, in an effort to conserve cash.

Professional fees increased to \$40,453 and \$0.1 million during the three and six months ended September 30, 2016 from \$1,005 and \$5,424 in the prior period, primarily due to costs related to the closing of the sale of surface rights for the Buffalo claims to Premier.

Share-based compensation expense decreased for the three and six months ended September 30, 2016 to \$25,477 and \$0.1 million compared to \$51,096 and \$0.1 million for the same periods in the prior year, primarily due to the forfeiture of 868,335 unvested options during the six months ended September 30, 2016, compared to the forfeiture of 300,000 unvested options for the same period in the prior year, which resulted in a higher reversal of share-based compensation expense in the current period. Share-based compensation expense relates to grants from current and previous periods in which stock options were granted to directors and employees. During the three and six months ended September 30, 2016, the Company granted 0.5 million stock options with an exercise price of \$0.63 to employees. Stock options granted to employees were subject to vesting restrictions over a three year period with the corresponding share-based compensation expense being recognized over this period. No options were granted during the three and six months ended September 30, 2016.

Generally, share based compensation expense should be expected to vary from period to period depending on several factors, including whether options are granted in a period and whether options have fully vested or are cancelled in a period. In determining the fair market value of share-based

compensation granted to directors and employees, management makes significant assumptions and estimates. These estimates have an effect on the stock based compensation expense recognized and the equity reserves balance on our statements of financial position. Management has made estimates of the life of the options, the expected volatility and the expected dividend yields that could materially affect the fair market value of this type of security. The estimates were chosen after reviewing the historical life of the options and analyzing share price history from that of a peer group to determine volatility.

### ***Financial Position***

The following financial data are derived from our Interim Financial Statements for the three and six months ended September 30, 2016 and our Annual Financial Statements as at March 31, 2016.

	<b>As at September 30, 2016</b>	As at March 31, 2016
Total assets	<b>\$ 36.2 million</b>	\$ 21.7 million
Current liabilities	<b>\$ 2.4 million</b>	\$ 1.4 million
Non-current liabilities	<b>\$ 2.5 million</b>	\$ 2.5 million
Cash dividends declared	<b>\$ -</b>	\$ -

Total assets increases by \$14.5 million as at September 30, 2016 in comparison to March 31, 2016 due to cash received from share purchase warrant and employee stock option exercise of \$19.2 million and net proceeds from the flow-through share financing of \$5.7 million. This was offset by cash operating expenditures totalling \$10.9 million.

We have not yet completed feasibility studies to determine whether any of our exploration properties contain resources that are economically recoverable. All direct costs associated with the acquisition costs of the Company's mineral property interests are capitalized as incurred. All exploration and evaluation expenditures incurred are expensed in the Company's statement of loss and comprehensive loss. If a property proceeds to development, these costs become part of pre-production and development costs of the mine. If a property is abandoned or continued exploration is not deemed appropriate in the foreseeable future, the related acquisition costs are written-off.

Current liabilities increased to \$2.4 million at September 30, 2016 in comparison to \$1.4 million at March 31, 2016. Accrued liabilities increased by \$1.0 million as a result of accruals relating to the Company's ongoing exploration program at Madsen which was significantly larger than the exploration program from the prior period. Accounts payable and other accrued liabilities decreased by \$0.6 million during the six month period as a result of the timing of activities and accounts payable payments. In addition, the Company has removed the \$0.3 million liability recognized at March 31, 2016 relating to cash received from Premier for proceeds related to the sale of surface rights on the Buffalo claims as the claims were legally transferred to Premier in May 2016. Finally, the \$44,916 flow-through premium liability recognized at March 31, 2016 has been reversed as the remaining eligible expenditures were incurred during the period, offset by the recognition of a subsequent liability of \$0.9 million in relation to the flow-through financing completed on June 8, 2016.

There was no change in non-current liabilities between September 30, 2016 and March 31, 2016.

### Shareholders' Equity

During the three and six months ended September 30, 2016 the Company issued 216,666 and 479,666 common shares, respectively, upon the exercise of employee stock options, as well as 32,895,750 and 38,007,250 common shares, respectively, upon the exercise of share purchase options. Additionally, on June 8, 2016, 8,334,000 common shares were issued further to a flow-through financing.

Refer also to the discussion in this MD&A under the heading, "Outstanding Share Data". The Company has not declared any dividends since incorporation.

## Summary of Quarterly Results

The following information is derived from the financial statements of Pure Gold and has been prepared in accordance with IFRS applicable to interim financial reporting including IAS 34. It should be read in conjunction with, our unaudited condensed interim consolidated financial statements for each of the past eight quarters, as well as the Annual Financial Statements. Consistent with the preparation and presentation in our Annual Financial Statements, these unaudited quarterly results are presented in Canadian dollars. The determination of functional currency for the Company and its subsidiary is unchanged from that which is consolidated in the Annual Financial Statements and also from the discussion within this MD&A under the heading, "Selected Annual Information".

	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014
Total revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total expenses	\$7,323,712	\$3,591,790	\$2,375,790	\$803,801	\$1,234,650	\$1,544,054	\$1,938,842	\$1,966,490
Net loss For the period	\$7,326,847	\$2,792,592	\$1,447,436	\$801,315	\$1,228,903	\$1,531,393	\$1,933,548	\$1,962,672
Total comprehensive loss for the period	\$7,326,847	\$2,792,592	\$986,645	\$811,332	\$1,228,903	\$1,531,393	\$1,993,548	\$1,962,672
Basic and diluted loss per share	\$0.05	\$0.02	\$0.01	\$0.01	\$0.01	\$0.01	\$0.02	\$0.02

The Company's net loss for the quarter ended September 30, 2016 increased 162% compared to the net loss for the quarter ended June 30, 2016, while total expenses increased 104%. The increase in expenses is primarily due to the continued significant expansion to the Company's exploration activities at Madsen, resulting in a \$3.8 million increase in exploration and evaluation expenditures over the previous quarter. The net loss for the quarter ended June 30, 2016 was reduced due to a \$0.7 million realized gain on disposal of the Company's available for sale investment in Premier.

The Company's net loss for the quarter ended June 30, 2016 increased 93% compared to the net loss for the quarter ended March 31, 2016 while total expenses increased 51%. The increase in expenses is primarily due to the significant expansion to the Company's exploration activities at Madsen, resulting in a \$1.1 million increase in exploration and evaluation expenditures over the previous quarter, as well as a \$0.1 million increase in investor relations activity reflecting a renewal of marketing to potential investors. The net loss for the quarter ended June 30, 2016 also reflected a \$0.7 million realized gain on disposal of the Company's available for sale investment in Premier, while the quarter ended March 31, 2016 included a \$0.9 million income tax recovery.

The Company's net loss for the quarter ended March 31, 2016 increased 75% compared to the net loss for the quarter ended December 31, 2015 while total expenses increased 194%. The Company commenced a 16,000 metre winter drill program in January 2016 resulting in exploration expenses of \$1.9 million being recognized in the quarter. The net loss for the quarter ended March 31, 2016 also reflected a \$0.9 million income tax recovery due to the reversal of substantially all of the flow through premium liability at March 31, 2016 as the qualifying exploration expenses had been substantially incurred and renounced to flow-through share subscribers. Total comprehensive loss for the quarter ended March 31, 2016 reflected an unrealized gain of \$0.5 million on the Company's available for sale investment in Premier.

The Company's net loss and total comprehensive loss for the quarter ended December 31, 2015 decreased by \$0.4 million in comparison to the quarter ended September 30, 2015. The decrease is primarily due to a \$0.6 million decrease in exploration and evaluation expenditures, partially offset by a \$0.1 million increase in wages, consulting and director's fees during the three month period ended December 31, 2015 as a result of accruing previously deferred compensation that was paid out in

January 2016. Upon closing the sale of mineral rights to Premier in December 2015, which significantly improved Pure Gold's financial position, the Board elected to pay all the voluntarily deferred compensation of the Chief Executive Officer, Chief Financial Officer and directors. The decreased loss was also offset by a \$0.1 million increase in share-based compensation expense, as the Company granted 3.5 million stock options in the quarter ended December 31, 2015, of which 1.7 million vested immediately while the remainder were subject to vesting restrictions. The Company recognized a large portion of share-based compensation expense during the quarter as a result of those stock options which vested immediately. There were no options issued in the quarter ended September 30, 2015.

The Company's net loss and comprehensive loss for the quarter ended September 30, 2015 decreased by \$0.3 million in comparison to the quarter ended June 30, 2015. The decrease is primarily due to a decrease in exploration and evaluation expenditures and wages, consulting and director's fees during the three month period ended September 30, 2015. The Company has concluded its summer exploration program and in an effort to conserve cash resources has curtailed staffing levels and certain remaining staff and the board of directors have taken voluntary salary reductions while exploration plans are developed and financing can be sourced.

The Company's net loss and comprehensive loss for the quarter ended June 30, 2015 decreased by \$0.4 million in comparison to the quarter ended March 31, 2015. A significant portion of the drill program which commenced in late February 2015 was completed by the quarter ended March 31, 2015. This resulted in higher exploration and evaluation expenditures during the quarter ended March 31, 2015 in comparison to the quarter ended June 30, 2015. Also, costs relating to professional fees and investor relations and communication decreased during the quarter ended June 30, 2015 thus contributing to the decreased net loss and comprehensive loss in comparison to the quarter ended March 31, 2015. The company conducted less promotional activities during the quarter ended June 30, 2015 and incurred less professional fees. Increased professional fees during the quarter ended March 31, 2015 related directly to audit fees incurred for the annual audit of the Company's financial statements.

The Company's net loss and comprehensive loss for the quarter ended March 31, 2015 remained consistent at \$2.0 million when compared to the net loss and comprehensive loss for the quarter ended December 31, 2014. The Company began a 5,000 metre winter drill program in late February of 2015 and by March 31, 2015, the Company had completed 3,778 metres of drilling. Thus exploration activities and general and administrative activities remained consistent with that of the prior quarter.

### **Liquidity and Capital Resources**

On June 8, 2016, Pure Gold closed a bought-deal private placement pursuant to which the Company issued 8,334,000 flow-through common shares at a price of \$0.75 per flow-through common share, for aggregate gross proceeds to Pure Gold of \$6.3 million. As a result, the Company recorded a flow-through premium liability of \$0.9 million resulting from the premium paid by investors for flow-through shares in excess of the market value of the shares without flow-through features. This premium has been recorded as a liability and upon completion of the qualified expenditures and renouncement by the Company of the tax benefits associated with the related expenditures this liability amount will be reversed and included in the Company's Statement of Loss and Comprehensive Loss as a deferred tax recovery.

At the date of this MD&A, the Company has approximately \$15.6 million in cash and short-term investments. The Company's working capital balance (defined as current assets less current liabilities) as at the date of this MD&A is approximately \$17.0 million (excluding the flow-through share premium liability of \$0.9 million). There are no known restrictions on the ability of our subsidiary to transfer or return funds to the Company.

We have no revenue-producing operations, and earn only minimal income through investment income on treasury, amounts arising through various property option or alliance agreements and occasionally as a result of the disposal of an exploration asset. The Company is therefore reliant on public equity and debt markets to obtain financing to continue its operations. The closing of the recent financing in June 2016 positions the Company to advance Madsen through calendar 2016 without the direct need to raise additional capital.

We have not issued any dividends and management does not expect this will change in the near future.

Our budget, consisting of exploration, administration and environmental bonding requirements for the period May to December 2016, is approximately \$16.1 million. During this period we anticipate spending approximately \$14.9 million on Madsen and approximately \$1.2 million on general and administrative costs which include wages and consulting fees, professional fees and those costs associated with running the Company's head office in Vancouver, during this time period. Pure Gold has sufficient capital resources to meet its planned expenditures. As of the date of this MD&A, the Company has not yet finalized its budget for exploration beyond December 2016.

Pure Gold manages and adjusts its capital structure based on available funds in order to support acquisition, exploration and development of mineral properties. The properties in which we currently have an interest in are in the exploration stage. Accordingly, we are dependent on external financing, including the proceeds of future equity issuances or debt financing, to fund our activities. Circumstances that could impair our ability to raise additional funds, or our ability to undertake transactions, are discussed in our AIF dated June 17, 2016 under the heading "Risk Factors". Although management has been successful in the past when raising additional financing, there can be no assurance they will be successful in the future.

### ***Contractual Obligations***

#### Mineral Properties

Pure Gold has no commitments for material capital expenditures as of September 30, 2016. All other active contracts are in the normal course for exploration work to be conducted at Madsen.

#### Management and Technical Services Agreement

The Company has entered into a Technical and Administrative Services Agreement (the "Oxygen Agreement") with Oxygen Capital Corp. ("Oxygen"), a private company of which a director and an officer of the Company are shareholders. Pursuant to the Oxygen Agreement, and without limiting or abrogating the duties of Pure Gold's President and Chief Executive Officer or its Chief Financial Officer and Corporate Secretary, Oxygen provides the Company:

- access to, and the use of the assets contained in, office space leased by Oxygen; and
- services, staff and expertise as determined necessary to properly and efficiently manage the assets, operations, business and administrative affairs of Pure Gold.

The Company pays Oxygen for the cost of management and technical services, including the wage allocations of employees seconded by Oxygen to the Company (plus tax and applicable benefits) at cost; There is no mark-up or additional direct charge to the Company from Oxygen under the Oxygen Agreement.

The Oxygen Agreement is intended to provide the Company with a number of technical and administrative services and access, on an as-needed basis, to Oxygen's roster of geologists, mining engineers, investor relations and financial and business development professionals that would not necessarily otherwise be available to Pure Gold at this stage of the Company's development.

The Oxygen Agreement is for an initial term of two years, and shall be automatically renewed from time to time thereafter for an additional term of two years unless otherwise terminated. The Oxygen Agreement may be terminated by either party giving at least 180 days' prior written notice of such termination.

#### Flow-Through Obligation

As at September 30, 2016, the Company had incurred the full qualifying resource expenditures of \$6.3 million pursuant to the private placement for which flow-through proceeds have been received. 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.

## Leases

### *Winnipeg Site Office*

Pursuant to a rental lease agreement dated February 29, 2012, the Company is committed to pay rent for office space in Winnipeg, Canada at approximately \$3,000 per month (\$36,000 annually). 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 (approximately \$3,000 per month). The third party is bound by all the covenants, terms and conditions of the original rental lease agreement.

### *Madsen Vehicle Leases*

In addition, the Company has signed two leases dated July 23, 2014 and July 31, 2014, respectively, for the use of two pickup trucks to be used at the Madsen project. The two leases call for payments of \$800 and \$952 per month with the leases expiring on June 24, 2018 and June 30, 2018.

The future minimum lease payments required under these lease agreements at September 30, 2016 are as follows:

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

## **Off-Balance Sheet Arrangements**

The Company had no off-balance sheet arrangements as defined by NI 51-102 requirements as at September 30, 2016 or as at the date hereof.

## **Proposed Transactions**

As is typical of the mineral exploration and development industry, we are continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. We are also continually reviewing and discussing opportunities with third parties regarding the sale of non-strategic properties in our portfolio. There is no guarantee that any contemplated transaction will be concluded.

At present, there is no proposed asset or business acquisitions or dispositions before the Board for consideration.

## **Related Party Transactions**

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

### Oxygen Capital Corp ("Oxygen").

Oxygen is a private company partially owned by Mark O'Dea, a director and Sean Tetzlaff, the CFO & Secretary of the Company. Oxygen provides technical and administrative services to the Company at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. As at September 30, 2016, Oxygen holds a refundable deposit of \$0.2 million

(March 31, 2016 - \$0.2 million) on behalf of the Company. During the six months ended September 30, 2016, a total of \$0.6 million (September 30, 2015 - \$0.5 million) 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 \$0.1 million (March 31, 2016 - \$0.1 million). This amount was paid subsequent September 30, 2016.

#### Compensation of key management personnel

Key management includes members of the Board, the President and Chief Executive Officer, the current and former VPs 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:

<b>Name</b>	<b>Nature of Compensation</b>	<b>Six months ended September 30, 2016</b>	<b>Six months ended September 30, 2015</b>
President and Chief Executive Officer	Salary	\$141,333	\$100,333
Vice President of Exploration	Salary	\$94,167	-
Vice President of Exploration (former)	Salary	\$82,000	\$95,400
Chief Financial Officer & Secretary	Salary	\$88,333	\$72,292
Director, Investor Relations (former)	Salary	-	\$22,078
Corporate Secretary	Salary	-	\$5,678
Directors	Directorship	\$80,000	\$40,000
<b>Total</b>		<b>\$485,833</b>	<b>\$335,781</b>

Share-based compensation issued to key management personnel during the six months ended September 30, 2016 totaled \$35,564 compared to \$0.1 million for the same period in the prior year. Share-based compensation is the fair value of options granted and vested to key management personnel. These amounts have not been included in the table above and should be considered as additional compensation.

#### **Changes in Accounting Policies and New Pronouncements**

The Company has prepared its Interim Financial Statements using accounting policies consistent with those used in the Annual Financial Statements.

The Company prepares its consolidated financial statements in accordance with IFRS and interpretations of the IFRIC as issued by the IASB. The effects of the adoption of new, amended and future IFRS pronouncements are discussed below:

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

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

##### **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.

## **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. Factors that could affect these judgments, estimates and assumptions are discussed in our AIF, dated June 17, 2016, under the heading “Risk Factors”. Subject to the impact of such risks, the carrying value of Pure Gold’s financial assets and liabilities approximates their estimated fair value.

### ***Judgments***

In the process of applying the Company’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

#### **(i) Review of Asset Carrying Values and Impairment Assessment**

In accordance with the Company’s accounting policy, each asset is evaluated every reporting period to determine whether there are any indications of impairment. If any such indication exists, a formal estimate of the recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset is measured at the higher of value in use and fair value less costs to sell. The most significant assets the Company assesses for impairment are exploration and evaluation assets and property, plant and equipment. Judgements involved in assessing impairment of exploration and evaluation assets are discussed below.



**(ii) Exploration and Evaluation Assets and Expenditures**

The application of the Company's accounting policy for exploration and evaluation assets and expenditures requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by the Company in the exploration of its property interests will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate ore reserves, and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies and there is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production.

For the six month period ended September 30, 2016, there were no indicators of impairment on the Company's exploration and evaluation assets.

***Estimates and Assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its estimates and assumptions on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**(i) Exploration and Evaluation Assets and Expenditures**

In addition to applying judgment to determine whether future economic benefits are likely to arise from the Company's exploration and evaluation assets or whether activities have not reached a stage that permits reasonable assessment of the existence of reserves, the Company has to apply a number of estimates and assumptions. The publication of a resource per National Instrument 43-101, Standards of Disclosure for Mineral Projects ("NI 43-101") technical report, is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e. measured, indicated or inferred). The estimates directly impact when the Company defers exploration and evaluation assets. Any such estimates and assumptions may change as new information becomes available. If, after deferred acquisition costs are capitalized, information becomes available suggesting the recovery of such costs is unlikely, the relevant capitalized amount is written off in the consolidated statement of loss and comprehensive loss in the period when the information becomes available. Management believes that the estimates involving its exploration and evaluation assets and expenditures are reasonable.

**(ii) Determination of the Fair Value of Share-based Payments**

The fair value of stock options granted and warrants issued is computed to determine the relevant charge to equity reserves and the consolidated statement of loss and comprehensive loss and related obligation as applicable. In order to compute this fair value, the Company uses the Black-Scholes option pricing model; this inherently requires management to make various estimates and assumptions in relation to the expected life of the award, expected volatility, risk-free rate and forfeiture rates. Changes in any of these inputs could cause a significant change in the share-based compensation expense charged in the consolidated statement of loss and comprehensive loss and to equity reserves in a given period. Management believes that the estimates involving its share-based payments are reasonable.

### **(iii) Decommissioning, Restoration and Similar Liabilities**

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at the present value of discounted cash flows for the estimated liabilities.

Carrying value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration and similar liabilities that may occur upon decommissioning of certain of the Company's assets. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

#### ***Risks associated with financial instruments***

We are exposed to a variety of financial instrument related risks. The Board provides oversight for our risk management processes. The type of risk exposure and the way in which such exposure is managed is explained as follows:

##### Credit Risk

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

The Company deposits its cash, restricted cash and short-term investments with high credit quality major Canadian financial institutions as determined by ratings agencies. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses.

To reduce credit risk, the Company regularly reviews the collectability of its amounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. The Company historically has not had difficulty collecting its amounts receivable.

##### Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. At September 30, 2016, the Company had cash of \$20.0 million (March 31, 2016 - \$2.2 million) and short-term investments of \$23,000 (March 31, 2016 - \$23,000) to settle current liabilities of \$2.4 million (March 31, 2016 - \$1.4 million).

##### 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 month period 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.

##### Fair Value Estimation

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

## 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.

## Outstanding Share Data

Pure Gold's authorized capital is unlimited common shares without par value. As at November 14, 2016 the following common shares and stock options were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares	172,590,770	N/A	N/A
Stock Options	100,000	\$0.20	February 25, 2018
	3,560,333	\$0.35	April 8, 2019
	150,000	\$0.32	May 13, 2019
	200,000	\$0.35	February 10, 2020
	650,000	\$0.28	March 19, 2020
	100,000	\$0.11	December 3, 2020
	2,860,000	\$0.11	December 11, 2020
	75,000	\$0.16	February 18, 2021
	400,000	\$0.63	May 26, 2021
	300,000	\$0.72	October 11, 2021
75,000	\$0.72	November 14, 2021	
Fully Diluted	181,061,103		

## Industry and Economic Factors That May Affect Our Business

Economic and industry risk factors that may affect our business, in particular those that could affect our liquidity and capital resources, are described under the heading "Risk Factors" in our AIF dated June 17, 2016, available on Pure Gold's SEDAR profile at [www.sedar.com](http://www.sedar.com). In particular, there are currently significant uncertainties in capital markets impacting the availability of equity financing for the purposes of mineral exploration and development. There are also significant uncertainties relating to the global economy, increased volatility and a general decline in the prices of gold and other precious metals which impact our business and may impact our ability to remain a going concern.

More specifically, while the ongoing decreases in the price of gold and continued uncertainties in capital markets do not have a direct impact on the Company's ability to carry out exploration, the Company may be impacted should it become more difficult to gain access to capital (e.g. debt or equity financing for the purposes of mineral exploration and development) when and if needed, and may need to modify or curtail its exploration and development programs. Difficulty in accessing capital on favourable terms may limit the Company's ability to develop and/or further explore the mineral properties in which we have an interest

The specific risks noted in our AIF and others in particular relating to permitting for operations and first nations consultation and approvals, may limit the Company's ability to develop and/or further explore its mineral property interests.

## **Additional Disclosure for Venture Issuers Without Significant Revenue**

Additional disclosure concerning Pure Gold's general and administrative expenses and exploration and evaluation expenses is provided in the Company's Statements of Loss and Comprehensive Loss contained in its Interim Financial Statements for the six months ended September 30, 2016 and in its Annual Financial Statements for the years ended March 31, 2016 and 2015 which are all available on Pure Gold's website at [www.puregoldmining.ca](http://www.puregoldmining.ca) or on its profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Legal Matters**

Pure Gold is not currently, and has not at any time during our most recently completed financial year, been party to, nor has any of its property interests been the subject of, any material legal proceedings or regulatory actions.

## **Management's Responsibility for the Financial Statements**

The preparation and presentation of the accompanying financial statements, MD&A and all financial information in the financial statements are the responsibility of management and have been approved by the Board of Directors following the report and recommendation of the Audit Committee. The financial statements have been prepared in accordance with IFRS. Financial statements by nature are not precise since they include amounts based upon estimates and judgments. When alternative treatments exist, management has chosen those it deems to be the most appropriate in the circumstances.

## **Subsequent Events Not Otherwise Described Herein**

The following items of significance occurred after September 30, 2016:

- 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.

## **Controls and Procedures**

In connection with NI 52-109, the CEO and CFO of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the Interim Financial Statements and respective accompanying MD&A as at September 30, 2016 (together the "Interim Filings").

In contrast to the certificate under NI 52-109, the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Disclosure Controls and Procedures**

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with IFRS.

Venture Issuer companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in NI 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's IFRS. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentation and fair disclosure of financial information. Investors should be aware that inherent limitations on the ability of certifying officers of a Venture Issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### **Scientific and Technical Disclosure**

With the exception of Madsen, the Company's exploration projects and those in which we have an interest are early stage and do not contain any mineral resource estimates as defined by NI 43-101.

Unless otherwise indicated, Pure Gold has prepared the technical information in this MD&A ("Technical Information") based on information contained in the following technical reports:

- "Technical Report on the Preliminary Economic Assessment For the Madsen Gold Project", effective April 20, 2016, and dated June 3, 2016, filed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com) (the "**Madsen Technical Report**").

Technical Information was also based on information contained in news releases (collectively the "Disclosure Documents") available under Pure Gold's company profile on SEDAR at [www.sedar.com](http://www.sedar.com). The Disclosure Documents are each intended to be read as a whole, and sections should not be read or relied upon out of context. The Technical Information is subject to the assumptions and qualifications contained in the Disclosure Documents.

Our Disclosure Documents were prepared by or under the supervision of an independent Qualified Person ("QP"). Readers are encouraged to review the full text of the Disclosure Documents which qualifies the Technical Information. Readers are advised that mineral resources that are not mineral reserves do not have demonstrated economic viability.

Mineral resource estimates relating to Madsen are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified resource will ever qualify as a commercially mineable or viable deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined at Madsen may differ from the one indicated by drilling results and the difference may be material. Although there has been no economic analysis summarized in this MD&A relating to the Madsen Technical Report, readers are cautioned that the Madsen Technical Report is preliminary in nature and includes inferred and indicated mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that this will indeed occur. Further studies, including engineering and economics, are required (typically as a Pre-Feasibility Study) with regards to infrastructure and operational methodologies. Additional disclosure and cautionary notes relating to Madsen are summarized in our AIF, available on Pure Gold's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Philip Smerchanski, P.Geo, Pure Gold's Vice President, Exploration, is the Company's QP for the purposes of NI 43-101, and has reviewed and validated that the scientific or technical information contained in this MD&A related to the Madsen Technical Report, is consistent with that provided by the

QPs responsible for preparing the Madsen Technical Report, and has verified the technical data disclosed in this document relating to those projects in which the Company holds an interest. Mr. Smerchanski has consented to the inclusion of the Technical Information in the form and context in which it appears in this MD&A.

### **Cautionary Notes Regarding Forward-Looking Statements**

This MD&A, contains “forward-looking information” and “forward-looking statements” within the meaning of applicable securities laws, which include, but are not limited to, statements or information concerning, future financial or operating performance of Pure Gold and its business, operations, properties and the future price of gold, silver and other metal prices, the potential quantity and/or grade of minerals, the potential size of a mineralized zone or potential expansion of mineralization, proposed exploration and development of Pure Gold’s exploration property interests, the timing and amount of estimated future production, costs of production and mine life of the various mineral projects of Pure Gold, the interpretation and actual results of historical production at certain of our exploration properties, as well as specific historic data associated with and drill results from those properties, and the reliance on technical information provided by our joint arrangement partners or other third parties; the timing and amount of estimated capital, operating and exploration expenditures, costs and timing of the development of new deposits and of future exploration, acquisition and development activities, estimated exploration budgets and timing of expenditures and community relations activities, requirements for additional capital; completion of expenditure obligations under an option agreement and earn-in agreements to which the Company is a party; government regulation of mining operations, environmental risks and reclamation expenses, title disputes, the ability to maintain exploration licences for its properties in accordance with the requirements of applicable mining laws in Canada; government regulation of exploration and mining operations; environmental risks, including satisfaction of requirements relating to the submissions and successful defence of EIA reports and other claims or existing, pending or threatened litigation or other proceedings, limitations of insurance coverage, future issuances of Common Shares to satisfy earn-in obligations or the acquisition of exploration properties and the timing and possible outcome of regulatory and permitting matters and any other statement that may predict, forecast, indicate or imply future plans, intentions, levels of activity, results, performance or achievements, and involve known and unknown risks, uncertainties and other factors which may cause the actual plans, intentions, activities, results, performance or achievements of Pure Gold to be materially different from any future plans, intentions, activities, results, performance or achievements expressed or implied by such forward-looking statements and information. Except for statements of historical fact, information contained herein or incorporated by reference herein constitutes forward-looking statements and forward-looking information. Often, but not always, forward-looking statements and forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “will”, “projects”, or “believes” or variations (including negative variations) of such words and phrases, or statements that certain actions, events, results or conditions “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Statements relating to mineral reserves and resources are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral reserves and resources described exist in the quantities predicted or estimated and may be profitably produced in the future. Estimated values of future net revenue do not represent fair market value. There is no certainty that it will be commercially viable to produce any portion of the resources.

Forward-looking statements and forward-looking information are not guarantees of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including among other things, assumptions about future prices of gold, copper, silver, molybdenum and other metal prices, changes in the worldwide price of other commodities such as coal, fuel and electricity fluctuations in resource prices, currency exchange rates and interest rates, favourable operating conditions, political stability, obtaining governmental approvals and financing on time, obtaining renewals for existing licences and permits and obtaining required licences and permits, labour stability, stability in market conditions, availability of equipment, accuracy of any mineral resources and mineral reserves, successful resolution of the challenges to the EIAs described in this MD&A, if any, anticipated costs and expenditures and our ability to achieve our goals. While we consider these assumptions to be

reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking statements and forward-looking information. Many assumptions are based on factors and events that are not within the control of Pure Gold and there is no assurance they will prove to be correct.

Furthermore, such forward-looking statements and forward-looking information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or forward-looking information. Such factors include, among others: general business, economic, competitive, political, regulatory and social uncertainties; disruptions or changes in the credit or securities markets and market fluctuations in prices for Pure Gold's securities; judgement of management when exercising discretion in their use of proceeds from a financing; potential dilution of Common Share voting power or earnings per share as a result of the exercise of Options, future financings or future acquisitions financed by the issuance of equity; discrepancies between actual and estimated mineral reserves and resources; the Company is an exploration and development stage company with no history of pre-tax profit and no income from its operations and there can be no assurance that the Company's operations will be profitable in the future; changes in project parameters as plans continue to be refined; changes in labour costs or other costs of production; possible variations of mineral grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry, including but not limited to environmental risks and hazards, cave-ins, pitwall failures, flooding, rock bursts and other acts of God or natural disasters or unfavourable operating conditions and losses; political instability, hostilities, insurrection or acts of war or terrorism; the speculative nature of mineral exploration and development, including the risk of diminishing quantities or grades of mineralization; Pure Gold's ability to renew existing licences and permits or obtain required licences and permits; changes in government legislation and regulation; fluctuations in commodity prices; requirements for future funding to satisfy contractual obligations and additional capital needs generally; changes or disruptions in market conditions; market price volatility; the Company currently has shareholders with greater than 10% holdings; uncertainties associated with minority interests and joint venture operations; risks associated with the Company's indemnified liabilities; increased infrastructure and/or operating costs; reclamation costs; the Company has limited operating history and no history of earnings; reliance on a finite number of properties; limits of insurance coverage and uninsurable risk; contests over title to properties; environmental risks and hazards; limitations on the use of community water sources; the need to obtain and maintain licences and permits and comply with laws and regulations or other regulatory requirements; competitive conditions in mineral exploration and mining business; the ability of the Company to retain its key management employees and shortages of skilled personnel and contractors; potential acquisitions and their integration with the Company's current business; influence of third party stakeholders; risks of litigation; the Company's system of internal controls; conflicts of interest; credit and/or liquidity risks; changes to the Company's dividend policy; the risks involved in the exploration, development and mining business generally; and the factors discussed in the section entitled "Risk Factors" in our AIF available on Pure Gold's SEDAR profile at [www.sedar.com](http://www.sedar.com). Although we have attempted to identify important factors that could cause actual performance, achievements, actions, events, results or conditions to differ materially from those described in forward looking statements or forward-looking information, there may be other factors that cause performance, achievements, actions, events, results or conditions to differ from those anticipated, estimated or intended.

Forward-looking statements and forward-looking information contained herein are made as of the date of this MD&A and we disclaim any obligation to update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by applicable law. There can be no assurance that forward-looking statements or forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information. All forward-looking statements and forward-looking information attributable to us is expressly qualified by these cautionary statements.

Pure Gold disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law. Readers should not place undue reliance on forward-looking information.

### **Approval**

The Audit Committee of the Board of Directors of Pure Gold have approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

### **Additional Information**

Additional information relating to Pure Gold can be obtained on the SEDAR website at [www.sedar.com](http://www.sedar.com) or by contacting:

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#### **PURE GOLD MINING INC.**

/s/ "Darin Labrenz"  
Darin Labrenz  
President and Chief Executive Officer

#### **PURE GOLD MINING INC.**

/s/ "Sean Tetzlaff"  
Sean Tetzlaff  
Chief Financial Officer