puregold

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

Consolidated Financial Statements

For the years ended March 31, 2014 and 2013

(Expressed in Canadian Dollars)

July 4, 2014

Independent Auditor's Report

To the Shareholders of Pure Gold Mining Inc.

We have audited the accompanying consolidated financial statements of Pure Gold Mining Inc. (formerly Laurentian Goldfields Ltd.), which comprise the consolidated statements of financial position as at March 31, 2014 and March 31, 2013 and the consolidated statements of loss and comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pure Gold Mining Inc. as at March 31, 2014 and March 31, 2013 and its financial performance and its cash flows for the years ended March 31, 2014 and March 31, 2013 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

Pure Gold Mining Inc.
(Formerly Laurentian Goldfields Ltd.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at March 31, 2014	As at March 31, 2013
ASSETS		
Current Assets		
Cash	$ 8,991,899	$ 430,606
Restricted cash *(Note 9d)*	104,224	2,075
Short-term investments *(Note 6)*	35,000	35,000
Amounts receivable	99,381	49,515
Prepaid expenses	100,848	11,650
	9,331,352	528,846
Non-current Assets		
Property, plant and equipment *(Note 7)*	6,864,865	26,466
Reclamation deposits *(Note 8)*	1,407,736	-
Exploration and evaluation assets *(Note 9a)*	7,635,798	313,210
Total Assets	$ 25,239,751	$ 868,522
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 587,409	$ 119,352
Mineral property funding obligations *(Note 9d)*	104,224	2,075
Other liabilities *(Note 10)*	2,500,000	-
	3,191,633	121,427
Non-current Liabilities		
Provision for closure and reclamation *(Note 11)*	2,320,238	-
Total Liabilities	5,511,871	121,427
Equity		
Share capital *(Note 12a and Note 12b)*	28,556,296	11,534,788
Equity reserves *(Note 12c and Note 12d)*	7,549,407	4,492,018
Accumulated deficit	(16,377,823)	(15,279,711)
Total Equity	19,727,880	747,095
Total Liabilities and Equity	$ 25,239,751	$ 868,522

Commitments *(Note 15)*
Subsequent Events *(Note 20)*

Approved by the Board of Directors on July 4, 2014:

"Graeme Currie", Director   *"Darin Labrenz"*, Director

- See Accompanying Notes to the Consolidated Financial Statements -

Pure Gold Mining Inc.
(Formerly Laurentian Goldfields Ltd.)
Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

	For the year ended March 31, 2014	For the year ended March 31, 2013
Expenses		
Wages and consulting fees	$ 413,696	$ 513,780
Impairment of exploration and evaluation assets *(Note 9e)*	313,210	724,100
Exploration and evaluation expenditures *(Note 9b)*	177,635	152,761
Office	86,211	71,539
Professional fees	68,275	33,469
Rent	35,472	35,250
Corporate listing and filing fees	24,532	33,710
Travel	24,165	14,741
Depreciation	6,217	9,184
Investor relations	2,698	7,813
Share-based compensation expense *(Note 12d)*	285	91,746
Loss from Operations	(1,152,396)	(1,688,093)
Other Income		
Management and administration fee	53,827	29,711
Interest income	457	635
Total Other Income	54,284	30,346
Net Loss and Comprehensive Loss for the Year	$ (1,098,112)	$ (1,657,747)
Weighted Average Number of Common Shares Outstanding	16,051,040	6,817,925
Basic and Diluted Loss per Common Share	$ (0.07)	$ (0.24)

- See Accompanying Notes to the Consolidated Financial Statements -

Pure Gold Mining Inc.
(Formerly Laurentian Goldfields Ltd.)
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Number of Common Shares		Share Capital		Equity Reserves		Accumulated Deficit		Total
Balance – April 1, 2012	6,157,790	$	11,217,385	$	4,067,467	$	(13,621,964)	$	1,662,888
Common share issuances resulting from financing	3,162,000		632,400		-		-		632,400
Share issue costs – cash	-		(7,412)		-		-		(7,412)
Fair value of warrant issuances resulting from financing	-		(314,774)		314,774		-		-
Share issue costs – fair value of broker's warrants	-		(3,903)		3,903		-		-
Fair value of shares issued for exploration and evaluation assets	28,400		22,720		-		-		22,720
Fair value of Shares issued for exploration and evaluation expenditures	5,000		2,500		-		-		2,500
Share-based compensation expense	-		-		91,746		-		91,746
Incremental fair value of re-priced warrants	-		(14,128)		14,128		-		-
Net loss for the year	-		-		-		(1,657,747)		(1,657,747)
Balance – March 31, 2013	9,353,190	$	11,534,788	$	4,492,018	$	(15,279,711)	$	747,095
Balance – April 1, 2013	9,353,190	$	11,534,788	$	4,492,018	$	(15,279,711)	$	747,095
Common share issuances resulting from financing	74,326,500		18,581,625		-		-		18,581,625
Share issue costs – cash	-		(1,366,194)		-		-		(1,366,194)
Fair value of warrant issuances resulting from financing	-		(2,650,183)		2,650,183		-		-
Share issue costs – fair value of compensation options	-		(337,951)		337,951		-		-
Fair value of shares issued for exploration and evaluation assets – Claude	9,776,885		2,102,031		-		-		2,102,031
Fair value of shares issued for exploration and evaluation assets – Macquarie	1,200,000		258,000		-		-		258,000
Fair value of shares issued for exploration and evaluation assets – Oxygen	2,000,000		500,000		-		-		500,000
Fair value of warrants issued for exploration and evaluation assets – Oxygen	-		(71,312)		71,312		-		-
Exercised warrants	10,500		3,150		-		-		3,150
Fair value of exercised warrants	-		2,342		(2,342)		-		-
Share-based compensation expense	-		-		285		-		285
Net loss for the year	-		-		-		(1,098,112)		(1,098,112)
Balance – March 31, 2014	96,667,075	$	28,556,296	$	7,549,407	$	(16,377,823)	$	19,727,880

- See Accompanying Notes to the Consolidated Financial Statements -

Pure Gold Mining Inc.
(Formerly Laurentian Goldfields Ltd.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

		For the year ended March 31, 2014		For the year ended March 31, 2013
Operating Activities				
Net loss for the year	$	(1,098,112)	$	(1,657,747)
Items not affecting cash:				
Depreciation		6,217		9,184
Shares issued for exploration and evaluation expenditures		-		2,500
Share-based compensation expense		285		91,746
Impairment of exploration and evaluation assets		313,210		724,100
Changes in non-cash working capital:				
Amounts receivable		(49,866)		232,065
Prepaid expenses		(89,198)		14,807
Accounts payable and accrued liabilities		468,058		44,474
Net cash used in operating activities		(449,406)		(538,871)
Investing Activities				
Investment in Madsen Gold Project		(6,250,000)		-
Transaction costs related to acquisition of the Madsen Gold Project		(550,146)		-
Reclamation deposits		(1,407,736)		-
Exploration and evaluation assets		-		(30,500)
Short-term investments		-		57,500
Net cash (used in) provided by investing activities		(8,207,882)		27,000
Financing Activities				
Proceeds from financing		18,581,625		632,400
Share issue costs		(1,366,194)		(7,412)
Proceeds from exercised warrants		3,150		-
Net cash provided by financing activities		17,218,581		624,988
Net Increase in Cash		8,561,293		113,117
Cash - Beginning of the Year		430,606		317,489
Cash - End of the Year	$	8,991,899	$	430,606

Supplemental Schedule of Non-Cash Investing Activities				
Fair value of shares issued for exploration and evaluation assets	$	2,788,719	$	22,720
Fair value of warrants issued for exploration and evaluation assets	$	71,312	$	-
Fair value of warrants issued in connection with financing	$	2,650,183	$	320,348
Fair value of compensation options issued in connection with financing	$	337,951	$	-
Fair value of broker's warrants issued in connection with financing	$	-	$	3,903
Fair value of exercised warrants	$	2,342	$	-
Fair value of re-priced warrants	$	-	$	14,128

- See Accompanying Notes to the Consolidated Financial Statements -

1. GENERAL INFORMATION

Pure Gold Mining Inc. ("Pure Gold" or the "Company"), is a publicly listed company incorporated and domiciled in Canada. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "PGM." On June 26, 2014, the Company changed its name from Laurentian Goldfields Ltd. to Pure Gold Mining Inc. This change has been reflected throughout these consolidated financial statements. The Company's head office, principal address and records office is located at Suite 1900 – 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9. The Company's registered office address is 1500 Royal Centre PO Box 1117, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

Pure Gold is an exploration stage business focusing on the acquisition, exploration and development of gold and other precious and base metal properties in Canada. Currently, the Company's principal mineral property is the Madsen Gold Project located near Red Lake, Ontario. The Company also currently has an unincorporated joint arrangement with Kinross Gold Corporation ("Kinross") and a strategic exploration alliance with Antofagasta Minerals S.A., whereby a portion of the Company's exploration and evaluation activities are conducted with its partners, and accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

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

2. BASIS OF PRESENTATION

a. Statement of Compliance

The consolidated financial statements of Pure Gold were prepared in accordance with International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as issued by the International Accounting Standards Board ("IASB").

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

b. Approval of the Consolidated Financial Statements

The consolidated financial statements of Pure Gold for the year ended March 31, 2014 were approved and authorized for issue by the Board of Directors on July 4, 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

a. Basis of Presentation

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets, if any, classified as available-for-sale and fair value through profit or loss which are measured at fair value. These consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information. All dollar amounts stated in these consolidated financial statements are expressed in Canadian dollars unless noted otherwise.

b. Basis of Consolidation

The financial statements of the Company consolidate the accounts of Pure Gold and its 100% wholly owned subsidiary Laurentian Copper Corp., a private company incorporated under the Business Corporations Act of British Columbia in Canada. All intercompany transactions, balances and unrealized gains and losses are eliminated on consolidation.

Subsidiaries are those entities over which Pure Gold has control. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Pure Gold controls another entity. Pure Gold controls an entity when Pure Gold is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Pure Gold. They are deconsolidated from the date that control ceases.

c. Cash

Cash includes cash, term deposits and short-term highly liquid investments with an original term to maturity of three months or less.

d. Short-term Investments

Short-term investments are comprised of cashable Guaranteed Investment Certificates (GIC's) with original terms to maturity greater than three months, but less than one year.

e. Property, Plant and Equipment

Land is recorded at cost and is not depreciated as it has an unlimited useful life. Office and other equipment and vehicles are recorded at cost less accumulated depreciation. The Company provides for depreciation using the declining balance method at rates designed to depreciate the cost of the office and other equipment and vehicles over their estimated useful lives.

The mill and mine property and equipment are recorded at cost. The cost of the mill and mine property and equipment includes acquisition and betterment costs including directly attributable overhead costs incurred prior to the removal of assets from service. Depreciation of the mill and mine property and equipment is calculated on a units-of-production method based on estimated proven and probable ore reserves upon the assets being ready for service.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

e. Property, Plant and Equipment - *Continued*

The major categories and annual depreciation rates are as follows:

Computer equipment	55 %
Computer software	100 %
Land	Non-depreciable
Mill	Units-of-production
Mine property and equipment	Units-of-production
Office furniture and other equipment	20 %
Vehicles	30 %

f. Exploration and Evaluation Assets and Expenditures

The Company's policy is to expense, as incurred, exploration and evaluation expenditures until the mineral property reaches the development stage. Costs related to property acquisitions are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be amortized against production following commencement of commercial production, or derecognized if the property is sold, allowed to lapse or abandoned.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance historical characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

g. Impairment of Non-Current Assets

At each reporting date, non-current assets are evaluated by management for indicators that the carrying value is impaired and may not be recoverable. The Company follows the guidance in *IFRS 6 – Exploration for and Evaluation of Mineral Resources* to determine whether exploration and evaluation assets are impaired. This determination requires significant judgment. Impairment indicators relevant for exploration and evaluation properties include whether the rights to explore the area of interest have expired during the period or will expire in the near future, and the rights are not expected to be renewed, substantive expenditure of further exploration and evaluation is not planned or budgeted, the activities have not led to a discovery of commercial reserves and the Company has decided not to continue such activities in the area of interest or deteriorating local conditions such that it may become unsafe to continue operations. If an impairment indicator is identified, management will perform an impairment test. If the recoverable amount of the exploration and evaluation assets is less than the carrying amount, an impairment loss would be recorded in the consolidated financial statements.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognized immediately in the statement of loss and comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

g. Impairment of Non-Current Assets - *Continued*

Additionally, the reviews take into account factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding the projects.

Management estimates of mineral prices, recoverable reserves, and operating, capital and restoration costs are subject to certain risks and uncertainties that may affect the recoverability of exploration and evaluation assets. Although management has made its best estimate of these factors, it is possible that changes could occur in the near term that could adversely affect management's estimates.

h. Interests in Joint Arrangements

A joint arrangement can take the form of a joint venture or joint operation. All joint arrangements involve a contractual arrangement that establishes joint control, which exists only when decisions about the activities that significantly affect the returns of the investee require unanimous consent of the parties sharing control. A joint operation is a joint arrangement in which the Company has the rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement in which the Company has the rights to only the net assets of the arrangement.

Certain of the Company's exploration and evaluation assets are the subject of agreements which take the form of a joint operation. Accordingly, the Company records only its share of assets, liabilities, costs and expenditures.

i. Provisions and Constructive Obligations

Provisions, including environmental restoration, restructuring costs and legal claims are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reasonably estimated. Provisions are not recognized for future operating losses.

Constructive obligations are obligations that derive from the Company's actions where:

(i) An established pattern of past practice, published policies or a sufficiently specific current statement, the Company has indicated to other parties that it will accept certain responsibilities; and

(ii) As a result, the Company has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

The Company records provisions for closure and reclamation on the best estimate of costs for site closure and reclamation activities that the Company is legally or constructively required to remediate and the liability is recognized at the time environmental disturbance occurs. The resulting costs are capitalized to the corresponding asset. The provision for closure and reclamation is estimated using expected cash flows and discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The capitalized amount is depreciated on the same basis as the related asset. The liability is adjusted for the accretion of the discounted obligation, the offset of which is charged to the statement of loss, and any changes in the amount or timing of the underlying future cash flows. Significant judgments and estimates are involved in forming expectations of the amounts and timing of future closure and reclamation costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

i. Provisions and Constructive Obligations - *Continued*

Changes in closure and reclamation estimates are accounted for as a change in the corresponding capitalized cost. Expenditures of rehabilitation projects for which a provision has been recorded are recorded directly against the provision as incurred, most of which are incurred at the end of the life of the mine.

j. Share Capital

The Company records in share capital proceeds from share issuances, net of issue costs and any tax effects. The fair value of common shares issued as consideration for exploration and evaluation assets is based on the trading price of those shares on the TSX-V on the date the shares are issued as determined by the Board of Directors. Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value.

k. Share-Based Payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is to equity reserve. Stock options and other equity instruments issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management using the Black-Scholes option pricing model. Consideration received on the exercise of stock options is recorded as share capital and the related equity reserve amount is transferred to share capital. Where awards are forfeited because non-market based vesting conditions are not satisfied, the expense previously recognized is proportionately reversed in the period the forfeiture occurs.

l. Loss per Share

Loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. Under this method, the weighted average number of common shares used to calculate the dilutive effect in the statement of loss and comprehensive loss assumes that the proceeds that could be obtained upon exercise of options, warrants and similar instruments would be used to purchase common shares at the average market price during the period. In periods where a net loss is incurred, basic and diluted loss per share is the same as the effect of outstanding stock options and warrants would be anti-dilutive.

m. Income Taxes

The Company uses the statement of financial position method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that the related tax benefit will be realized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

n. Resource Tax Credits

The Company recognizes resource tax credit amounts when the Company's application for such credits is approved by the relevant jurisdiction or when the amount to be received can be reasonably estimated and collection is reasonably assured.

o. Financial Instruments

(i) Financial Assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through income. The Company does not have financial assets classified under this category.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are carried at amortized cost less any impairment. Cash, restricted cash, short-term investments, amounts receivable (excluding sales tax receivable and resource tax credits) and reclamation deposits have been classified under this category.

Available-For-Sale

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in fair value are recognized in other comprehensive income (loss) and classified as a component of equity. When the financial assets are sold or an impairment write-down is required, the accumulated fair value adjustments in other comprehensive income are included in the statement of income (loss) and are included in other gains or losses. The Company does not have financial assets classified under this category.

(ii) Financial Liabilities

The Company classifies its financial liabilities in the following categories: other financial liabilities and derivative financial liabilities.

Other Financial Liabilities

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transactions costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the maturity amount is recognized in the statement of earnings (loss) over the period to maturity using the effective interest method. Other financial liabilities are classified as current or non-current based on their maturity date. Accounts payable and accrued liabilities, mineral property funding obligations, other current liabilities, and the provision for closure and reclamation have been classified under this category.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

o. Financial Instruments - *Continued*

(ii) Financial Liabilities - *Continued*

Derivative Financial Liabilities

Derivative financial liabilities are initially recognized at their fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value at each reporting period with changes in the fair value recognized in profit or loss. There are no financial liabilities classified under this category.

p. Impairment of Financial Assets

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss, as follows:

(i) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

(ii) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of earnings (loss). This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to net income. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized. Impairment losses on available-for-sale equity instruments are not reversed.

q. Adoption of New Accounting Standards and Upcoming Changes

The following standards and amendments to existing standards have been adopted by the Company commencing April 1, 2013:

IFRS 10 - Consolidated Financial Statements

This IFRS establishes control as the basis for an investor to consolidate its investee; it defines control as an investor's power over the investee with exposure, or rights, to variable returns from the investee and the ability to affect the investor's return through its power over the investee. There was no impact on these consolidated financial statements as a result of the adoption of this standard.

IFRS 11 – Joint Arrangements

This standard replaces the guidance in IAS 31 'Interests in Joint Ventures'. Under IFRS 11, joint arrangements are classified as either joint operations or joint ventures. Joint venture entities are now accounted for using the equity method. Upon application of IFRS 11, entities which had previously accounted for joint ventures using proportionate consolidation shall collapse the proportionately consolidated net asset value into a single investment balance at the beginning of the earliest period presented. The investment's opening balance is tested for impairment in accordance with IAS 28 'Investment in Associates and Joint Ventures' and IAS 36 'Impairment of Assets'. Any impairment losses are recognized as an adjustment to the opening deficit at the

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

q. Adoption of New Accounting Standards and Upcoming Changes - *Continued*

IFRS 11 – Joint Arrangements - *Continued*

beginning of the earliest period presented. There was no impact on these consolidated financial statements as a result of the adoption of this standard.

IFRS 12 – Disclosure of Interests in Other Entities

This IFRS is a new standard that applies to companies with an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The application of this standard intends to enable users of the financial statements to evaluate the nature and risks associated with its interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows. Companies are now required to disclose information about significant judgments and assumptions made in determining the control of another entity, the joint control of an arrangement or significant influence over another entity and the type of joint arrangement when the arrangement has been structured through a separate vehicle. The Company holds a 100% interest in its subsidiary and there was no impact on these consolidated financial statements as a result of the adoption of this standard.

IFRS 13 - Fair Value Measurement

This IFRS aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The required disclosures are included in Note 16 of these consolidated financial statements.

The following standards have been published and are mandatory for the Company's annual accounting periods beginning on or after April 1, 2014:

IAS 36 – Impairment of Assets

In May 2013, the IASB published a revised version of this standard to reverse the unintended requirement in IFRS 13 'Fair Value Measurements' to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The amendments apply retrospectively for annual periods beginning on or after January 1, 2014 and the Company has early adopted the amendments to this standard. There was no impact on these consolidated financial statements as a result of the adoption of this standard.

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. Further information on management's judgments, estimates and assumptions and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements.

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. 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.

At March 31, 2014, the Company wrote down the value of deferred acquisition costs relating to the Van Horne property, resulting from a review and prioritisation of the Company's portfolio of mineral property assets. There were no indicators of impairment on the Company's other assets.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS - *Continued*

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 stock-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.

Fair 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.

(Expressed in Canadian Dollars)

5. ACQUISITION

On March 4, 2014, the Company acquired 100% interest in the Madsen Gold Project from Claude Resources Inc. ("Claude"). In accordance with IFRS 3, Business Combinations, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that are capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes. This acquisition does not meet the definition of a business combination as the Madsen Gold Project is an exploration stage property with no defined mineral reserves and did not contain any inputs or processes. Consequently, this transaction has been recorded as an acquisition of an asset. All assets acquired and liabilities assumed were recorded at fair value.

Cash consideration paid	$	6,250,000
Share consideration paid		2,102,031
Cash or share consideration (at Pure Gold's discretion) payable by September 4, 2014		2,500,000
Transaction costs		1,308,145
Total Purchase Consideration	**$**	**12,160,176**

Exploration and evaluation assets	$	7,635,798
Property, plant and equipment		6,844,616
Provision for closure and reclamation		(2,320,238)
Net Assets Acquired	**$**	**12,160,176**

6. SHORT-TERM INVESTMENTS

As of March 31, 2014, the Company has invested $35,000 (March 31, 2013 - $35,000) into a Guaranteed Investment Certificate ("GIC") with a Canadian Financial Institution. This GIC yields interest at a rate of 1.10% with a maturity date of July 30, 2014.

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Computer Equipment ($)	Office Furniture & Other Equipment ($)	Land ($)	Vehicles ($)	Mill ($)	Mine Property & Equipment ($)	Total ($)
April 1, 2013	46,370	67,301	-	-	-	-	113,671
Additions for the year	-	-	6,024,491	22,125	616,650	181,350	6,844,616
March 31, 2014	46,370	67,301	6,024,491	22,125	616,650	181,350	6,958,287
Accumulated Depreciation							
April 1, 2013	(43,729)	(43,476)	-	-	-	-	(87,205)
Depreciation for the year	(1,452)	(4,765)	-	-	-	-	(6,217)
March 31, 2014	(45,181)	(48,241)	-	-	-	-	(93,422)
Carrying Amounts							
March 31, 2013	**2,641**	**23,825**	**-**	**-**	**-**	**-**	**26,466**
March 31, 2014	**1,189**	**19,060**	**6,024,491**	**22,125**	**616,650**	**181,350**	**6,864,865**

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

(Expressed in Canadian Dollars)

8. RECLAMATION DEPOSITS

At March 31, 2014, the Company made three separate deposits with a Canadian financial institution to provide financial assurance for three letters of credit totaling $1,407,736 (March 31, 2013 - $Nil). These letters of credit provide for a partial indemnification of the closure and reclamation costs with respect to the Company's Madsen Gold Project (Note 15a).

9. 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	Maze Lake	Van Horne	Thundercloud	Total
Balance - April 1, 2012	$ -	$ 350,000	$ 456,590	$ 177,500	$ 984,090
Cash	-	-	30,500	-	30,500
Shares	-	-	22,720	-	22,720
Written-off	-	(350,000)	(196,600)	(177,500)	(724,100)
Balance - March 31, 2013	**$ -**	**$ -**	**$ 313,210**	**$ -**	**$ 313,210**
Balance - April 1, 2013	$ -	$ -	$ 313,210	$ -	$ 313,210
Acquisition costs	7,635,798	-	-	-	7,635,798
Written-off	-	-	(313,210)	-	(313,210)
Balance - March 31, 2014	**$ 7,635,798**	**$ -**	**$ -**	**$ -**	**$ 7,635,798**

b. Expenditures

Details of the Company's exploration and evaluation expenditures, which have been cumulatively expensed in the Statement of Loss and Comprehensive Loss, are as follows:

For the year ended March 31, 2014	Madsen Gold Project	Van Horne	Goldpines South	Other Properties(1)	Total
Administration and other	$ 1,232	$ -	$ -	$ -	$ 1,232
Camp field costs	10,643	8,487	1,320	3,315	23,765
Contractors / consultants	26,708	600	-	-	27,308
Property fees	99,727	-	-	-	99,727
Travel and accommodation	369	-	-	-	369
Salaries, wages and benefits	15,047	-	-	-	15,047
Utilities	14,862	-	-	-	14,862
Government assistance	-	-	-	(4,675)	(4,675)
Expenditures for the year	**168,588**	**9,087**	**1,320**	**(1,360)**	**177,635**
Expenditures, beginning of the year	-	1,726,136	81,157	6,180,454	7,987,747
Cumulative Balance - March 31, 2014	**$ 168,588**	**$ 1,735,223**	**$ 82,477**	**$ 6,179,094**	**$ 8,165,382**

(1) *Other properties include Maze Lake, Thundercloud, Goldpines North and generative projects.*

(Expressed in Canadian Dollars)

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

b. Expenditures - *Continued*

For the year ended March 31, 2013	Van Horne	Thundercloud	Other Properties[1]	Total
Assaying and sampling	$ 4,302	$ -	$ 831	$ 5,133
Camp field costs	30,459	13,301	60,956	104,716
Contractors / consultants	102,778	1,242	39,242	143,262
Option payments (recoveries), net	-	-	(100,350)	(100,350)
Expenditures for the year	**137,539**	**14,543**	**679**	**152,761**
Expenditures, beginning of the year	1,588,597	1,712,451	4,533,938	7,834,986
Cumulative Balance - March 31, 2013	**$ 1,726,136**	**$ 1,726,994**	**$ 4,534,617**	**$ 7,987,747**

(1) *Other properties include Maze Lake, Belcourt, Goldpines North, Goldpines South and generative projects.*

c. Madsen Gold Project, Ontario

On March 4, 2014, the Company acquired a 100% interest in the Madsen Gold Project from Claude. The Madsen Gold Project comprises in excess of 4,000 hectares in the prolific Red Lake gold camp of Northwestern Ontario.

Consideration to Claude incorporated both cash payments and share consideration as follows:

- Cash consideration of $3.75 million at closing *(paid)*;
- Cash consideration of $2.5 million payable on or before 3 months following closing *(paid)*;
- Cash or share consideration (at Pure Gold's option) of $2.5 million payable on or before 6 months following closing; and
- Share consideration at closing representing 19.9% of Pure Gold's shares outstanding following completion of the acquisition and based upon an initial $7.5 million financing *(issued 9,776,885 common shares – fair value of $2,102,031)*.

Macquarie Capital Markets Canada Ltd. acted as financial advisor to Pure Gold in connection with the Madsen transaction and upon closing received a fee of $300,000 in cash and 1,200,000 common shares of Pure Gold (fair value of $258,000).

Oxygen Capital Corp. ("Oxygen") also received a success fee of $500,000, payable in Units upon closing of the Madsen transaction. These Units consist of 2,000,000 common shares of Pure Gold priced at $0.25 per share and one-half of one common share purchase warrant, each whole warrant entitling Oxygen to acquire 1,000,000 common shares of Pure Gold at a price of $0.50 until September 4, 2016.

The share purchase warrants attached to this success fee have been valued at $71,312 using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	1.02%
Expected stock price volatility	90.34%
Expected dividend yield	0.00%
Expected life of warrants	2.5 years

(Expressed in Canadian Dollars)

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

d. Antofagasta Alliance, Quebec

On July 25, 2012, the Company entered into a US$1,500,000, two year strategic exploration alliance (the "Alliance") with Antofagasta Minerals S.A., a wholly owned subsidiary of Antofagasta PLC ("Antofagasta") for generative copper exploration in southern Quebec, Canada.

As at March 31, 2014, the Company received $991,459 in aggregate funding from Antofagasta and incurred an aggregate of $887,235 in exploration expenditures. As a result, the Company has restricted cash of $104,224 (March 31, 2013 - $2,075) which must be spent on exploration relating to the Alliance.

As operator, the following costs were incurred on behalf of Antofagasta and accordingly, were not included in the Company's exploration and evaluation expenditures:

		For the year ended March 31,2014		For the year ended March 31, 2013
Camp field costs	$	410,293	$	156,109
Geological consulting		112,495		125,511
General and administrative		34,879		38,880
Operator's fee		47,638		23,019
Sampling and analysis		48,957		-
Government assistance		(110,546)		-
Cash calls / funds used		(543,716)		(343,519)
	$	**-**	**$**	**-**

e. Van Horne Property, Ontario

At March 31, 2014, the Company wrote down the value of deferred acquisition costs relating to the Van Horne property, resulting from a review and prioritisation of the Company's portfolio of mineral property assets.

f. Goldpines North Joint Arrangement, Ontario

On March 25, 2010, the Company and Kinross signed a joint arrangement agreement to form the unincorporated Goldpines North Joint Arrangement ("GPNJA"). On July 13, 2011 and in accordance with the terms of the joint arrangement agreement, Kinross exercised its option to earn an additional 25% interest in the GPNJA, thus increasing its participating interest from 50% to 75%, as it had incurred the minimum $1,500,000 in exploration expenditures within two years from the commencement of the GPNJA. Subsequent to Kinross exercising its option to earn an additional 25%, the Company's holding was converted from a 50% carried interest to a 25% participating interest.

Effective July 1, 2012, the Company has elected not to contribute its 25% proportionate share of the GPNJA's operating costs. As a result, the Company's participating interest was diluted to 24% as at March 31, 2014. If a party's participating interest dilutes to 10% or less, then such interest will be converted to a 2% NSR interest and the other party will be deemed to hold a 100% participating interest in the project concept. The Company accounts for its Goldpines North Project as a joint operation in accordance with IFRS 11. A joint operation is a joint arrangement in which the Company has the rights to the assets and obligations for the liabilities relating to the arrangement.

(Expressed in Canadian Dollars)

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

f. Goldpines North Joint Arrangement, Ontario - *Continued*

The Company records its proportionate share of assets, liabilities, revenue and operating costs of the joint operation. There were no liabilities, revenues, operating costs or cash flow activities and there are no contingencies or commitments in the GPNJA as at and for the year ended March 31, 2014. As at March 31, 2014, the Company received $1,951,781 in aggregate funding from Kinross and incurred an aggregate of $2,056,295 in exploration expenditures on the Goldpines North project, the difference of $104,514 being the Company's deemed contribution to the GPNJA.

g. Maze Lake, Nunavut

During the year ended March 31, 2014, the Company signed an agreement to transfer all of its legal and beneficial interest in the Maze Lake Property to its joint arrangement partner. The Company transferred its 57% interest and in consideration for the transfer was granted a one percent (1%) net smelter royalty ("NSR"). As the Maze Lake property is still in the exploration stage with no defined mineral resources or reserves, the Company concluded that no value was assigned to the NSR.

10. OTHER LIABILITIES

Other liabilities, which have been classified as current, consist of the $2,500,000 final payment in cash or shares (at Pure Gold's option) owing to Claude on or before September 4, 2016 (Note 9c).

11. PROVISION FOR CLOSURE AND RECLAMATION

The Company has recognized a liability relating to its Madsen Gold Project and has determined that no significant closure and reclamation liabilities exist in connection with the exploration activities on its other exploration and evaluation assets. The Company has calculated the fair value of the closure and reclamation provision at March 31, 2014 using a pre-tax discount rate of 2.46%. The estimated total future undiscounted and inflation-adjusted cash flows to settle the provision for closure and reclamation at March 31, 2014 is $2,958,530. Since no abandonment plans are being considered as well as the uncertainty surrounding the end of the life of mine, the Company has estimated that payments will be made in 2024.

The Company determined that no significant closure and reclamation liabilities existed during the prior year ended March 31, 2013 in connection with the exploration activities on its exploration and evaluation assets.

	Year Ended March 31, 2014	Year Ended March 31, 2013
Balance, beginning of the year	$ -	$ -
New estimated cash flows	2,320,328	-
Accretion on discounted obligation	-	-
Balance, end of the year	**$ 2,320,238**	**$ -**

(Expressed in Canadian Dollars)

12. EQUITY

Effective November 23, 2012, the Company consolidated its share capital, stock options and share purchase warrants on a 10-to-1 basis. As a result, all the issued and outstanding common shares, stock options and share purchase warrants have retroactively been adjusted to reflect the share consolidation. The exercise prices of the outstanding stock options and share purchase warrants at the time of consolidation increased by a multiple of ten.

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

<u>March 2014</u>

On March 4, 2014, the Company completed a private placement of 74,326,500 units at a price of $0.25 per unit for aggregate gross proceeds of $18,581,625. Each unit comprises of one common share and one-half of one common share purchase warrant. Each whole warrant entitles its holder to subscribe for one additional common share for a period of 30 months from the date of its issuance at a price of $0.50. The share purchase warrants attached to this issuance have been valued at $2,650,183 using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	1.02%
Expected stock price volatility	90.34%
Expected dividend yield	0.00%
Expected life of warrants	2.5 years

In connection with this private placement, the Company paid finder's fees, legal fees and filing fees totalling $1,366,194 and issued 4,142,191 compensation options ("Compensation Options"). Each Compensation Option is exercisable for a period of 24 months from issuance and has a strike price of $0.25. Upon exercise, the holder is entitled to one Common Share of the Company and one-half common share purchase warrant. Each whole warrant entitles the holder to subscribe for one additional common share at a price of $0.50, with such warrants expiring 24 months from initial issuance of the Compensation Option. The Company has recorded the fair value of these compensation options as share issuance costs. These compensation options were valued at $337,951 using the Cox, Ross and Rubinstein Binomial Tree Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	1.34%
Expected stock price volatility	90.34%
Expected dividend yield	0.00%
Expected life of options	2 years

(Expressed in Canadian Dollars)

12. EQUITY - *Continued*

b. Private Placements - *Continued*

March 2013

On March 20, 2013, the Company closed a non-brokered private placement of 500,000 units at a price of $0.20 per unit for aggregate gross proceeds of $100,000. Each unit comprises of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for up to 24 months from the date of issuance at a price of $0.30. The warrants are subject to an accelerated expiry date, which comes into effect when the trading price of the Company's common shares closes at or above $0.50 per share for 20 consecutive trading days in the period commencing four months after the date of issuance. In such an event, the Company will provide a notice and the expiry date of the warrants will be 30 days from the date of the notice. The share purchase warrants attached to this issuance have been valued at $38,483 using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	1.02%
Expected stock price volatility	240%
Expected dividend yield	0.00%
Expected life of warrants	2 years

In connection with this private placement, the Company paid an administrative fee of $3,000, being 3% of the gross proceeds.

January 2013

On January 7, 2013, the Company closed a non-brokered private placement of 2,662,000 units at a price of $0.20 per unit for aggregate gross proceeds of $532,400. Each unit comprises of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for up to 24 months from the date of issuance at a price of $0.30. The warrants are subject to an accelerated expiry date, which comes into effect when the trading price of the Company's common shares closes at or above $0.50 per share for 20 consecutive trading days in the period commencing four months after the date of issuance. In such an event, the Company will provide a notice and the expiry date of the warrants will be 30 days from the date of the notice.

The share purchase warrants attached to this issuance have been valued at $276,291 using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	1.13%
Expected stock price volatility	233%
Expected dividend yield	0.00%
Expected life of warrants	2 years

In connection with this private placement, the Company issued 17,500 finders' warrants as finders' fees. Each finder's warrant is exercisable to purchase one common share of the Company for up to 24 months after the date of issuance at a price of $0.30 per share. The Company has recorded the fair value of these finders' warrants as share issuance costs. The finders' warrants have been valued at $3,903 based on the Black-Scholes Method using the same assumptions as the warrants pertaining to the January 2013 private placement noted above.

Finders' fees of $3,500 and filing fees of $912 associated with this financing were paid in cash.

(Expressed in Canadian Dollars)

12. EQUITY - *Continued*

c. Share Purchase Warrants

Details of issued and outstanding share purchase warrants are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance - March 31, 2012	502,410	$5.20
Issued	3,179,500	$0.30
Expired	(59,243)	$3.00
Balance - March 31, 2013	3,622,667	$0.29
Issued	38,163,250	$0.50
Exercised	(10,500)	$0.30
Expired	(443,167)	$0.20
Balance – March 31, 2014	**41,332,250**	**$0.48**

At March 31, 2014, the following share purchase warrants are outstanding:

Expiry Date	Exercise Price	Number of Warrants	Warrant Valuation
January 7, 2015	$0.30	2,669,000	$ 276,291
March 20, 2015	$0.30	500,000	38,483
September 4, 2016	$0.50	37,163,250	2,650,183
September 4, 2016	$0.50	1,000,000	71,312
Weighted Average	**$0.48**	**41,332,250**	**$ 3,036,269**

The above noted fair value of $3,036,269 is included in equity reserves in the Company's consolidated statement of financial position at March 31, 2014.

d. Stock Options

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

Fiscal year ended March 31, 2014

There were no stock options granted during the year ended March 31, 2014.

During the year ended March 31, 2014, the Company recorded share-based compensation expense of $285 being the net of $2,068 representing the fair value of previously granted stock options that vested in the current year and the reversal of $1,783 representing the unvested portion of 30,000 stock options granted on February 25, 2013 which were forfeited.

(Expressed in Canadian Dollars)

12. EQUITY - *Continued*

d. Stock Options - *Continued*

Fiscal year ended March 31, 2013

On February 25, 2013, the Company granted 500,000 incentive stock options to directors, officers and employees of which 470,000 vested at the date of grant and 30,000 vests 25% every three months from the grant date. The options are exercisable at $0.20 per share and will expire on February 25, 2018. The fair value of these options was $80,274, of which $76,423 was recognized as share-based compensation expense during the year ended March 31, 2013. The corresponding share-based compensation expense has a weighted average fair value of $0.16 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	1.43%
Expected stock price volatility	201%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

After completion of the share consolidation in November 2012, the Company's board of directors approved to re-price the exercise price of certain outstanding options totalling 195,000, to $0.20 per option. As a result, the Company recognized the incremental value of the re-priced options of $15,323 as share-based compensation expense during the year ended March 31, 2013 with the corresponding amount being recorded in equity reserves.

Details of issued and outstanding stock options are as follows:

	Number of Options	Weighted Average Exercise Price
Balance – April 1, 2012	254,318[1]	$3.00
Expired	(16,818)	$0.44
Forfeited	(45,000)	$0.32
Granted	500,000	$0.20
Balance – March 31, 2013	692,500	$0.20
Forfeited	(160,000)	$0.20
Balance – March 31, 2014	**532,500**	**$0.20**

[1] On March 11, 2013, 195,000 options out of this balance were re-priced to $0.20 whereas the original terms of the remaining 59,318 options were not amended.

At March 31, 2014, the following options are outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options	Weighted Average Remaining in Years
August 11, 2014	$0.20	52,500	0.36
January 21, 2016	$0.20	40,000	1.81
March 11, 2016	$0.20	50,000	1.95
February 25, 2018	$0.20	390,000	3.91
	$0.20	**532,500**	**3.22**

(Expressed in Canadian Dollars)

13. 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 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. A total of $5,712 was paid or accrued to Oxygen for the year ended March 31, 2014. At March 31, 2014, the Company held a payable amount to Oxygen of $5,712. This amount was paid subsequent March 31, 2014.

Compensation of key management personnel

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

	March 31, 2014	March 31, 2013
Salaries and other short-term employee benefits	$ 381,000	$ 326,000
Directors fees	12,043	-
Share-based compensation	-	72,594
Total	**$ 393,043**	**$ 398,594**

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

a. The Company is required to provide financial assurance to the Ministry of Northern Development and Mines in Ontario (the "Ministry"), in connection with the mine closure plans for its Madsen Gold Project. The financial assurance can be provided for in the form of cash or a letter of credit from a financial institution and will grant the Company partial indemnification of the closure and reclamation costs with respect to its Madsen Gold Project. The Ministry has accepted a financial assurance payment schedule and the Company is required to make the following remaining payments: $339,763 on or before December 1, 2014; $339,763 on or before June 1, 2015; and $339,763 on or before December 1, 2015;

b. The Company's operating lease with respect to its head office premises is paid by Oxygen pursuant to the Oxygen Agreement. The Oxygen Agreement may be terminated by either party giving at least 180 days' prior written notice of such termination. Upon termination, by the Company, of the Oxygen Agreement, the Company shall pay to Oxygen an amount equal to the average monthly costs incurred under the Oxygen Agreement for the previous six month period, plus any employee termination fees due under the Oxygen Agreement as a result of the termination as such term is defined under the Oxygen Agreement.

16. FAIR VALUE MEASUREMENT

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

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

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

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

The Company does not have any financial assets and liabilities that are measured at fair value on a recurring basis and also does not have any non-financial assets and liabilities measured at fair value on a non-recurring basis.

17. 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.

18. 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:

<u>Credit Risk</u>

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.

(Expressed in Canadian Dollars)

18. FINANCIAL RISK MANAGEMENT - *Continued*

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 March 31, 2014, the Company had cash of $8,991,899 (March 31, 2013 - $430,606), restricted cash of $104,224 (March 31, 2013 - $2,075) and short-term investments of $35,000 (March 31, 2013 - $35,000) to settle current liabilities of $3,191,633 (March 31, 2013 - $121,427).

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, restricted cash and short-term investments include deposits which are at variable interest rates. For the year ended March 31, 2014, a plus or minus 0.5% change in market interest rates would affect the Company's interest earned on cash, restricted cash and short-term investments by approximately $46,000.

Fair Value Estimation

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

19. INCOME TAXES

a. The income tax provision for the year ended March 31, 2014 differs from the amount that would have resulted from applying combined Canadian federal and provincial income tax rates of 26% (2013 – 25%).

	For the year ended March 31, 2014	For the year ended March 31, 2013
Loss before income taxes	$ (1,098,112)	$ (1,657,747)
Statutory Canadian federal and provincial tax rates	26.00%	25.00%
Expected tax recovery	(285,509)	(414,437)
Adjustments:		
Permanent differences	127,744	242,226
Statutory tax rate difference	(131,842)	-
Benefit not recognized and other	289,607	172,211
Income tax expense (recovery)	**$ -**	**$ -**

b. Deferred income taxes arise from temporary differences in the recognition of income and expenses for financial and tax purposes. The Company holds no deferred tax assets and liabilities.

(Expressed in Canadian Dollars)

19. INCOME TAXES - *Continued*

c. The following are temporary differences, the net benefits of which have not been recognized at March 31, 2014 and 2013:

	March 31, 2014	March 31, 2013
Deferred income tax assets:		
Non-capital loss carry-forwards	$ 2,547,578	$ 2,067,167
Share issuance costs	306,200	49,229
Other	38,903	35,853
Exploration and evaluation assets	1,403,291	1,143,807
Total temporary differences	**$ 4,295,972**	**$ 3,296,056**

d. The Company has non-capital losses which may be applied to reduce future year's taxable income. At March 31, 2014, the non-capital losses amounted to $8,911,141 (March 31, 2013 – $7,925,150) which will expire between the years 2026 and 2034.

There are no income taxes owing by Pure Gold at March 31, 2014.

20. SUBSEQUENT EVENTS

a. Newman-Madsen Property

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.

Upon completion of the acquisition, Pure Gold issued 6,500,000 of its common shares to Sabina, which are subject to a statutory four month hold period. Pure Gold also took the necessary steps to appoint Mr. Robert Pease, current President and CEO of Sabina, to Pure Gold's Board of Directors. Pure Gold and Sabina also entered into an equity participation agreement pursuant to which Sabina has a right to maintain its equity position. Such right will expire on the earlier of 24 months from the closing date or the date on which Sabina ceases to hold at least 3.5% of the shares of Pure Gold.

Sabina holds a 6.3% interest in Pure Gold.

b. Granting of Stock Options

On April 8, 2014, the Company granted incentive stock options to its directors, employees and consultants exercisable to purchase up to 4,380,000 common shares in the capital of the Company until April 8, 2019 at an exercise price of $0.35 per share, being the closing price of the Company's shares as traded on the TSX-V on April 7, 2014. The incentive stock options were granted in accordance with the Company's Stock Option Plan and, other than those options granted to non-executive directors, are subject to vesting provisions.

On May 13, 2014, the Company granted incentive stock options to an officer and an employee exercisable to purchase up to 300,000 common shares in the capital of the Company until May 13, 2019 at an exercise price of $0.32 per share. The incentive stock options were granted in accordance with the Company's Stock Option Plan and are subject to vesting provisions.

20. SUBSEQUENT EVENTS - *Continued*

c. Exercise of Share Purchase Warrants

Subsequent to the year ended March 31, 2014, 162,000 share purchase warrants with a strike price of $0.30 were exercised for total proceeds of $48,600.

d. Exercise of Stock Options

Subsequent to the year ended March 31, 2014, 15,000 incentive stock options with a strike price of $0.20 were exercised.

e. Forfeiture of Stock Options

Subsequent to the year ended March 31, 2014, 40,000 incentive stock options with a strike price of $0.20 were forfeited.