Pure Gold Mining Inc.

Consolidated Financial Statements

For the years ended March 31, 2015 and 2014

(Expressed in Canadian Dollars Unless Noted Otherwise)

June 4, 2015

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., which comprise the consolidated statements of financial position as at March 31, 2015 and March 31, 2014 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows 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, 2015 and March 31, 2014 and its financial performance and its cash flows for the years ended March 31, 2015 and March 31, 2014 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

Pure Gold Mining Inc.

Consolidated Statements of Financial Position

(Expressed in Canadian Dollars Unless Noted Otherwise)

	As at March 31, 2015	As at March 31, 2014
ASSETS		
Current Assets		
Cash	$ 5,006,937	$ 8,991,899
Restricted cash *(Note 10d)*	-	104,224
Short-term investments *(Note 6)*	1,523,000	35,000
Amounts receivable *(Note 7)*	130,048	99,381
Interest receivable	34,718	-
Prepaid expenses	83,180	100,848
	6,777,883	9,331,352
Non-current Assets		
Exploration and evaluation assets *(Note 10a)*	11,052,776	7,635,798
Property, plant and equipment *(Note 9)*	6,604,523	6,864,865
Reclamation deposits *(Note 8)*	1,747,499	1,407,736
Deposits *(Note 14)*	156,000	-
Total Assets	$ 26,338,681	$ 25,239,751
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 818,620	$ 587,409
Flow-through premium liability	968,553	-
Other liabilities *(Note 11)*	-	2,500,000
Mineral property funding obligation *(Note 10d)*	-	104,224
	1,787,173	3,191,633
Non-current Liabilities		
Provision for closure and reclamation *(Note 12)*	2,568,480	2,320,238
Other long-term liabilities	3,295	-
Total Liabilities	4,358,948	5,511,871
Equity		
Share capital *(Note 13a)*	37,362,311	28,556,296
Equity reserves *(Note 13c and Note 13d)*	8,149,745	7,549,407
Accumulated deficit	(23,532,323)	(16,377,823)
Total Equity	21,979,733	19,727,880
Total Liabilities and Equity	$ 26,338,681	$ 25,239,751

Commitments *(Note 16)*

Approved by the Board of Directors on June 4, 2015:

"Graeme Currie", Chairman

"Lenard Boggio", Director

- See Accompanying Notes to the Consolidated Financial Statements -

Pure Gold Mining Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars Unless Noted Otherwise)

		For the year ended March 31, 2015		For the year ended March 31, 2014
Expenses				
Exploration and evaluation expenditures *(Note 10b and 10d)*	$	4,477,857	$	177,635
Share-based compensation *(Note 13d)*		929,109		285
Wages, consulting and director fees		791,828		413,696
Investor relations and communication		474,979		2,698
Office and rent		326,690		121,683
Professional fees		130,190		68,275
Listing and filing fees		35,151		24,532
Administrative travel		17,555		24,165
Write-down of property, plant and equipment		8,275		-
Loss on disposal of property, plant and equipment		2,200		-
Depreciation		1,984		6,217
Impairment of exploration and evaluation assets		-		313,210
Total Expenses		(7,195,818)		(1,152,396)
Other Income and Expenses				
Interest income		83,739		457
Management and administration fee		8,650		53,827
Accretion expense *(Note 12)*		(51,071)		-
Total Other Income		41,318		54,284
Net Loss and Comprehensive Loss for the Year	$	(7,154,500)	$	(1,098,112)
Weighted Average Number of Common Shares Outstanding		106,525,994		16,051,040
Basic and Diluted Loss per Common Share	$	(0.07)	$	(0.07)

- See Accompanying Notes to the Consolidated Financial Statements -

Pure Gold Mining Inc.

Consolidated Statements of Changes in Equity

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Number of Common Shares		Share Capital		Equity Reserves		Accumulated Deficit		Total
Balance – March 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	-		-		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
Flow-through common share issuances resulting from financing	13,836,478		4,842,767		-		-		4,842,767
Flow-through premium liability	-		(968,553)		-		-		(968,553)
Common share issuances resulting from financing	3,187,143		892,400		-		-		892,400
Share issue costs - cash	-		(547,737)		-		-		(547,737)
Finder's fee - shares	892,858		250,000		-		-		250,000
Share issue costs - shares	-		(250,000)		-		-		(250,000)
Fair value of shares issued for exploration and evaluation assets – Sabina	6,500,000		2,730,000		-		-		2,730,000
Exercised compensation options	2,899,533		724,883		-		-		724,883
Transfer of equity reserve upon exercise of compensation options	-		146,345		(146,345)		-		-
Exercised warrants	1,661,767		788,484		-		-		788,484
Transfer of equity reserve upon exercise of warrants	-		112,573		(112,573)		-		-
Exercised stock options	75,000		15,000		-		-		15,000
Transfer of equity reserve upon exercise of stock options	-		69,853		(69,853)		-		-
Share-based compensation	-		-		929,109		-		929,109
Net loss for the year	-		-		-		(7,154,500)		(7,154,500)
Balance – March 31, 2015	125,719,854	$	37,362,311	$	8,149,745	$	(23,532,323)	$	21,979,733

- See Accompanying Notes to the Consolidated Financial Statements -

Pure Gold Mining Inc.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the year ended March 31, 2015	For the year ended March 31, 2014
Operating Activities		
Net loss for the year	$ (7,154,500)	$ (1,098,112)
Items not affecting cash:		
Share-based compensation	929,109	285
Accretion expense	51,071	-
Depreciation	44,484	6,217
Write-down of property, plant and equipment	8,275	-
Loss on disposal of property, plant and equipment	2,200	-
Interest income	(83,739)	-
Impairment of exploration and evaluation assets	-	313,210
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	231,211	468,058
Prepaid expenses	17,668	(89,198)
Amounts receivable	(30,667)	(49,866)
Net cash used in operating activities	(5,984,888)	(449,406)
Investing Activities		
Exploration and evaluation assets	(2,500,000)	-
Purchase of short-term investments	(1,523,000)	-
Reclamation deposits	(339,763)	(1,407,736)
Property, plant and equipment	(234,632)	-
Deposits	(156,000)	-
Transaction costs related to acquisition of Newman-Madsen Project	(50,292)	-
Redemption of short-term investments	35,000	-
Interest received	49,021	-
Other long-term liabilities	3,295	-
Proceeds from disposal of property, plant and equipment	500	-
Investment in Madsen Gold Project	-	(6,250,000)
Transaction costs related to the acquisition of the Madsen Gold Project	-	(550,146)
Net cash used in investing activities	(4,715,871)	(8,207,882)
Financing Activities		
Proceeds from financing	5,735,167	18,581,625
Share issue costs	(547,737)	(1,366,194)
Proceeds from exercised warrants	788,484	3,150
Proceeds from exercised compensation options	724,883	-
Proceeds from exercised stock options	15,000	-
Net cash provided by financing activities	6,715,797	17,218,581
Net (Decrease) Increase in Cash	(3,984,962)	8,561,293
Cash - Beginning of the Year	8,991,899	430,606
Cash - End of the Year	$ 5,006,937	$ 8,991,899

Supplemental Cash Flow Information *(Note 17)*

- 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 24, 2014, the Company changed its name from Laurentian Goldfields Ltd. to Pure Gold Mining Inc. The Company’s head office and principal address is located at Suite 1900 – 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9. The Company’s records office and registered office address is c/o McMillan LLP, 1500 Royal Centre PO Box 1117, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

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

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

2. BASIS OF PREPARATION

Statement of Compliance

The consolidated financial statements of Pure Gold were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The significant accounting policies are presented in Note 3 and have been consistently applied in each of the periods presented except for Note 3k as this policy was adopted during the current year.

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.

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 Measurement

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

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. Computer equipment, computer software, office and other equipment, exploration 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 computer equipment, computer software, office and other equipment, exploration 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 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.

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 %
Exploration equipment	20 %
Vehicles	30 %

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

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 when ready for use as intended by management, 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 of historical characteristics 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, property, plant and equipment and exploration and evaluation assets are evaluated for impairment by management whenever events or changes in circumstances indicate that the carrying value is impaired and may not be recoverable. For property plant and equipment, if any such impairment indicators exist, the recoverable amount of the asset is estimated to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value less costs of disposal is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for that period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

For exploration and evaluation assets, 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 will be recorded in the consolidated financial statements.

Past impairments are also considered at each reporting period and where there is an indication that an impairment loss may have decreased, the recoverable amount is calculated as outlined above to determine the extent of the recovery. If the recoverable amount of the asset is more than its carrying amount, the carrying amount of the asset is increased to its recoverable amount and the impairment loss is reversed in profit or loss for that period. The increased carrying amount due to reversal will not be more than what the depreciated historical cost would have been if the impairment had not been recognized. Additionally, the review of impairment indicators takes 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 its projects.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

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 for 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, when it is probable that an outflow of resources will be required to settle the obligation and when 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

k. Flow-Through Shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its Canadian exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon filing of the required forms with the Government of Canada to renounce the tax deductibility of qualifying resource expenditures to investors, the Company derecognizes the liability to the extent the qualifying resource expenditures have been made as of that date and recognizes a deferred tax recovery for the amount of the tax reduction renounced to the shareholders that relates to the qualifying expenditures made.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures within a two-year period. The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as flow-through expenditure commitments. The Company is also subject to Part XII.6 tax on flow-through proceeds, renounced under the Look-back Rule, in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

l. 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.

m. 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

o. 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.

p. 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.

<u>Financial Assets at Fair Value Through Profit or Loss</u>

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 currently have financial assets classified under this category.

<u>Loans and Receivables</u>

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), interest receivable, deposits and reclamation deposits have been classified under this category.

<u>Available-For-Sale</u>

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 currently have financial assets classified under this category.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

p. Financial Instruments - *Continued*

(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 other long-term liabilities have been classified under this category.

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.

q. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

r. Application of New and Revised Accounting Standards

The Company has applied the following new and revised IFRSs in these annual consolidated financial statements:

- IFRIC 21 – *Levies* ("IFRIC 21"), an interpretation of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), clarifies that the obligating event, as defined by IAS 37, that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The Company has applied IFRIC 21 on a retrospective basis in compliance with the transitional requirements of IFRIC 21. The application of IFRIC 21, which was effective January 1, 2014, did not result in any adjustments to the Company's consolidated financial statements.

- The IASB made certain amendments to the following IFRSs and IASs effective January 1, 2014:

  IFRS 10 – *Consolidated Financial Statements*
  IFRS 11 – *Joint Arrangements*
  IFRS 12 – *Disclosure of Interests in Other Entities*
  IFRS 13 – *Fair Value Measurement*
  IAS 27 – *Separate Financial Statements*
  IAS 32 – *Financial Instruments: Presentation*
  IAS 36 – *Impairment of Assets*
  IAS 39 – *Financial Instruments: Recognition and Measurement*

The amendments did not have an impact on the Company's consolidated financial statements. The Company has not early adopted any other amendment, standard or interpretation that has been issued by the IASB but is not yet effective.

s. New, Amended and Future IFRS Pronouncements

The following standards have been published and are mandatory for the Company's annual accounting periods beginning on or after April 1, 2015:

IFRS 7

This standard was amended to require additional disclosures on transition from IAS 39 to IFRS 9, effective for annual periods beginning on or after January 1, 2018. The Company is currently evaluating the extent of the impact of the adoption of this standard.

IFRS 9 – Financial Instruments

IFRS 9, Financial Instruments (IFRS 9), addresses the classification, measurement and recognition of financial assets and financial liabilities. The IASB had previously issued versions of IFRS 9 that introduced new classification and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). 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 (IAS 39).

IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option to present fair value changes in other comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *Continued*

s. New, Amended and Future IFRS Pronouncements - *Continued*

IFRS 9 – Financial Instruments - *Continued*

Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses and update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The completed version of IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the extent of the impact of the adoption of this standard and its related amendments on our financial statements.

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.

For the fiscal year ended March 31, 2015, the Company wrote-off $8,275 in property, plant and equipment.

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

Judgments - *Continued*

(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 fiscal year ended March 31, 2015, there were no indicators of impairment on the Company's exploration and evaluation assets. During the prior year ended 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.

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.

(Expressed in Canadian Dollars Unless Noted Otherwise)

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

Estimates and Assumptions - *Continued*

(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.

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.

5. ACQUISITIONS

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

Cash consideration paid	$	8,750,000
Share consideration paid		2,102,031
Transaction costs		1,308,145
Total Purchase Consideration – Madsen	**$**	**12,160,176**

Exploration and evaluation assets	$	8,686,289
Property, plant and equipment		5,794,125
Provision for closure and reclamation		(2,320,238)
Net Assets Acquired – Madsen	**$**	**12,160,176**

(Expressed in Canadian Dollars Unless Noted Otherwise)

5. ACQUISITIONS - *Continued*

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

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

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

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

6. SHORT-TERM INVESTMENTS

As of March 31, 2015, the Company has invested $1,523,000 (March 31, 2014 - $35,000) into two Guaranteed Investment Certificates ("GICs") with two Canadian Financial Institutions. These GICs yield interest at rates of 0.9% and 1.6% and have original maturity dates of greater than three months but not more than one year.

7. AMOUNTS RECEIVABLE

Amounts receivable comprised of the following:

	Year Ended March 31, 2015	Year Ended March 31, 2014
Refundable goods and services tax/ harmonized sales tax	$ 129,008	$ 75,868
Other receivables	1,040	23,513
Total	**$ 130,048**	**$ 99,381**

8. RECLAMATION DEPOSITS

As of March 31, 2015, the Company made four deposits with Canadian financial institutions to provide financial assurance for four letters of credit totaling $1,747,499 (March 31, 2014 - $1,407,736). These letters of credit provide for a partial indemnification of the closure and reclamation costs with respect to the Company's Madsen Gold Project (Note 16a). The deposits yield interest at a rate of 1.10% per annum and have no maturity date. All deposits are considered long-term, regardless of their term, as the funds will remain on deposit until the letters of credit are extinguished.

(Expressed in Canadian Dollars Unless Noted Otherwise)

9. PROPERTY, PLANT AND EQUIPMENT

Year Ended March 31, 2015

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

Year Ended March 31, 2014

Cost	Computer Equipment ($)	Office Furniture & Other Equipment ($)	Land ($)	Vehicles ($)	Mill ($)	Mine Property & Equipment ($)	Total ($)
April 1, 2013	46,370	67,301	-	-	-	-	113,671
Additions	-	-	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	(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 ready for use as intended by management. Land has not been depreciated as it has an unlimited useful life.

(Expressed in Canadian Dollars Unless Noted Otherwise)

10. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

a. Acquisition Costs

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

	Madsen	Van Horne	Total
Balance - April 1, 2013	$ -	$ 313,210	$ 313,210
Acquisition costs - Madsen	7,635,798	-	7,635,798
Written-off	-	(313,210)	(313,210)
Balance - March 31, 2014	**$ 7,635,798**	**$ -**	**$ 7,635,798**
Balance - April 1, 2014	$ 7,635,798	$ -	$ 7,635,798
Acquisition costs – Newman-Madsen	2,280,267	-	2,280,267
Change in estimate of provision for closure and reclamation	197,171	-	197,171
Reclassification	939,540	-	939,540
Balance – March 31, 2015	**$ 11,052,776**	**$ -**	**$ 11,052,776**

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, 2015	Madsen Gold Project	Other Properties[1]	Total
Drilling	$ 1,269,885	$ -	$ 1,269,885
Salaries, wages and benefits	1,140,717	-	1,140,717
Contractors / consultants	915,776	-	915,776
Assaying and geochemical	269,633	-	269,633
Camp field costs	231,455	36,629	268,084
Travel and accommodation	151,554	-	151,554
Utilities	148,033	-	148,033
Property fees	143,368	3,247	146,615
Geology and geophysics	136,233	-	136,233
Equipment rental	99,588	-	99,588
Depreciation	42,500	-	42,500
Administration and other	28,331	-	28,331
Supplies	22,419	-	22,419
Refundable mineral exploration tax credit[2]	-	(161,511)	(161,511)
Expenditures (recovery) for the year	**4,599,492**	**(121,635)**	**4,477,857**
Cumulative balance – April 1, 2014	168,588	7,996,794	8,165,382
Cumulative balance – March 31, 2015	**$ 4,768,080**	**$ 7,875,159**	**$ 12,643,239**

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

(Expressed in Canadian Dollars Unless Noted Otherwise)

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

b. Expenditures - *Continued*

For the 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**
Cumulative balance – April 1, 2013	-	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.

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 Red Lake gold camp of Northwestern Ontario.

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

- Cash consideration of $8.75 million *(paid)*;
- Share consideration at closing representing 19.9% of Pure Gold's shares outstanding following completion of the acquisition and based upon an initial $7.5 million financing *(issued 9,776,885 common shares – fair value of $2,102,031)*.

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

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

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

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

(Expressed in Canadian Dollars Unless Noted Otherwise)

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

c. Madsen Gold Project, Ontario - *Continued*

Newman-Madsen

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

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

d. Antofagasta Alliance, Quebec

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

Effective July 25, 2014, the Alliance was terminated and therefore the Company no longer has any obligations with respect to the Alliance. During the year ended March 31, 2015, the Company received a refundable mineral exploration tax credit of $161,511 for eligible exploration expenditures incurred in the Province of Quebec. This amount has been netted against the relevant exploration and evaluation expenditures. At March 31, 2014, the Company had restricted cash of $104,224 that was subsequently spent by the Alliance.

As operator, the following costs were incurred on behalf of Antofagasta:

		For the year ended March 31,2015		For the year ended March 31,2014
Camp field costs and other	$	63,728	$	410,293
Geological consulting		39,393		112,495
Assay and sampling		4,375		48,957
Operator's fee		8,650		47,638
General and administrative		2,880		34,879
Government assistance		-		(110,546)
Cash calls / funds used		(104,224)		(543,716)
	$	**14,802** (1)	**$**	**-**

(1) *This amount has been included in exploration and evaluation expenditures in the Statement of Loss and Comprehensive Loss as at March 31, 2015.*

11. OTHER LIABILITIES

During the year ended March 31, 2014, other liabilities, which had been classified as current, consisted of the $2,500,000 final payment owing to Claude on or before August 28, 2014 (paid).

(Expressed in Canadian Dollars Unless Noted Otherwise)

12. PROVISION FOR CLOSURE AND RECLAMATION

The Company has recognized a liability relating to its Madsen Gold Project and has determined that no significant closure and reclamation liabilities exist in connection with the exploration activities on its other exploration and evaluation assets. The Company has calculated the present value of the closure and reclamation provision at March 31, 2015 using a pre-tax discount rate of 1.36% (March 31, 2014 – 2.46%). The estimated total future undiscounted and inflation-adjusted cash flows to settle the provision for closure and reclamation at March 31, 2015 is $2,900,520 (March 31, 2014 - $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.

	Year Ended March 31, 2015	Year Ended March 31, 2014
Balance, beginning of the year	$ 2,320,238	$ -
New estimated cash flows and changes in estimates	197,171	2,320,238
Accretion on discounted obligation	51,071	-
Balance, end of the year	**$ 2,568,480**	**$ 2,320,238**

13. EQUITY

a. Share Capital

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

b. Private Placements

<u>February 2015 Private Placement</u>

On February 20, 2015, the Company completed a private placement of 13,836,478 flow-through common shares and 3,187,143 common shares at a price of $0.35 per flow-through share and $0.28 per common share, for aggregate gross proceeds of $5,735,167. In addition, the Company issued 892,858 common shares of the Company (fair value - $250,000) to a third party as an advisory and finder's fee. The Company also paid finder's fees, legal fees and filing fees totaling $547,737.

<u>March 2014 Private Placement</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

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. EQUITY - *Continued*

b. Private Placements - *Continued*

March 2014 Private Placement - *Continued*

In connection with this private placement, the Company paid finder's fees, legal fees and filing fees totalling $1,366,194 and issued 4,142,190 compensation options ("Compensation Options"). Each Compensation Option is exercisable for a period of 24 months from issuance and has a strike price of $0.25. Upon exercise, the holder is entitled to one common Share of the Company and one-half common share purchase warrant. Each whole warrant entitles the holder to subscribe for one additional common share at a price of $0.50, with such warrants expiring 24 months from initial issuance of the Compensation Option. The Company has recorded the fair value of these compensation options as share issuance costs. These compensation options were valued at $337,951 using the Cox, Ross and Rubinstein Binomial Tree Option Pricing Model with the following assumptions:

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

On August 11, 2014, 2,899,533 Compensation Options were exercised for total proceeds of $724,883. Upon exercise, the Company issued 2,899,533 common shares and 1,449,767 share purchase warrants with an exercise price of $0.50 which expire on March 4, 2016. These share purchase warrants were valued at $90,220 using the Black-Scholes Option Pricing Model with the following assumptions:

Assumptions	
Risk-free interest rate	1.02%
Expected stock price volatility	93.69%
Expected dividend yield	0.00%
Expected life of warrants	2 years

On August 29, 2014, the 1,449,767 share purchase warrants mentioned above were exercised for total proceeds of $724,884. Upon exercise, the fair value of $90,220 was transferred from equity reserves to share capital.

Details of issued and outstanding Compensation Options are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance - March 31, 2013	-	-
Issued	4,142,190	$0.25
Balance - March 31, 2014	4,142,190	$0.25
Exercised	(2,899,533)	$0.25
Balance – March 31, 2015	**1,242,657**	**$0.25**

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. EQUITY - *Continued*

c. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the years ended March 31, 2015 and March 31, 2014 are as follows:

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

The 38,163,250 outstanding share purchase warrants noted above have a deemed fair value of $2,721,495. This amount has been included in equity reserves in the Company's consolidated statement of financial position at March 31, 2015.

d. Stock Options

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

<u>Year ended March 31, 2015</u>

April 2014

On April 7, 2014, the Company granted incentive stock options to its directors, employees and consultants exercisable to purchase up to 4,380,000 common shares in the capital of the Company until April 8, 2019 at an exercise price of $0.35 per share. The incentive stock options were granted in accordance with the Company's Stock Option Plan and, other than those options granted to non-executive directors, are subject to vesting provisions whereby 793,333 options will vest one year from the grant date, 793,333 options will vest two years from the grant date and the remaining 793,334 will vest three years from the grant date. The 2,000,000 options granted to non-executive directors vested immediately.

The fair value of these options at issuance was $1,129,040, of which $884,748 has been recognized as share-based compensation expense during the year ended March 31, 2015. The corresponding share-based compensation expense has a weighted average fair value of $0.26 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. EQUITY - *Continued*

d. Stock Options - *Continued*

Year ended March 31, 2015 - *Continued*

Assumptions	
Risk-free interest rate	1.73%
Expected stock price volatility	97.93%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

May 2014

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

The fair value of these options at issuance was $70,231, of which $38,078 has been recognized as share-based compensation expense during the year ended March 31, 2015. The corresponding share-based compensation expense has a weighted average fair value of $0.23 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

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

February 2015

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

The fair value of these options at issuance was $37,384, of which $3,030 has been recognized as share-based compensation expense during the year ended March 31, 2015. The corresponding share-based compensation expense has a weighted average fair value of $0.19 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

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

(Expressed in Canadian Dollars Unless Noted Otherwise)

13. EQUITY - *Continued*

d. Stock Options - *Continued*

Year ended March 31, 2015 - *Continued*

March 2015

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

The fair value of these options at issuance was $161,918, of which $3,253 has been recognized as share-based compensation expense during the year ended March 31, 2015. The corresponding share-based compensation expense has a weighted average fair value of $0.17 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

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

Exercise of Stock Options

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

Expiry of Stock Options

During the year ended March 31, 2015, 172,500 incentive stock options with a strike price of $0.20 expired without exercise.

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 Unless Noted Otherwise)

13. EQUITY - *Continued*

d. Stock Options - *Continued*

Details of stock options granted, exercised and expired during the years ended March 31, 2015 and March 31, 2014 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance – March 31, 2013	692,500	$0.20
Expired	(160,000)	$0.20
Balance – March 31, 2014	532,500	$0.20
Granted	5,830,000	$0.34
Exercised	(75,000)	$0.20
Expired	(172,500)	$0.20
Balance – March 31, 2015	**6,115,000**	**$0.33**

At March 31, 2015, the following options are outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining in Years	Number of Options Exercisable
January 21, 2016	$0.20	10,000	0.81	10,000
March 11, 2016	$0.20	50,000	0.95	50,000
February 25, 2018	$0.20	225,000	2.91	225,000
April 8, 2019	$0.35	4,380,000	4.02	2,000,000
May 13, 2019	$0.32	300,000	4.12	-
February 10, 2020	$0.35	200,000	4.87	-
March 19, 2020	$0.28	950,000	4.97	-
	$0.33	**6,115,000**	**4.13**	**2,285,000**

14. RELATED PARTY TRANSACTIONS

<u>Oxygen Capital Corp (“Oxygen”).</u>

Oxygen is a private company partially owned by one director and one officer of the Company. Oxygen provides technical and administrative services to the Company (the “Oxygen Agreement”) at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. As at March 31, 2015, Oxygen holds a refundable deposit of $156,000 on behalf of the Company. During the year ended March 31, 2015, a total of $875,962 (March 31, 2014 - $5,712) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at March 31, 2015, the Company has a payable amount to Oxygen of $84,157 (March 31, 2014 - $5,712). This amount was paid subsequent to March 31, 2015.

<u>Compensation of key management personnel</u>

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

(Expressed in Canadian Dollars Unless Noted Otherwise)

14. RELATED PARTY TRANSACTIONS - *Continued*

Compensation of key management personnel - *Continued*

	Year Ended March 31, 2015		Year Ended March 31, 2014	
Salaries and other short-term employee benefits	$	546,807	$	381,000
Directors fees		160,000		12,043
Share-based compensation		804,760		-
Total	**$**	**1,511,567**	**$**	**393,043**

15. SEGMENTED INFORMATION

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

16. COMMITMENTS

a. The Company is required to provide financial assurance to the Ministry of Northern Development and Mines in Ontario (the "Ministry"), in connection with the mine closure plans for its Madsen Gold Project. The financial assurance can be provided for in the form of cash or a letter of credit from a financial institution and will grant the Company partial indemnification of the closure and reclamation costs with respect to its Madsen Gold Project. The Ministry has accepted a financial assurance payment schedule and the Company is required to make the following remaining payments: $339,763 on or before June 1, 2015 (paid); and $339,763 on or before December 1, 2015; (Note 8).

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

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

	Madsen Rental House		GMC Sierra 2500 HD		GMC Sierra 2500 HD	
2015	$	6,000	$	7,205	$	8,567
2016		-		9,606		11,422
2017		-		9,606		11,422
2018		-		4,803		5,711
Total	**$**	**6,000**	**$**	**31,220**	**$**	**37,122**

(Expressed in Canadian Dollars Unless Noted Otherwise)

16. COMMITMENTS - *Continued*

d. As at March 31, 2015, the Company is committed to incur, on a best efforts basis, qualifying resource expenditures pursuant to the private placement for which flow-through proceeds have been received (Note 13b). The Company will file its renunciation forms by the end of February 2016. As at March 31, 2015, the Company had incurred qualifying resource expenditures of $804,503. The Company must therefore incur the $4,038,264 balance of qualifying resource expenditures before January 1, 2017.

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

17. SUPPLEMENTAL CASH FLOW INFORMATION

Non-Cash Investing and Financing Activities		Year Ended March 31, 2015		Year Ended March 31, 2014
Fair value of shares issued for exploration and evaluation assets	$	2,730,000	$	2,788,719
Fair value of common shares issued in connection with financing	$	250,000	$	-
Change in estimate of provision for closure and reclamation	$	197,171	$	-
Fair value of exercised compensation options	$	146,345	$	-
Fair value of exercised warrants	$	112,573	$	2,342
Fair value of exercised stock options	$	69,853	$	-
Fair value of warrants issued for exploration and evaluation assets	$	-	$	71,312
Fair value of warrants issued in connection with financing	$	-	$	2,650,183
Fair value of compensation options issued in connection with financing	$	-	$	337,951

18. 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.

18. FAIR VALUE MEASUREMENT - *Continued*

The fair value of the following financial assets and liabilities approximate their carrying amount because of their short-term nature:

- Cash
- Restricted cash
- Short-term investments
- Amounts receivable (excluding sales tax receivable and resource tax credits)
- Interest receivable
- Trade accounts payable and accrued liabilities
- Other current liabilities
- Mineral property funding obligations

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

- Deposits
- Reclamation deposits
- Other long-term liabilities

19. 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.

20. FINANCIAL RISK MANAGEMENT

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

Credit Risk

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

The Company deposits its cash, 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.

(Expressed in Canadian Dollars Unless Noted Otherwise)

20. FINANCIAL RISK MANAGEMENT - *Continued*

Credit Risk - *Continued*

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 March 31, 2015, the Company had cash of $5,006,937 (March 31, 2014 - $8,991,899), restricted cash of $Nil (March 31, 2014 - $104,224) and short-term investments of $1,523,000 (March 31, 2014 - $35,000) to settle current liabilities of $1,787,173 (March 31, 2014 - $3,191,633). As at March 31, 2015, the Company is committed to incur, on a best efforts basis, $4,038,264 in qualifying resource expenditures.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash, restricted cash and short-term investments include deposits which are at variable interest rates. For the year ended March 31, 2015, 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 $33,000.

Fair Value Estimation

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

21. INCOME TAXES

a. The income tax provision for the year ended March 31, 2015 differs from the amount that would have resulted from applying combined Canadian federal and provincial income tax rates of 26% (March 31, 2014 – 26%).

	For the year ended March 31, 2015	For the year ended March 31, 2014
Loss before income taxes	$ (7,154,500)	$ (1,098,112)
Statutory Canadian federal and provincial tax rates	26.00%	26.00%
Expected tax recovery	(1,860,170)	(285,509)
Adjustments:		
Permanent differences	113,724	127,744
Statutory tax rate difference	-	(131,842)
Benefit not recognized and other	1,746,446	289,607
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 Unless Noted Otherwise)

21. INCOME TAXES - *Continued*

c. The following are temporary differences, the net benefits of which have not been recognized at March 31, 2015 and 2014:

	March 31, 2015	March 31, 2014
Deferred income tax assets:		
Non-capital loss carry-forwards	$ 3,118,248	$ 2,547,578
Share issuance costs	380,232	306,200
Other	115,012	38,903
Exploration and evaluation assets	2,337,354	1,449,476
Total temporary differences	**$ 5,950,846**	**$ 4,342,157**

d. The Company has non-capital losses which may be applied to reduce future year's taxable income. At March 31, 2015, the non-capital losses amounted to $11,252,737 (March 31, 2014 – $8,911,141) which will expire between the years 2026 and 2035.

There are no income taxes owing by Pure Gold at March 31, 2015.