



Pure Gold Mining Inc.

(An Exploration Stage Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2018

**Pure Gold Mining Inc.**  
**Management's Discussion and Analysis**  
**For the year ended March 31, 2018**

This Management's Discussion and Analysis (the "**MD&A**"), dated as of June 11, 2018, is for the year ended March 31, 2018 and should be read in conjunction with the audited consolidated financial statements as at and for the years ended March 31, 2018 and 2017 of Pure Gold Mining Inc. (also referred to as "**Pure Gold**", or the "**Company**", or "**we**", or "**our**", or "**its**" or "**us**" within this MD&A), including the related notes thereto (together, the "**Annual Financial Statements**") and our other corporate filings including our Annual Information Form for the year ended March 31, 2018 dated June 11, 2018 (the "**AIF**"), available under Pure Gold's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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

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

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

### **Highlights for the Year and Significant Subsequent Events**

- Commenced a Definitive Feasibility Study ("**DFS**") including numerous trade-off studies on the Madsen Gold Project ("**Madsen**"), with the objective of making a positive production decision by the end of the fourth quarter of calendar 2018. The DFS will determine the optimum mine plan, underground mining methods and mining rate, while leveraging the existing mine infrastructure at Madsen.
- Subsequent to year-end, completed a bought-deal private placement on May 24, 2018, consisting of 16,130,000 units of the Company (the "Units"), at a price of C\$0.62 per Unit, for gross proceeds of \$10 million and 4,000,000 common shares of the Company issued on a flow-through basis (the "**FT Shares**"), at a price of \$0.75 per FT Share, for gross proceeds of \$3 million, for aggregate gross proceeds of \$13 million (together, the "Offering"). Each Unit will consist of one common share of the Company (a "**Unit Share**") and one-half of one common share purchase warrant (each whole common share purchase warrant, a "**Warrant**"). Each Warrant will be transferrable and entitle the holder to acquire one common share of the Company for two years from the closing of the Offering at a price of C\$0.85.

Concurrent with the Offering, Anglogold Ashanti, the Corporation's largest shareholder, increased its ownership position to approximately 14.9% by subscribing for 12,800,000 Units of the Company at \$0.62 per Unit, (together with the Offering the "**Transactions**") on a non-brokered basis, for gross proceeds of \$7.9 million. Together with the Offering, the Company raised a total of \$20.9 million, which means the Company is expected to be fully funded through the completion of the DFS and permitting with funds available for continued exploration of key priority targets during this phase of development.

- Announced a Preliminary Economic Assessment ("**PEA**") for Madsen. The PEA, based on an updated resource estimate (see below), shows a robust 14-year underground mining operation with

highly attractive economics at base case metal prices. Positive results from the PEA led to the decision to commence the DFS. Highlights for the PEA include<sup>1:2</sup>

- Pre-tax NPV5% and IRR of \$365 million and 54% respectively with a 2.7 year payback of initial capital;
  - After-tax NPV5% and IRR of \$258 million and 47% respectively with a 2.8 year payback of initial capital;
  - Mine life is of 14 years with a 12 month pre-production period;
  - Life of mine (“**LOM**”) diluted head grade of 10.3 g/t gold;
  - Average annual gold production in years three through nine of approximately 75,500 ounces, with peak annual production of approximately 85,000 ounces of gold;
  - LOM direct operating cash cost<sup>1</sup> is estimated at US\$595 per ounce of gold recovered
  - LOM operating cash cost<sup>1</sup> plus sustaining cost is estimated at US\$714 per ounce of gold recovered;
  - Pre-production capital cost estimated at \$50.9 million which includes a 15% contingency;
  - LOM sustaining capital costs estimated at \$134.7 million which includes a 5% contingency.
- Announced a new mineral resource estimate for the Madsen deposit, consisting of indicated mineral resources totaling 1,648,000 ounces (5,785,000 tonnes at an average grade of 8.9 g/t gold) and, inferred mineral resources totaling 178,000 ounces (587,000 tonnes at an average grade of 9.4 g/t gold), all at a 4.0 g/t cut-off . Indicated resource tonnes increased 27%, grade 17% and total ounces 48%, from the previous resource estimate completed in 2009.<sup>3</sup>

Completed first time mineral resource estimates from two satellite deposits, Russet South and Fork.

New indicated mineral resources at Russet South total 56,000 ounces (259,000 tonnes at an average grade of 6.7 g/t gold) and inferred mineral resources total 71,000 ounces (322,000 tonnes at an average grade of 6.8 g/t gold) at a 4.0 g/t cut-off<sup>4</sup>;

New indicated mineral resources at Fork total 40,000 ounces (194,000 tonnes at an average grade of 6.5 g/t gold) and inferred mineral resources total 47,000 ounces (255,000 tonnes at an average grade of 5.8 g/t gold) at a 4.0 g/t cut-off<sup>4</sup>;

- Announced a new discovery (the Wedge Target) south of the Madsen mine, adding 1,100 metres of strike length to the Madsen Mine trend, with high grade gold mineralization outcropping at surface and returned from four zones (CK, DV, MJ, and 86).
- Continued with underground infrastructure work at the Madsen Portal and ramp. Constructed, installed and commissioned key surface and underground services including water and air lines, underground electrical lines, mine air heater and ventilation, and power lines connecting grid power to the portal;
  - Completed geotechnical review of underground;
  - Commenced re-conditioning of ramp;

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<sup>1</sup> Base case parameters assume a gold price of US\$1,275/oz and an exchange rate (C\$ to US\$) of 0.80. Cash cost includes mining cost, mine-level G&A, mill and refining cost.

<sup>2</sup> The PEA was prepared by independent consultants Darcy Baker, Ph.D., P.Geo., of Equity Exploration Consultants Ltd., Gilles Blais, P. Eng. of Nordmin Engineering Ltd., John Folinsbee, P. Eng., of Heads Ore Tails Metallurgical Consulting Inc., Marc Jutras, P. Eng., of Ginto Consulting Inc., and Roy Levesque, P. Eng. of Nordmin Engineering Ltd. Details of the PEA can be found in the National Instrument 43-101 Technical Report entitled “**Technical Report for the Madsen Gold Project - Restated Preliminary Economic Assessment and Initial Satellite Deposit Mineral Resource Estimates**”, (the “**Madsen Technical Report**”) effective December 14, 2017 and signed January 29, 2018, which can be found on Pure Gold’s profile on SEDAR at [www.sedar.com](http://www.sedar.com). and available on the Company’s website at [www.puregoldmining.ca](http://www.puregoldmining.ca).

<sup>3</sup> See press release dated August 2, 2017 and the Madsen Technical Report, available on the Company’s website at [www.puregoldmining.ca](http://www.puregoldmining.ca) or the Company’s Sedar profile at [www.Sedar.com](http://www.Sedar.com), for further details of the Mineral Resource estimate.

<sup>4</sup> See the Madsen Technical Report, available on the Company’s website at [www.puregoldmining.ca](http://www.puregoldmining.ca) or the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

- Completed a System Impact Assessment with the provincial power provider to confirm future power availability for an operating mine;
  - Continued exploration drilling from both surface and underground focused on resource growth; and
  - Commenced development to access a proposed 7,200 tonne bulk sample
- Drilling from underground continued to confirm mineralization in the McVeigh and South Austin gold mineralized zones and highlights the expansion potential within the Madsen mineral resource<sup>5</sup>.

Multiple new drill holes collared from the underground mine workings expanded the known mineralization outside of the current mineral resource, including; 20.0 g/t gold over 3.8 metres from hole PGU-0044; 13.7 g/t gold over 6.8 metres from hole PGU-0033 and 9.1 g/t gold over 6.6 metres from drill hole PGU-0024 within the McVeigh and 10.5 g/t gold over 2.0 metres from PGU-0037 and 11.3 g/t gold over 2.2 metres from PGU-0035 within the South Austin.

Infill drilling confirmed near surface resources in close proximity to the Madsen ramp, with 26.4 g/t gold over 12.7 metres from drill hole PGU-0051; 19.4 g/t gold over 9.8 metres returned from drill hole PGU-0028 and 15.4 g/t gold over 4.0 metres from drill hole PGU-0042 in the McVeigh Zone.

- Closed a bought deal private placement on November 1, 2017 for aggregate gross proceeds of C\$19.2 million upon the issuance of an aggregate of 31,613,292 common shares of the Company. The offering consisted of three tranches. The first tranche consisted of 8,690,000 common shares of the Company that qualify as "flow-through shares" for the purposes of the Income Tax Act (Canada) ("**Super FT Shares**") and were issued at a price of C\$0.725 per Super FT Share. The second tranche consisted of 8,061,125 common shares of the Company that qualify as "flow-through shares" for the purposes of the Income Tax Act (Canada) ("**FT Shares**") and were issued at a price of C\$0.64 per FT Share. The third tranche consisted of 14,862,167 common shares of the Company ("**Common Shares**") and were issued at a price of C\$0.52 per Common Share.

## Outlook

Pure Gold is focused on advancing high quality assets that host the key traits of economic mines: grade, scope, size potential and access to infrastructure in mining-friendly jurisdictions. Our key asset is Madsen which comprises in excess of 4,700 hectares of primarily patented mineral claims in the prolific Red Lake gold camp of Northwestern Ontario, and hosts two significant former gold producers including the Madsen Mine which had previous gold production of 2.5 million ounces<sup>6</sup>.

Madsen hosts a recently expanded, current mineral resource, has access to infrastructure and has exceptional growth opportunities. The results of Pure Gold's PEA confirm that Madsen has the potential to provide robust returns.

Pure Gold has contracted and engaged JDS Energy and Mining Inc. ("**JDS**") to lead and complete a DFS on Madsen. Project partners include Nordmin Engineering Ltd., Knight Piésold, and MineFill Services.

The DFS commenced December 2017 and is expected to be completed in the fourth quarter of 2018. Trade-off studies to better define project concepts as outlined in the PEA, are underway.

To support the DFS initiatives and promote further resource expansion, Pure Gold has rehabilitated Two Level from the Madsen Ramp to the No. 2 Shaft, and driven an exploration drift in the hanging wall of the McVeigh Zone to allow for infill definition drilling.

<sup>5</sup> See press releases dated February 13, 2018 and November 16, 2017 for further details on exploration drill results released during the quarter.

<sup>6</sup> Historic drill hole results and production figures and other details from the Madsen and Starratt-Olsen mines disclosed in this document were completed prior to the implementation of National Instrument 43-101. A full discussion and cautionary language can be found in the Madsen Technical Report, which can be found on Pure Gold's website at [www.puregoldmining.ca](http://www.puregoldmining.ca) or profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Following the infill drilling, Pure Gold initiated extensions of the Madsen Ramp to between Two and Three Level to develop along the mineralized structure of one of the near surface planned stopes. Two raises will be developed into the planned stopes. The development will allow for close spaced chip sampling to establish geologic and grade continuity and for validation of the current resource model. The development will include approximately 7,200 tonnes of mineralized material which will provide an opportunity for additional metallurgical testing and will be retained as pre-production mineral inventory.

In addition to the underground drilling and subject to availability of funds, surface diamond drilling, focused on resource expansion, will continue. The newly discovered Wedge target area along with the Russett South and Fork deposits will be targeted for expansion.

Pure Gold plans to continue ongoing environmental baseline studies to support permitting activities and expects to file a new project definition for the Madsen Gold Project once trade-off studies are completed, outlining the most likely path of mining. This Project Definition will outline the operational components of a new Madsen mining operation with a goal of modernizing existing permits for production. The PEA assessment outlines the potential for a long life high margin mine, with low initial capital requirements and a fast timeline to production. Pure Gold has also identified exploration targets and potential optimization opportunities that with success could further enhance the economics of the project.

On May 25, 2018, the Board of Directors approved an updated \$18.1 million budget for Madsen to account for the exploration spending required as a result of raising an additional \$3.0 million in flow-through shares in May 2018 and to update expenditure estimates for the period May 2018 through June 2019. This replaced the previous 20 month budget of \$20.9 million, covering the period November 2017 to June 2019, of which \$10.7 million has been incurred at March 31, 2018.

This revised budget will see the Company through completion of the DFS and its flow through share expenditure commitments and assuming a positive production decision, through permitting. The recently completed financing for gross proceeds of \$20.9 million, will ensure sufficient funds exist to complete this work. Pure Gold has also begun to identify potential sources for the larger project financing package which would be required to advance Madsen to production.

## **Overall Performance**

### ***Exploration Projects***

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

After a series of transactions in fiscal 2014 through 2016, Madsen now comprises 257 mining claims (predominantly patented and including accompanying surface rights) owned or controlled 100% by Pure Gold, covering an area in excess of 4,600 hectares in the prolific Red Lake gold camp of Northwestern Ontario. Madsen hosts two former gold producers including the Madsen Mine.

There are no royalties payable on claims hosting known mineral resources at Madsen with the exception of a 2% Net Smelter Royalty on resources from Russett South, that is capped at \$2.0 million. Certain claims acquired in the Newman-Madsen and Derlak transactions are subject to royalties ranging from 0.5% - 3%, a portion of which may be bought back by the Company.

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

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<sup>7</sup> Historic drill hole results and production figures and other details from the Madsen and Starratt-Olsen mines disclosed in this document were completed prior to the implementation of National Instrument 43-101. A full discussion and cautionary language and current mineral resources can be found in the Madsen Technical Report, which can be found on Pure Gold's profile on SEDAR at [www.sedar.com](http://www.sedar.com) or at Pure Gold's website at [www.puregoldmining.ca](http://www.puregoldmining.ca).

The second former gold producer on the Madsen property is the historic Starratt-Olsen Mine. A 450 metre shaft was constructed in 1945 and mining operations were carried out from 1948 to 1956. A total of 823,544 metric tonnes were mined at an average recovered grade of 6.17 g/t Au to produce 163,990 ounces of gold<sup>7</sup>. The Starratt-Olsen Mine does not have a current mineral resource. Only limited modern day exploration has been conducted near the mine workings. Compilation of historic data at Starratt is ongoing and initial drill testing was completed by Pure Gold in late 2016.

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

A new interpretation of the role of folded ultramafic contacts and structural controls has resulted in multiple recent discoveries in the district, including Goldcorp’s High Grade Zone at the Red Lake Mine Complex. At Madsen, the 20 km-long ultramafic contact is prospective for additional high-grade discoveries, and numerous recent discoveries along this contact such as Pure Gold’s Russet South, Wedge and Fork deposits, have only been partially advanced. Pure Gold is pursuing a strategy of exploring for additional near surface high-grade mineralization to expand the scale of the Madsen Gold Project.

#### *Mineral Resources*

The current mineral resource estimate of the Madsen Gold Project comprises the Madsen, Fork and Russet South deposits.

The Madsen Deposit mineral resource estimate was disclosed on August 2, 2017 and forms the basis for the PEA announced on September 14, 2017, while the Fork and Russet South deposits are considered to be satellite deposits to the main Madsen deposit, and the estimated mineral resources for these two deposits were disclosed on December 14, 2017.

The updated mineral resource estimate for the Madsen deposit is reported in **Table 1** at a 4.0 g/t Au cut-off originally issued with an effective date of August 11, 2017 and restated effective December 14, 2017.

**Table 1 Mineral Resource Statement for Madsen Deposit\***

<b>Resource Classification</b>	<b>Tonnes</b>	<b>Grade (Au g/t)</b>	<b>Contained Gold (oz.)</b>
Indicated	5,785,000	8.9	1,648,000
Inferred	587,000	9.4	178,000

*\*Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources estimated will be converted into Mineral Reserves. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues. The CIM definitions were followed for the classification of Indicated and Inferred Mineral Resources. The quantity and grade of reported Inferred Mineral Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Mineral Resources as an Indicated Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated Mineral Resource category. All figures have been rounded to reflect the relative precision of the estimates. Mineral Resources are reported at a cut-off grade of 4.0 g/t gold based on US\$1,200 per troy ounce gold and gold metallurgical recoveries of 92 percent.*

The geological model utilized for the current resource estimate varies significantly from that used in the earlier estimates. Whereas earlier geologic models used broad grade based shapes to constrain estimates, the 2017 model is guided by the Company's new geologic understanding, with a total of 39 modelled shapes, ranging in width from one metre to 25 metres in thickness. The width and geometry of the current geologic shapes correlates and validates well with the mined shapes from the long history of mining at Madsen. Exploration by Pure Gold has targeted all zones at Madsen as part of a careful program of integrating the historic data with the new geologic and structural understanding.

The estimation methodology used is ordinary kriging on all the zones listed in **Table 2**.

**Table 2 Detailed Madsen Deposit Resource by Zone (4.0 g/t Au Cut-off)**

Zone	Indicated			Inferred		
	Tonnes	Grade (g/t Au)	Ounces (Au)	Tonnes	Grade (g/t Au)	Ounces (Au)
Austin	3,591,000	7.8	900,000	269,000	7.5	65,000
South Austin	1,265,000	8.9	362,000	100,000	7.0	23,000
A3	61,000	9.3	18,000	10,000	9.4	3,000
McVeigh	490,000	7.3	116,000	66,000	6.1	13,000
8 Zone	379,000	20.8	253,000	142,000	16.3	74,000
<b>Total</b>	<b>5,785,000</b>	<b>8.9</b>	<b>1,648,000</b>	<b>587,000</b>	<b>9.4</b>	<b>178,000</b>

The above mineral resource represents mineralization within the Madsen deposit only.

On December 14, 2017, the Company announced a mineral resource estimate for two satellite deposits, Russet South and Fork, also completed by Ginto Consulting Inc. Both deposits outcrop at surface and are situated approximately 1.5 kilometres from existing milling infrastructure.

The geologic model utilized for both the Russet South and Fork estimates is integrated with the Company's current geologic understanding of the Madsen mineral system. The mineral resource estimate at Russet considered data from 32,803 metres of drilling from 123 drill holes, of which 110 drill holes were completed by Pure Gold. The data cut-off used for the resource estimate at Russet South is October 20, 2017. At Fork, the mineral resource estimate considered data from 44,087 metres of drilling from 117 drill holes, of which 21 drill holes were drilled by Pure Gold. The data cut-off used for the resource estimate at Fork is October 20, 2017. At both deposits all available drill holes completed by other operators were re-logged and re-sampled if required, and all available collar locations were surveyed by sub-meter differential GPS.

The estimation methodology used for the mineral resource estimates at Russet South and Fork is ordinary kriging and the mineral resource is reported at a 4.0 g/t gold cut-off based on a gold price of US\$1,200 per troy ounce, gold metallurgical recoveries of 92 percent, and assumed underground mining methodology.

See **Table 3** for the combined Mineral Resource Statement for Madsen.

**Table 3 Mineral Resource Statement for Madsen Gold Project**

Resource Classification	Deposit	Tonnes	Grade (Au g/t)	Contained Gold (oz.)
Indicated	Russet South	259,000	6.7	56,000
	Fork	194,000	6.5	40,000
	Madsen	5,785,000	8.9	1,648,000
Inferred	Russet South	322,000	6.8	71,000
	Fork	255,000	5.8	47,000
	Madsen	587,000	9.4	178,000

*Preliminary Economic Assessment*

On September 14, 2017, Pure Gold announced the results of a revised PEA<sup>8</sup>, for Madsen.

The PEA based on the Madsen Deposit resource estimate only (excludes Russet South and Fork), shows a robust 14-year underground mining operation with highly attractive economics at base case metal prices.

**PEA Highlights**

The PEA base case parameters assume a gold price of US\$1,275/oz and an exchange rate (C\$ to US\$) of 0.80. Highlights include:

- Pre-tax NPV5% and IRR of \$365 million and 54% respectively with a 2.7 year payback of initial capital;
- After-tax NPV5% and IRR of \$ 258 million and 47 % respectively with a 2.8 year payback of initial capital;
- Mine life is of 14 years with a 12 month pre-production period;
- Life of mine (“**LOM**”) diluted head grade of 10.3 g/t gold;
- Average annual gold production in years 3 through 9 of approximately 75,500 ounces, with peak annual production of approximately 85,000 ounces;
- LOM direct operating cash cost(1) is estimated at US\$595 per ounce of gold recovered;
- LOM operating cash cost<sup>9</sup> plus sustaining cost is estimated at US\$714 per ounce of gold recovered;
- Pre-production capital cost estimated at \$50.9 million which includes a 15% contingency;
- LOM sustaining capital costs estimated at \$134.7 million which includes a 5% contingency.

<sup>8</sup> The PEA is preliminary in nature and includes inferred mineral resources that are too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that PEA results will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

<sup>9</sup> Cash cost includes mining cost, mine-level G&A, mill and refining cost.

The PEA was prepared by Nordmin Engineering Ltd., Mining Services Division of Sudbury, Ontario (“Nordmin”). Nordmin reported on the scoping-level capital costs, operating costs, and project economics associated with the potential development of the Madsen mineral resource<sup>10</sup>.

The PEA is based on an underground mining operation utilizing the existing mining, milling, and tailings management infrastructure at Madsen which includes a portal and ramp decline, a 1,275 metre shaft, a 600 tonne per day mill (permitted to 1,089 tonne per day) and Carbon in Pulp “CIP” gold recovery circuit and tailings storage facility, all of which are currently on care and maintenance. The existing permitted infrastructure provides considerable development flexibility, allowing for shortened timelines and the opportunity to leverage on exploration success. The existing Madsen portal and ramp are approximately one kilometre from the existing mill, and currently provide ramp access to the top 150 metres of the mine workings. The PEA mine plan includes further development of the ramp to a depth of 1,430 metres to access the mineral resource.

The PEA mine plan utilizes a combination of conventional cut & fill and shrinkage mining methods to extract the mineralized material. Mining shapes were created using Mineable Shape Optimizer as part of Datamine Studio 5D Planner, using variable cut-offs from 4.0 to 5.2 g/t, and these were evaluated for mining potential. A mining recovery of 95% and a dilution of 10% has been assumed for retained tonnes forming part of the potential mine plan. Total mineralized material mined over the course of the mine life is 2.99 million tonnes at an average diluted head grade of 10.3 g/t gold. Using an estimated mill recovery of 92%, recovered gold totals 911,497 ounces.

All ramp and level waste development would be performed by mining contractor using a combination of two boom electric hydraulic drill jumbos, 3.5 cubic-yard bucket LHD’s, 20 tonne haul trucks, scissor lift/bolters and other rubber tired support equipment. Mining would be facilitated by a combination of diesel and battery-powered equipment, with diesel equipment being utilized for upper levels of the mine (above 16 level) and battery-powered equipment utilized for lower levels of the mine. The use of battery-powered equipment in the lower levels of the mine would eliminate emissions associated with the movement of ore and waste and would result in materially reduced ventilation requirements. The PEA envisions that a mine and mill management team would be employed by the Company and would manage the mining contractor.

Pre-production capital costs are estimated at \$50.9 million with the majority of the costs associated with mill upgrades as well as ramp and surface development. Additional capital cost requirements include surface installations, a new ventilation system and a dewatering system which would utilize the existing shaft. Pre-production capital is minimized by utilizing existing infrastructure, including a 600 tonne per day mill with carbon-in-pulp (CIP) circuit and tailings management facility. The existing Madsen portal and ramp would be further developed from its current access of 150 metres, down to a total depth of 1,430 metres. Access development would utilize widened and rehabilitated existing workings where possible.

Underground mining and haulage is anticipated to be completed by a contract miner using their own equipment, operating 365 days per year. Electrical grid power would provide the power to the project over the life of the mine. The site is currently serviced by 44 kV power.

LOM sustaining capital costs under the PEA are estimated at \$134.7 million with the majority of the costs associated with ramp development, slashing existing workings, and new access development.

The PEA demonstrates that Madsen has the potential to be economically viable. The study also outlines several opportunities for project enhancement. Additional opportunities include:

- Consideration of mineral resources in satellite deposits Russet South and Fork with an opportunity to improve mine flexibility and potentially increase mill throughput;

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<sup>10</sup> See the Madsen Technical Report, available on the Company’s website at [www.puregoldmining.ca](http://www.puregoldmining.ca) or SEDAR profile at [www.sedar.com](http://www.sedar.com), for further details of the PEA.

- Potential expansion of the Madsen Mine resource, through application of the Company's geologic model to target extensions to the known resource;
- Optimization of mine plan including investigation of potential for mechanized cut and fill and long hole mining, review of ramp sequencing to optimize capital requirements and optimize delivery of higher grade material;
- Review mill processing rates as well as potential increases to throughput rate under the existing Environmental Compliance Approval which allows for operation of a 1,089 tonnes per day mill and CIP circuit, resulting in an increase in annual gold production;
- Further metallurgical test work to optimize gold recovery which historically averaged closer to 94%; and
- Conversion of inferred resources to measured and indicated (no certainty they will be converted).

### **Exploration, underground development and engineering at Madsen during the twelve months ended March 31, 2018**

On January 11, 2017, Pure Gold announced the commencement of a comprehensive exploration and underground development program (the "**2017 - 2018 Program**"). Exploration would be conducted by up to four-rigs for a total of 70,000 metres of diamond drilling, collared from both surface and underground. Under the program, the Company drilled a total of 71,237 metres including 62,071 metres from surface and 9,166 metres from underground targeting primarily the McVeigh, Austin, A3 and Russet South zones.

Underground drilling from the Madsen ramp was designed to de-risk potential near term production by targeting initial stope shapes and testing for extensions to the current resource in the upper portion of the McVeigh zone.

At the Madsen Portal and underground, the development program was designed to re-establish services to the existing Portal and ramp including: power, heating, ventilation, assessing and securing ground conditions, completing detailed geologic mapping and sampling and establishing underground drill bays to optimize delineation of near-surface mineralization.

Total expenditures for the 2017 - 2018 Program were \$22.9 million, compared to a budget for the program of \$22.7 million. The program announced in January 2017 was completed in October 2017.

Next the Company devised a new 20 month budget totaling \$20.9 million, covering the period November 2017 to June 2019 (the "**2018 – 2019 Program**"). In May 2018, the budget was revised for the period May 2018 through June 2019 to \$18.1 million to account for the issuance of \$3.0 million in flow through shares in May and to update expenditure estimates at Madsen. This revised budget will see the Company through completion of the DFS and assuming a positive production decision, through permitting. Specifically, this program is designed to:

1. *Geology and Exploration*
  - Continue drilling the mineralized zones from surface and underground to increase confidence of the mineral resource. The program includes 33,200 metres of total drilling including 5,000 metres from underground and 28,200 from surface targeting Russet South and the new Wedge Target;
  - Continue with the current surface drilling program targeting high prospectivity areas to grow the overall resource base including the expansion of known resources and addition of new satellite deposits;
  - Update the geological modelling and mineral resource estimate to incorporate new data and satellite deposits;
  - Continue detailed surface and underground geological mapping to refine understanding of structural setting and characterize mineralization;

2. *Underground Development and Rehabilitation*

- Extend ramp development to allow for access to mineralized structure and rehabilitate 2 level for drilling;
- Continue geotechnical/rock mechanics study to determine ground support requirements for development headings and stoping areas;
- Continue to establish and confirm underground and mine grid survey control;
- Drift and raise on mineralized structure to establish lateral and vertical continuity;
- Test mine through the mining of a 7,200 tonne bulk sample;

3. *Feasibility Level Study*

- Complete feasibility level studies including further engineering studies and design work, including metallurgical and mill optimization;

4. *Environmental and Permitting*

- Continue environmental baseline studies; and
- Continue to advance permitting amendments including mine closure plan if required for ramp and development advancement.

***Definitive Feasibility Study, Test Mining and Metallurgical Test Work***

Given the positive results delivered in the PEA and as recommended in the PEA Technical report, Pure Gold has contracted and engaged JDS to lead and complete a DFS on Madsen with an estimated budget of approximately \$2.0 million. Project partners include Nordmin Engineering Ltd., Knight Piésold, and MineFill Services.

The DFS commenced with a kick-off meeting at site in December 2017 and has begun with trade-off studies to better define project concepts as outlined in the PEA. Trade-off studies will aim to optimize the components of a mine plan, including the mining rate, mining methodology, and mine development options. The DFS will be based on the above Madsen Deposit mineral resource estimate (excludes Russet South and Fork) incorporating all diamond drilling completed since April 11, 2017 and is scheduled for completion in the fourth quarter of calendar 2018.

In support of the DFS, Pure Gold completed development of a 50 metre underground exploration drift in advance of test mining and extraction of a 7,200 tonne bulk sample. The exploration drift was driven in the hanging wall of the McVeigh zone and is designed to provide a drill platform for definition drilling of the upper portions of the current mineral resource. Underground drilling was completed to test the bulk sample location.

Test mining is scheduled to commence in the first quarter of fiscal 2019 with the extraction of 7,200 tonnes of mineralized material, with both lateral and vertical development to demonstrate continuity. The existing Madsen ramp has been driven approximately 200 linear metres to access the bulk sample location at a vertical depth of 160 metres. Recent underground drill holes in the area designated for test mining include 26.4 g/t gold over 12.7 metres from hole PGU-0051, 19.4 g/t gold over 9.8 metres from PGU-0028 and 9.1 g/t over 6.6 metres from hole PGU-0024.<sup>11</sup>

Test mining will consist of approximately 225 metres of lateral development, with development occurring within two proposed stopes from within the McVeigh zone. Test mining will also include approximately 50 metres of vertical development designed to establish both lateral and vertical continuity. During the test mining program the Company plans to collect data including chips, muck samples, and mapping as well as

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<sup>11</sup> For further information see news releases dated November 16, 2017 and February 13, 2018 available at [www.puregoldmining.ca](http://www.puregoldmining.ca) or under the Company's Sedar profile at [www.sedar.com](http://www.sedar.com).

complete diamond drilling to validate the resource model, and to test for parallel structures and splays. In addition, the 7,200 tonne bulk sample will provide material that may be used for additional metallurgical test work, and will provide pre-production mineralized inventory.

Subsequent to March 31, 2018, the Company announced phase 1 metallurgical test results which form part of the ongoing DFS. These results are part of a comprehensive ongoing metallurgical program designed to define the processing parameters, establish grade-recovery relationships and to optimize gold recovery for the existing Madsen milling circuit. Importantly, results obtained are consistent with the excellent historical production recoveries achieved at Madsen<sup>12</sup> and open potential opportunities for further optimization, specifically when the PEA used an average recovery rate of 92%.

The arithmetic average gold recovery for the samples tested is excellent at 95.4% Au, with individual composites ranging from 90.5% to 99.9% gold recovery at a primary grind size of P80 75 microns. Gravity concentrate gold recoveries are especially high, with an average of 36.3% and range up to 82.3% gold recovery in the 8 Zone domain. Overall, cyanide and lime consumptions are considered low to very low at 0.63 kg/t and 0.25 kg/t, respectively.<sup>13</sup>

Phase 2 of the test program will be completed on global samples based on the feasibility mine production schedule. These tests will aim to optimize the flowsheet and reagent scheme over the life-of-mine plan, and define the cyanide destruction parameters for the tailings outflow. In addition, further refinement of gravity recoverable gold will be completed as well as carbon loading and oxygen uptake rate tests.

Exploration under the 2018 – 2019 Program to date has primarily focused on surface drilling at the Wedge and Russet South Targets and underground drilling to test mineralization in close proximity to the Madsen ramp, both within and outside of known resources. For the period November 2017 through March 31, 2018, the Company drilled a total of 19,004 metres from surface and 8,803 metres from underground.

Assay results from drilling from the Wedge Zone targets were announced in January 2018 and March 22, 2018<sup>14</sup> and include:

- 33.3 g/t gold over 8.3 metres from hole PG17-467;
- 24.2 g/t gold over 1.0 metre from drill hole PG17-468;
- 12.1 g/t gold over 2.0 metres from drill hole PG17-474;
- 21.3 g/t gold over 10.3 metres and 10.7 g/t gold over 4.2 metres from drill hole PG17-486
- 25.2 g/t gold over 2.1 metres and 22.0 g/t gold over 2.0 metres from drill hole PG17-482;
- 27.8 g/t gold over 1.4 metres and 19.4 g/t gold over 2.0 metres from drill hole PG17-470; and
- 22.5 g/t gold over 2.0 metres from hole PG18-505.

Underground infill drilling has been designed to test and more closely define stope shapes in close proximity to the Company's planned test mining and bulk sample location. Multiple new underground drill holes have

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<sup>12</sup> See the Madsen Technical Report for complete details, available on the Company's website at [www.puregoldmining.ca](http://www.puregoldmining.ca) or Sedar profile at [www.sedar.com](http://www.sedar.com).

<sup>13</sup> For further information on the metallurgical test results, see news releases dated April 3, 2018 available at [www.puregoldmining.ca](http://www.puregoldmining.ca) or under the Company's Sedar profile at [www.sedar.com](http://www.sedar.com).

<sup>14</sup> See press release dated January 31, 2018 and March 22, 2018 available on the Company's website at [www.puregoldmining.ca](http://www.puregoldmining.ca) or under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com), for further details about the Wedge Zone drill results.

expanded the known mineralization outside of the current resource and confirmed planned stope shapes. Assay highlights include the following<sup>15</sup>:

- 10.0 g/t gold over 5.0 metres from drill hole PGU-0060;
- 28.6 g/t gold over 2.0 metres from drill hole PGU-0061;
- 17.9 g/t gold over 5.1 metres from drill hole PGU-0066;
- 10.8 g/t gold over 3.0 metres from drill hole PGU-0077;
- 14.6 g/t gold over 3.5 metres from drill hole PGU-0059;
- 12.2 g/t gold over 5.5 metres from drill hole PGU-0060; and
- 28.2 g/t gold over 7.0 metres from drill hole PGU-0061.

Total costs incurred on exploration and development activities at Madsen from November 2017 through March 31, 2018 totaled \$10.7 million compared to a budget of \$8.5 million, primarily due to additional surface and underground metres drilled, as well as additional underground development and rehabilitation work completed on 2 Level and on rehabbing part of the Number 2 Shaft that was not originally in the budget.

Total costs incurred on exploration and development activities at Madsen for fiscal 2018 totaled \$26.3 million compared to a budget of \$24.3, primarily due to additional surface and underground metres drilled, as well as additional underground development and rehabilitation work required.

#### Other Mineral Property Interests

On March 12, 2018, the Company signed an option agreement with KG Exploration Canada Inc. (“**Kinross**”) a subsidiary of Kinross Gold Corp. whereby Kinross has the option to acquire up to a 70% interest in the Company’s Van Horne property. To earn its 70% interest Kinross must spend a total of \$4 million on Van Horne over a four year period with a committed minimum of \$750,000 in year one and pay to Pure Gold \$100,000. Pure Gold has agreed to operate in year one. A Phase 1, 1,100 metre drill program has been developed with a budget of approximately \$550,000 which will be completed in fiscal 2019.

Minimal expenditures are expected at any of the Company’s other mineral property interests. See the MD&A for the year ended March 31, 2015 for a description of the Company’s Other Mineral Interests.

The Company has not incurred any significant costs exploring other properties in its portfolio during the years ended March 31, 2018 or 2017, as the Company’s focus is Madsen.

#### **Selected Financial Information**

Management is responsible for the Annual Financial Statements referred to in this MD&A, and provides officers’ disclosure certifications filed with the Canadian provincial securities commissions. Although the Company’s Audit Committee reviews the Annual Financial Statements and MD&A and makes recommendations to the Company’s Board of Directors, (the “Board”), it is the Board which has final approval of the Annual Financial Statements and MD&A.

The Annual Financial Statements have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) and interpretations of the IFRS Interpretations

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<sup>15</sup>See press release dated April 11, 2018 available on the Company’s website at [www.puregoldmining.ca](http://www.puregoldmining.ca) or under the Company’s SEDAR profile at [www.sedar.com](http://www.sedar.com), for further details about underground drill results.

Committee (“IFRIC”) as issued by the International Accounting Standards Board (“IASB”). Our significant accounting policies are presented in Note 3 of the Annual Financial Statements; we followed these accounting policies consistently throughout the year.

The Company’s policy is to expense all exploration and evaluation expenditures relating to our mineral exploration property interests.

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

The Company’s operations are in one industry – the exploration for gold, and other precious and base metals. At March 31, 2018 and 2017, Pure Gold had one geographic location being Canada. Information discussed herein reflects the Company as a consolidated entity, consistent with our determination that the industry in which we operate provides the most meaningful information to a user.

### **Results of Operations**

The following financial data are derived from our annual financial statements for the years ended March 31, 2018, March 31, 2017 and March 31, 2016 respectively:

	For the year ended March 31, 2018	For the year ended March 31, 2017	For the year ended March 31, 2016
Total Revenue	\$ -	\$ -	\$ -
Exploration and evaluation expenditures	\$ 26,343,021	\$ 22,897,880	\$ 4,221,780
Net loss for the year attributable to shareholders	\$ 26,161,068	\$ 24,532,025	\$ 5,009,047
Total comprehensive loss for the year	\$ 26,161,068	\$ 24,982,799	\$ 4,558,273
Basic and Diluted Loss per Share	\$ (0.13)	\$ (0.15)	\$ (0.04)

### **Fiscal year ended March 31, 2018 vs. fiscal year ended March 31, 2017**

Net losses totaled \$26.2 million for the fiscal year ended March 31, 2018, compared to \$24.5 million for the same period in the prior year. The most significant contributors to the loss for fiscal years ended March 31, 2018 and 2017 were (i) exploration and evaluation expenditures, (ii) wages, consulting and directors fees (iii) office and rent expenses (iv) investor relations and communication expenditures (v) professional fees and (vi) non-cash share-based compensation expense. Explanations for material variances are described below:

Exploration and evaluation expenditures increased to \$26.3 million for the fiscal year ended March 31, 2018 compared to \$22.9 million for the same period in the prior year.

Fiscal 2018 saw increased exploration and evaluation expenditures due to the additional cost of deep surface drilling, underground drilling, the historical core re-logging program, the re-establishment of services to the Portal and ramp, the completion of underground development in preparation for the bulk sample and the completion of two resource estimates, a PEA and the commencement of the DFS. In fiscal 2017, the Company’s exploration activities were primarily focussed on surface drilling.

Wages, consulting and director’s fees increased to \$1.4 million for the fiscal year ended March 31, 2018 compared to \$1.1 million incurred for fiscal 2017, primarily due to a review of director compensation.

Office and rent costs increased by 32% to \$0.6 million for fiscal 2018 compared to \$0.5 million in fiscal 2017, primarily as a result of an increase in the Company’s head office rent due to additional space required to accommodate additional staff and consultants.

Investor relations and communication expenditures increased slightly to \$0.6 million for the fiscal year ended March 31, 2018 compared to \$0.5 million for fiscal 2017. The Company continued to market the Company to support its financing initiatives.

Professional fees decreased slightly to \$0.2 million during the year ended March 31, 2018 compared to \$0.3 million in the same period in the prior year.

Share-based compensation expense increased to \$1.5 million for fiscal 2018 compared to \$0.9 million for the same period in the prior year, reflecting the higher fair market value of options issued in recent periods. In addition, the forfeiture of 1,035,002 unvested options during fiscal 2017 resulted in a reversal of share-based compensation expense. There were minimal forfeitures of options in the current year.

Share-based compensation expense relates to grants from current and previous periods in which stock options were granted to directors, employees, and consultants. During the fiscal year ended March 31, 2018, the Company granted 5.5 million stock options with a weighted average exercise price of \$0.49 compared to 5.5 million stock options with a weighted average exercise price of \$0.48 in fiscal 2017. Stock options granted to employees and consultants were subject to vesting restrictions over a three year period with the corresponding share-based compensation expense being recognized over this period, while director grants vest immediately on grant with the corresponding expenses recognized at the time of grant.

Generally, share-based compensation expense should be expected to vary from period to period depending on several factors, including whether options are granted in a period and whether options have fully vested or are cancelled in a period. In determining the fair market value of share-based compensation granted to directors and employees, management makes significant assumptions and estimates. These estimates have an effect on the share-based compensation expense recognized and the equity reserves balance on our statements of financial position. Management has made estimates of the life of the options, the expected volatility and the expected dividend yields that could materially affect the fair market value of this type of security. The estimates were chosen after reviewing the historical life of the options and analyzing share price history from that of a peer group to determine volatility.

#### ***Fiscal year ended March 31, 2017 vs. fiscal year ended March 31, 2016***

Net loss for the year ended March 31, 2017 totaled \$24.5 million compared to \$5.0 million for the same period in the prior year. The most significant contributors to the loss for the years ended March 31, 2017 and 2016, were (i) exploration and evaluation expenditures, (ii) wages, consulting and directors fees (iii) non-cash share-based compensation expense (iv) office and rent expenses (v) investor relations and communication expenditures and (vi) professional fees. Explanations for material variances are described below.

Exploration and evaluation expenditures increased to \$22.9 million for the year ended March 31, 2017 compared to \$4.2 million for the same period in the prior year.

Fiscal 2017 saw a significant expansion of exploration activities at Madsen compared to the prior year period. In the prior period, the Company concluded a winter drill program in April 2015 and then reduced exploration activity due to financial constraints. In fiscal 2017, the Company received \$19.0 million from the exercise of share purchase warrants; completed two separate Flow Through Share financings raising an additional \$19.5 million; and received funds from the sale of non-core assets to Premier, resulting in a significantly improved financial position and allowing the Company to resume an aggressive exploration program at Madsen.

The Company's exploration budget for fiscal 2017 was \$22.3 million. The variance from budget is primarily due to additional metres drilled to date in calendar 2017, as well as higher than expected underground service installation costs.

Wages, consulting and director fees increased to \$1.1 million for the year ended March 31, 2017, compared to \$0.7 million for the same period in the prior year, partially due to the payment of severance costs to the Company's former VP, Exploration totaling \$0.1 million and the payment of a year-end bonus to staff. No such bonus was paid previously by the Company.

Investor relations and communication expense increased to \$0.5 million for fiscal 2017 compared to \$0.1 million for fiscal 2016. During fiscal 2017 the Company significantly increased its marketing activities in conjunction with an increased gold price and renewed investor interest in the gold sector and sufficient financing to renew marketing activities. During fiscal 2016, in light of difficult financing markets, the Company reduced its level of promotional activities, in an effort to conserve cash.

Professional fees increased to \$0.3 million during the year ended March 31, 2017 compared to \$0.1 million in the same period in the prior year, primarily due to costs related to the closing of the sale of surface rights for the Buffalo claims to Premier, as well as additional tax consulting fees and fees paid for an annual salary compensation survey.

Office and rent totalled \$0.5 million and \$0.3 million respectively, primarily due to increased head office staffing levels.

Share-based compensation increased for the year ended March 31, 2017 to \$0.9 million from \$0.4 million in fiscal 2016, primarily due to the issuance of 1.8 million stock options with a fair value of \$0.31 per option in December 2016 to the Company's non-executive directors, which vested immediately. A total of 1.7 million stock options with a fair value of \$0.07 per option were granted to non-executive directors in December 2015. Share-based compensation expense relates to grants from current and previous periods in which stock options were granted to directors, employees, and consultants. During the year ended March 31, 2017 the Company granted 5.5 million stock options with a weighted average exercise price of \$0.48 to employees, consultants and directors. During the year ended March 31, 2016, the Company granted 3.6 million stock options with a weighted average exercise price of \$0.11 to employees, consultants and directors. All stock options granted to non-executive directors vested immediately resulting in the immediate recognition of the corresponding share-based compensation expense on the date of grant. Stock options granted to employees and consultants were subject to vesting restrictions over a three year period with the corresponding share-based compensation expense being recognized over this period.

Generally, share-based compensation expense should be expected to vary from period to period depending on several factors, including whether options are granted in a period and whether options have fully vested or are forfeited in a period. In determining the fair market value of share-based compensation granted to directors and employees, management makes significant assumptions and estimates. These estimates have an effect on the share-based compensation expense recognized and the equity reserves balance on our statements of financial position. Management has made estimates of the life of the options, the expected volatility and the expected dividend yields that could materially affect the fair market value of this type of security. The estimates were chosen after reviewing the historical life of the options and analyzing share price history from that of a peer group to determine volatility.

For the year ended March 31, 2017, the Company disposed of its investment in Premier, and reclassified the unrealized gain of \$0.7 million recorded in other comprehensive income to other income in the consolidated statement of loss.

### ***Financial Position***

The following financial data are derived from our Annual Financial Statements for the fiscal years ended March 31, 2018 and March 31, 2017:

	<b>As at March 31, 2018</b>	<b>As at March 31, 2017</b>
Total assets	\$ 24.7 million	\$ 35.3 million
Current liabilities	\$ 3.3 million	\$ 5.1 million
Non-current liabilities	\$ 2.4 million	\$ 2.5 million
Cash dividends declared	\$ -	\$ -

Total assets decreased by \$10.6 million as at March 31, 2018 in comparison to March 31, 2017 due to the outflow of cash due to cash operating expenditures totalling \$27.7 million, partially offset by net proceeds received from the November 1, 2017 financing of \$17.8 million.

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

Current liabilities decreased to \$3.3 million at March 31, 2018 in comparison to \$5.1 million at March 31, 2017. Accounts payable and accrued liabilities increased as a result of the timing of activities and accounts payable payments. In addition, the remaining portion of the two flow-through share premium liabilities recognized at March 31, 2018 in relation to the November 2017 financing was smaller than the \$3.0 million flow-through share premium liability recognized at March 31, 2017 in relation to the February 2017 private placement.

Non-current liabilities decreased by \$0.1 million between March 31, 2018 and March 31, 2017 as the Company's remaining finance lease obligation is now a current liability.

#### Shareholders' Equity

During the year ended March 31, 2018 the Company issued 175,000 common shares upon the exercise of stock options by an employee and a consultant and issued a total of 31,613,292 common shares on closing of its bought deal private placement in November 2017.

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

#### **Summary of Quarterly Results**

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

For the three months ended (000's except per share data)								
	Mar 31, 2018	Dec 31, 2017	Sep 30, 2017	June 30,	Mar 31, 2017	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016
Total revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total expenses	\$8,745	\$7,001	\$7,428	\$7,606	\$8,450	\$6,935	\$7,324	\$3,592
Net loss For the period	\$7,197	\$3,976	\$7,415	\$7,573	\$7,505	\$6,908	\$7,327	\$2,793
Total comprehensive loss for the period	\$7,197	\$3,976	\$7,415	\$7,573	\$7,505	\$6,908	\$7,327	\$3,243
Basic and diluted loss per share	\$0.03	\$0.02	\$0.04	\$0.04	\$0.04	\$0.04	\$0.05	\$0.02

The Company's net loss for the quarter ended March 31, 2018 increased by 81% compared to the net loss for the quarter ended December 31, 2017, while total expenses increased by 25%. The increase in expenses is primarily due the increase in exploration and evaluation expenditures of \$2.2 million due to additional metres drilled in the fourth quarter of fiscal 2018, as well as expenditures related to the feasibility study which commenced in December 2017, partially offset by a \$0.6 million decrease in share-based compensation. The net loss for the quarter ended March 31, 2018 was reduced due to a \$1.5 million deferred income tax recovery from the partial reversal of the two flow-through share premium liabilities recognized in relation to the November 2017 financing as the expenditures were renounced in February 2018. The net loss for the quarter ended December 31, 2017 was reduced due to a \$3.0 million deferred income tax recovery from the reversal of the flow-through share premium liability recognized in relation to the February 2017 financing as the expenditures were completed and renounced in calendar 2017.

The Company's net loss for the quarter ended December 31, 2017 decreased by 47% compared to the net loss for the quarter ended September 30, 2017, while total expenses decreased 6%. The decrease in expenses is primarily due to the completion of the Company's 2017 drilling program in early December, leading to a reduction in exploration and evaluation expenditures of \$1.2 million, partially offset by a \$0.6 million increase in share-based compensation. The net loss for the quarter ended December 31, 2017 was reduced due to a \$3.0 million deferred income tax recovery from the reversal of the flow-through share premium liability recognized in relation to the February 2017 financing as the expenditures were completed and renounced in calendar 2017.

The Company's net loss for the quarter ended September 30, 2017 decreased by 2% compared to the net loss for the quarter ended June 30, 2017, while total expenses decreased 2%. The decrease in expenses is primarily due to a reduction in exploration and evaluation expenditures of \$0.3 million. The reduction is a result of fewer metres drilled due to the near completion of the 70,000 metre Phase I exploration program, leading to a \$1.5 million decrease in drilling expenditures during the quarter. This decrease was partially offset by an increase in engineering expenditures of \$0.9 million in relation to work underground at the Madsen Portal, as well as an increase of \$0.3 million in expenditures on the historical core capture program.

The Company's net loss for the quarter ended June 30, 2017 increased 1% compared to the net loss for the quarter ended March 31, 2017, while total expenses decreased 10%. The decrease in expenses is primarily due to a reduction in metres drilled due to the focus during the current quarter of the 70,000 metre Phase I exploration program on testing deeper targets, resulting in a \$0.8 million decrease in exploration and evaluation expenditures from the previous quarter. The net loss for the quarter ended March 31, 2017 was reduced due to a \$0.9 million deferred income tax recovery from the reversal of the Flow Through

Share premium liability recognized in relation to the June 2016 Flow Through Share financing as the expenditures were completed in calendar 2016 and renounced in January 2017.

The Company's net loss for the quarter ended March 31, 2017 increased 9% compared to the net loss for the quarter ended December 31, 2016, while total expenses increased 22%. The increase in expenses was primarily due to the commencement of the 70,000 metre Phase I exploration program in January 2017, while the Company's 2016 drilling program was completed in early December 2016, resulting in a \$2.0 million increase in exploration and evaluation expenditures from the previous quarter. This increase was partially offset by a decrease in share-based compensation expense of \$0.4 million due to the issuance of 1.8 million stock options with a fair value of \$0.31 per option in December 2016 to the Company's non-executive directors, which vested immediately. The net loss for the quarter ended March 31, 2017 was reduced due to a \$0.9 million deferred income tax recovery from the reversal of the Flow Through Share premium liability recognized in relation to the June 2016 Flow Through Share financing as the expenditures were completed in calendar 2016 and renounced in January 2017.

The Company's net loss for the quarter ended December 31, 2016 decreased 6% compared to the net loss for the quarter ended September 30, 2016, while total expenses decreased 5%. The decrease in expenses is primarily due to the completion of the Company's 2016 drilling program in early December, resulting in a \$1.2 million decrease in exploration and evaluation expenditures from the previous quarter, partially offset by an increase in share-based compensation expense of \$0.6 million due to the issuance of 1.8 million stock options with a fair value of \$0.31 per option in December 2016 to the Company's non-executive directors, which vested immediately.

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

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

#### **Fourth Quarter Results**

During the quarter ended March 31, 2018, the Company incurred a loss of \$7.2 million. The most significant items contributing to this loss were exploration and evaluation expenditures of \$7.6 million; wages, consulting and director's fees of \$0.4 million; and share-based compensation expense of \$0.3 million.

Offsetting expenses for the quarter was the recognition of a \$1.5 million deferred income tax recovery on partial reversal of the two flow through share premium liabilities recognized in relation to the November 2017 financing, as the Company filed its renunciation forms in February 2018, and reversed the portion of the liabilities relating to completed expenditures at March 31, 2018.

#### **Liquidity and Capital Resources**

As at the date of this MD&A, the Company has approximately \$21.0 million in cash and short-term investments. The Company's working capital balance (defined as current assets less current liabilities) as at the date of this MD&A is approximately \$22.1 million (\$22.5 million excluding the flow-through premium liability of \$0.4 million). There are no known restrictions on the ability of our subsidiary to transfer or return funds to the Company.

We have no revenue-producing operations, and earn only minimal income through investment income on treasury, amounts arising through various property option agreements and occasionally as a result of the disposal of an exploration asset. The Company is therefore reliant on public equity and debt markets to obtain financing to continue its operations.

With the Company's financing completed on May 24, 2018, it has sufficient funds to see the Company through its planned activities, including completion of the DFS and permitting, along with completion of its exploration expenditure requirements on key priority targets and deposits at Madsen.

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

Pure Gold manages and adjusts its capital structure based on available funds in order to support acquisition, exploration and development of mineral properties. The properties in which we currently have an interest in are in the exploration stage. Accordingly, we are dependent on external financing, including the proceeds of future equity issuances or debt financing, to fund our activities. Circumstances that could impair our ability to raise additional funds, or our ability to undertake transactions, are discussed in our AIF dated June 11, 2018 under the heading "Risk Factors". Although management has been successful in the past when raising additional financing, there can be no assurance they will be successful in the future.

### ***Contractual Obligations***

#### Mineral Properties

Pure Gold has no commitments for material capital expenditures as of March 31, 2018. All other active contracts are in the normal course for exploration work to be conducted at Madsen.

#### Management and Technical Services Agreement

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

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

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

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

The Oxygen Agreement is for an initial term of two years, and shall be automatically renewed from time to time thereafter for an additional term of two years unless otherwise terminated. The Oxygen Agreement may be terminated by either party giving at least 180 days' prior written notice of such termination subject to Pure Gold being liable for its share of committed lease costs and contractual obligations entered into on its behalf by Oxygen, as well as an amount equal to the average general and administrative monthly costs incurred under the Agreement for the previous six month period, and any employee termination fees due under the Agreement as a result of the termination as such term is defined under the Agreement. The amount pertaining to the non-cancellable head office lease is included in the table below.

### Flow-Through Share Obligation

As at March 31, 2018, the Company is committed to incur, on a best efforts basis, \$6.3 million in qualifying resource expenditures pursuant to the November 2017 financing Super FT Shares, and \$5.2 million pursuant to the FT Shares. As at March 31, 2018, the Company had incurred qualifying resource expenditures relating to the Super FT Shares of \$5.0 million, and qualifying resource expenditures relating to the FT Shares of \$4.1 million. The Company must therefore incur the balance of \$1.3 million in qualifying resource expenditures in relation to the Super FT Shares, and \$1.1 million in qualifying resource expenditures in relation to the FT Shares before January 1, 2019. 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.

The Company had incurred the full qualifying resource expenditures of \$13.2 million pursuant to the February 2017 Flow Through share private placement by March 31, 2018. The Company filed its renunciation forms in December 2017, and subsequently reversed the flow-through share premium liability of \$3.0 million and has included it in the Company's Statement of Loss and Comprehensive loss as a deferred tax recovery for the year ended March 31, 2018.

### Leases

#### *Madsen Vehicle Leases*

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

#### *Madsen Equipment Leases*

The Company has committed to a finance lease with a third party for a custom ventilation and heating system used underground at the Madsen Gold Project. The lease commenced on February 21, 2017 with a term of 18 months, at which time the Company has the option to purchase the equipment.

The future minimum lease payments committed to by the Company at March 31, 2018 are as follows:

<b>Calendar</b>	<b>Head Office Lease</b>	<b>GMC Sierra 2500 HD</b>	<b>GMC Sierra 2500 HD</b>	<b>Equipment Finance Lease</b>
2018	\$ 208,659	\$ 2,402	\$ 2,856	\$ 10,848
2019	284,491	-	-	-
2020	286,846	-	-	-
2021	293,910	-	-	-
2022 +	514,342	-	-	-
<b>Total</b>	<b>\$ 1,588,248</b>	<b>\$ 2,402</b>	<b>\$ 2,856</b>	<b>\$ 10,848</b>

### Surety Bonds

In December 2017, the Company entered into an agreement with a third-party (the "Surety") to replace \$2.4 million of its existing reclamation deposits with surety bonds of the same amount. The bonds are held in favour of the Minister of Northern Development and Mines of Ontario (the "MNDM") as financial support for environmental reclamation and exploration permitting. The surety bonds are secured by a \$1.3 million deposit (as at the date of this MD&A) and are subject to fees competitively determined in the market place. The obligations associated with these instruments are generally related to performance requirements that the Company addresses through its ongoing operations. As specific requirements are met, the MNDM as beneficiary of the bonds will return the bonds to the issuing entity. As these instruments are associated with ongoing and active exploration properties, they will remain outstanding until the earlier of the date that the Company has discharged its remediation obligations, or determines to self-fund the underlying bonding obligations. The Company has agreed to indemnify the Surety against any and all losses, fees, costs and

expenses of any kind and nature which the Surety might sustain or incur upon the execution of surety bonds issued.

### Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as defined by NI 51-102 requirements as at March 31, 2018 or as at the date hereof.

### Proposed Transactions

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

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

### Related Party Transactions

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

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

Oxygen is a private company partially owned by one director and one officer of the Company. Oxygen provides technical and administrative services to the Company at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. As at March 31, 2018, Oxygen holds a refundable deposit of \$0.3 million (March 31, 2017 - \$0.3 million), on behalf of the Company. During the fiscal year ended March 31, 2018, a total of \$1.6 million (March 31, 2017 - \$1.4 million) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As of March 31, 2018, the Company held a payable amount to Oxygen of \$0.1 million (March 31, 2017 - \$0.1 million). This amount was paid subsequent to March 31, 2018.

#### Compensation of Key Management Personnel

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

<b>Name</b>	<b>Nature of Compensation</b>	<b>Year ended March 31, 2018</b>	<b>Year ended March 31, 2017</b>
President and Chief Executive Officer	Salary	\$347,000	\$331,584
Chief Financial Officer	Salary	\$235,000	\$248,333
Vice President of Exploration	Salary	\$252,000	\$266,167
Vice President of Exploration (former)	Salary	-	\$82,000
Vice President, Operations	Salary	\$260,078	\$117,907
Directors	Directorship	\$410,000	\$185,000
<b>Total</b>		<b>\$1,504,078</b>	<b>\$1,230,991</b>

Share-based compensation issued to key management personnel during the fiscal year ended March 31, 2018 totaled \$1.2 million (March 31, 2017 - \$0.9 million). Share-based compensation is the fair value of options granted and vested to key management personnel. These amounts have not been included in the table above and should be considered as additional compensation.

## **New Pronouncements**

### *New, Amended and Future IFRS Pronouncements*

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

Details of new accounting standards, effective for reporting periods beginning January 1, 2018 and January 1, 2019, are found in Note 3 of the Annual Financial Statements.

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

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

The Company does not expect the new guidance to have a significant impact on the classification, measurement and recognition of financial assets and financial liabilities, as it is the Company's preliminary determination that the majority of its financial assets and financial liabilities will continue to be measured on the same basis under IFRS 9. Additionally, the Company currently estimates that the impairment provision requirements under the new impairment model will have no material impact on cash, receivables, and deposits.

### **IFRS 16 – Leases**

IFRS 16 - Leases specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company has begun preliminary internal discussions to evaluate the impact of the adoption of this standard on its consolidated financial statements, and does not presently expect it to have a significant impact.

### **Significant Accounting Judgments, Estimates and Assumptions**

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:

### **Review of Asset Carrying Values and Impairment Assessment**

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

## **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 year ended March 31, 2018, there were no indicators of impairment on the Company's exploration and evaluation assets, or 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.

## **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.

## **Determination of the Fair Value of Share-based Payments**

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

## **Decommissioning, Restoration and Similar Liabilities**

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

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

## **Risks associated with financial instruments**

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

### **Credit Risk**

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

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

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

### **Liquidity Risk**

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. At March 31, 2018, the Company had cash of \$7.4 million (March 31, 2017 - \$16.5 million) and short-term investments of \$23,000 (March 31, 2017 - \$23,000) to settle current liabilities of \$3.3 million (\$2.9 million excluding the flow-through premium liabilities of \$0.4 million) (March 31, 2017 - \$5.1 million). As at March 31, 2018, the Company is committed to incur, on a best efforts basis, a further \$1.3 million in qualifying resource expenditures in relation to the Super FT Shares, and a further \$1.1 million in qualifying resource expenditures in relation to the FT Shares, before January 1, 2019.

### **Interest Rate Risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash and short-term investments include deposits which are at variable interest rates. For the year ended March 31, 2018, a plus or minus 0.5% change in market interest rates would affect the Company's interest earned on cash and short-term investments by approximately \$0.1 million.

### **Fair Value Estimation**

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

## Management of Capital

Pure Gold considers the items included in the consolidated statement of shareholders' equity as capital. Management of the Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders. The Company is not subject to externally imposed capital requirements.

Pure Gold's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

## Outstanding Share Data

Pure Gold's authorized capital is unlimited common shares without par value. As at June 11, 2018 the following common shares, stock options, share purchase warrants and compensation options were outstanding:

	# of Shares	Exercise Price	Expiry Date
Issued and Outstanding Common Shares	256,307,717	N/A	N/A
Stock Options	3,530,000	\$0.35	April 8, 2019
	150,000	\$0.32	May 13, 2019
	200,000	\$0.35	February 10, 2020
	650,000	\$0.28	March 19, 2020
	83,333	\$0.11	December 3, 2020
	2,730,000	\$0.11	December 11, 2020
	400,000	\$0.63	May 26, 2021
	300,000	\$0.72	October 11, 2021
	75,000	\$0.72	November 14, 2021
	4,645,000	\$0.44	December 21, 2021
	200,000	\$0.54	June 16, 2022
	100,000	\$0.54	July 24, 2022
	5,170,000	\$0.49	December 15, 2022
	50,000	\$0.65	June 5, 2023
200,000	\$0.65	June 11, 2023	
Warrants	14,465,000	\$0.85	May 24, 2020
Fully Diluted	289,256,050		

## Industry and Economic Factors That May Affect Our Business

Economic and industry risk factors that may affect our business, in particular those that could affect our liquidity and capital resources, are as described under the heading "Risk Factors" in our AIF dated June 11, 2018, available on the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com). In particular, there are currently significant uncertainties in capital markets impacting the availability of equity financing for the purposes of mineral exploration and development. There are also significant uncertainties relating to the global economy, increased volatility and a general decline in the prices of gold and other precious which impact our business and may impact our ability to remain a going concern.

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

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

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

Additional disclosure concerning Pure Gold's general and administrative expenses and exploration and evaluation expenses is provided in the Company's Statements of Loss and Comprehensive Loss contained in its Annual Financial Statements for the fiscal years ended March 31, 2018 and 2017 which are all available on Pure Gold's website at [www.puregoldmining.ca](http://www.puregoldmining.ca) or on its profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Legal Matters**

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

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

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

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

Other than disclosed above, the following items of significance occurred after March 31, 2018:

- i) A total of 50,000 stock options with an exercise price of \$0.65 were granted to an employee on June 5, 2018. The options will vest equally over a three year period and have a life of five years.
- ii) 30,000 stock options with an exercise price of \$0.35, 20,000 stock options with an exercise price of \$0.11, and 8,333 stock options with an exercise price of \$0.44 were exercised by an employee on June 6, 2018 for total proceeds of \$16,367.
- iii) A total of 200,000 stock options with an exercise price of \$0.65 were granted on June 11, 2018 to a consultant who performs investor relations activities. The options vest equally over a three year period and have a life of five years.

### **Controls and Procedures**

In connection with NI 52-109, the CEO and CFO of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the Annual Financial Statements and respective accompanying MD&A as at March 31, 2018 (together the "Annual Filings").

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

## Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

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

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

## Scientific and Technical Disclosure

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

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

“**Technical Report for the Madsen Gold Project - Restated Preliminary Economic Assessment and Initial Satellite Deposit Mineral Resource Estimates**”, effective December 14, 2017, filed under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com) (the “**Madsen Technical Report**”).

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

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

Mineral resource estimates relating to the Madsen Gold Project are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified resource will ever qualify as a commercially mineable or viable deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined at Madsen may differ from the one indicated by drilling results and the difference may be material. Although there has been no economic analysis summarized in this MD&A relating to the Madsen Technical Report, readers are cautioned that the Madsen Gold Project Technical Report is preliminary in nature and includes inferred and indicated mineral resources that are considered too speculative geologically to have the economic considerations applied to them that

would enable them to be categorized as mineral reserves, and there is no certainty that this will indeed occur. Further studies, including engineering and economics, are required (typically as a Feasibility Study) with regards to infrastructure and operational methodologies. Additional disclosure and cautionary notes relating to Madsen are summarized in our AIF, available on Pure Gold's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Phil Smerchanski, P. Geo, Pure Gold's VP of Exploration, is the Company's QP for the purposes of NI 43-101, and has reviewed and validated that the scientific or technical information contained in this MD&A related to the Madsen Technical Report, is consistent with that provided by the QPs responsible for preparing the Madsen Technical Report, and has verified the technical data disclosed in this document relating to those projects in which the Company holds an interest. Mr. Smerchanski has consented to the inclusion of the Technical Information in the form and context in which it appears in this MD&A.

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

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

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

Forward-looking statements and forward-looking information are not guarantees of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including among other things, assumptions about future prices of gold, copper, silver, molybdenum and other metal prices, changes in the worldwide price of other commodities such as coal, fuel and

electricity fluctuations in resource prices, currency exchange rates and interest rates, favourable operating conditions, political stability, obtaining governmental approvals and financing on time, obtaining renewals for existing licences and permits and obtaining required licences and permits, labour stability, stability in market conditions, availability of equipment, accuracy of any mineral resources and mineral reserves, successful resolution of the challenges to the EIAs described in this MD&A, if any, anticipated costs and expenditures and our ability to achieve our goals. While we consider these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking statements and forward-looking information. Many assumptions are based on factors and events that are not within the control of Pure Gold and there is no assurance they will prove to be correct.

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

Forward-looking statements and forward-looking information contained herein are made as of the date of this MD&A and we disclaim any obligation to update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or results or otherwise, except as

required by applicable law. There can be no assurance that forward-looking statements or forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information. All forward-looking statements and forward-looking information attributable to us is expressly qualified by these cautionary statements.

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

### **Approval**

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

### **Additional Information**

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

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

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

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

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