Pure Gold Mining Inc.

Consolidated Financial Statements

For the years ended March 31, 2018 and 2017

(Expressed in Canadian Dollars Unless Noted Otherwise)

June 11, 2018

Independent Auditor's Report

To the Shareholders of
Pure Gold Mining Inc.

We have audited the accompanying consolidated financial statements of Pure Gold Mining Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2018 and March 31, 2017 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Pure Gold Mining Inc. and its subsidiaries as at March 31, 2018 and March 31, 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

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

	As at March 31, 2018	As at March 31, 2017
ASSETS		
Current Assets		
Cash	$ 7,420,078	$ 16,508,815
Short-term investments *(Note 5)*	23,000	23,000
Amounts receivable *(Note 6)*	684,873	813,197
Prepaid expenses *(Note 7)*	434,841	912,312
Interest receivable	216	131
	8,563,008	18,257,455
Non-current Assets		
Exploration and evaluation asset acquisition costs *(Note 8a)*	7,818,750	7,969,320
Property, plant and equipment *(Note 9)*	6,539,778	6,262,715
Reclamation deposits *(Note 10)*	1,434,735	2,517,025
Deposits *(Note 13)*	305,280	305,280
Total Assets	$ 24,661,551	$ 35,311,795
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,664,211	$ 2,055,559
Flow-through premium liability *(Note 15)*	402,506	2,992,000
Provisions *(Note 15)*	251,053	55,968
	3,317,770	5,103,527
Non-current Liabilities		
Provision for closure and reclamation *(Note 11)*	2,372,958	2,480,540
Other long-term liabilities	-	48,461
Total Liabilities	5,690,728	7,632,528
Equity		
Share capital *(Note 12a)*	90,066,272	74,118,556
Equity reserves *(Note 12c and Note 12d)*	8,139,014	6,634,106
Accumulated deficit	(79,234,463)	(53,073,395)
Total Equity	18,970,823	27,679,267
Total Liabilities and Equity	$ 24,661,551	$ 35,311,795

Commitments & Contingencies *(Note 15)*

Approved by the Board of Directors on June 11, 2018:

"Graeme Currie", Chairman

"Lenard Boggio", Director

- See Accompanying Notes to the Consolidated Financial Statements -

Pure Gold Mining Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars Unless Noted Otherwise)

		For the year ended March 31, 2018		For the year ended March 31, 2017
Expenses				
Exploration and evaluation expenditures *(Note 8b)*	$	26,343,021	$	22,897,880
Share-based compensation *(Note 12d)*		1,528,798		938,068
Wages, consulting and director fees		1,370,715		1,131,924
Office and rent		620,168		468,168
Investor relations and communication		615,431		487,924
Professional fees		214,876		267,551
Listing and filing fees		50,537		64,786
Administrative travel		25,035		27,171
Depreciation		12,133		17,070
Total Expenses		(30,780,714)		(26,300,542)
Other Income and Expenses				
Gain on sale of available for sale investment *(Note 8c)*		-		749,399
Finance income		162,226		129,939
Gain (Loss) on disposal of property, plant and equipment *(Note 9)*		8,629		(38,747)
Accretion expense *(Note 11)*		(42,988)		(30,672)
Finance expense		(8,944)		(3,058)
Loss before Income Taxes		(30,661,791)		(25,493,681)
Income tax recovery *(Note 20a)*		4,500,723		961,656
Net Loss for the Year		(26,161,068)		(24,532,025)
Other Comprehensive Income				
Items that may be subsequently reclassified to other income and expenses				
Mark to market gain on available for sale investment *(Note 8c)*		-		298,625
Mark to market gain reclassified to profit or loss *(Note 8c)*		-		(749,399)
Total Comprehensive Loss for the Year	$	(26,161,068)	$	(24,982,799)
Weighted Average Number of Common Shares Outstanding		204,596,280		159,252,279
Basic and Diluted Loss per Common Share	$	(0.13)	$	(0.15)

- See Accompanying Notes to the Consolidated Financial Statements -

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

	Number of Common Shares		Share Capital		Equity Reserves		Accumulated Other Comprehensive Income		Accumulated Deficit		Total
Balance – March 31, 2016	125,769,854	$	37,388,161	$	8,528,621	$	450,774	$	(28,541,370)	$	17,826,186
Flow-through common share issuances *(Note 12b)*	25,934,000		19,450,500		-		-		-		19,450,500
Flow-through premium liabilities	-		(3,908,740)		-		-		-		(3,908,740)
Share issue costs – cash *(Note 12b)*	-		(1,513,063)		-		-		-		(1,513,063)
Fair value of shares issued for Derlak *(Note 8c)*	1,290,322		696,774		-		-		-		696,774
Exercised warrants	38,007,250		19,003,625		-		-		-		19,003,625
Fair value of exercised warrants (*Note 12c)*			2,710,370		(2,710,370)		-		-		-
Exercised options	529,666		168,716		-		-		-		168,716
Fair value of exercised options (*Note 12d)*	-		122,213		(122,213)		-		-		-
Accumulated other comprehensive income – revaluation gain on AFS investment *(Note 8c*)	-		-		-		298,625		-		298,625
Accumulated other comprehensive income – revaluation gain reclassified to other income and expenses (*Note 8c*)	-		-		-		(749,399)		-		(749,399)
Share-based compensation (*Note 12d)*	-		-		938,068		-		-		938,068
Net loss for the year	-		-		-		-		(24,532,025)		(24,532,025)
Balance – March 31, 2017	191,531,092	$	74,118,556	$	6,634,106	$	-	$	(53,073,395)	$	27,679,267
Super Flow-through common share issuance *(Note 12b)*	8,690,000		6,300,250		-		-		-		6,300,250
Super Flow-through premium liability	-		(1,346,950)		-		-		-		(1,346,950)
Flow-through common share issuance *(Note 12b)*	8,061,125		5,159,120		-		-		-		5,159,120
Flow-through premium liability	-		(564,279)		-		-		-		(564,279)
Common share issuance *(Note 12b)*	14,862,167		7,728,327		-		-		-		7,728,327
Share issue costs – cash	-		(1,384,642)		-		-		-		(1,384,642)
Exercised stock options	175,000		32,000		-		-		-		32,000
Fair value of exercised stock options *(Note 12d)*	-		23,890		(23,890)		-		-		-
Share-based compensation *(Note 12d)*	-		-		1,528,798		-		-		1,528,798
Net loss for the period	-		-		-		-		(26,161,068)		(26,161,068)
Balance – March 31, 2018	223,319,384	$	90,066,272	$	8,139,014	$	-	$	(79,234,463)	$	18,970,823

- See Accompanying Notes to the Consolidated Financial Statements -

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

	For the year ended March 31, 2018	For the year ended March 31, 2017
Operating Activities		
Net loss for the year	$ (26,161,068)	$ (24,532,025)
Items not affecting cash:		
Deferred income tax recovery *(Note 20a)*	(4,500,723)	(961,656)
Gain on sale of available for sale investment *(Note 8c)*	-	(749,399)
Share-based compensation (*Note 12d)*	1,528,798	938,068
Depreciation (*Note 9)*	157,510	89,946
Accretion expense (*Note 11)*	42,988	30,672
(Gain) Loss on disposal of property, plant and equipment	(8,629)	38,747
Finance expense	8,944	1,798
Finance income	(162,226)	(129,939)
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	580,047	1,062,949
Prepaid expenses	477,471	(901,923)
Amounts receivable	128,324	(602,931)
Provisions	195,085	-
Net cash used in operating activities	(27,713,479)	(25,715,693)
Investing Activities		
Proceeds from sale of available for sale investment	-	3,403,960
Proceeds from sale of land (*Note 8c)*	-	500,000
Interest received	162,140	129,980
Proceeds from disposal of property, plant and equipment	15,000	6,412
Acquisition of Derlak Gold Property (*Note 8)*	-	(500,000)
Transaction costs on Derlak Gold Property acquisition	-	(76,801)
Property, plant and equipment (*Note 9)*	(440,943)	(308,692)
Deposits (*Note 13)*	-	(149,280)
Reclamation deposits (*Note 10)*	1,082,290	(90,000)
Net cash provided by investing activities	818,487	2,915,579
Financing Activities		
Proceeds from financing *(Note 12b)*	19,187,697	19,450,500
Proceeds from exercised warrants (*Note 12c)*	-	19,003,625
Proceeds from exercised stock options (*Note 12d)*	32,000	168,716
Share issue costs	(1,384,642)	(1,513,063)
Repayment of finance lease obligation (*Note 15)*	(28,800)	-
Net cash provided by financing activities	17,806,255	37,109,778
Net (Decrease) Increase in Cash	(9,088,737)	14,309,664
Cash - Beginning of the Year	16,508,815	2,199,151
Cash - End of the Year	$ 7,420,078	$ 16,508,815

Supplemental Cash Flow Information *(Note 16)*

- See Accompanying Notes to the Consolidated Financial Statements -

1. GENERAL INFORMATION

Pure Gold Mining Inc. ("Pure Gold" or the "Company"), is a publicly listed company incorporated and domiciled in Canada. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "PGM". The Company's head office and principal address is located at Suite 1900 – 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9. The Company's records office and registered office address is c/o McMillan LLP, 1500 Royal Centre PO Box 1117, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

Pure Gold is an exploration stage business focusing on the acquisition, exploration and development of gold and other precious and base metal properties in Canada. Currently, the Company's principal mineral property is the Madsen Gold Project located near Red Lake, Ontario.

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

2. BASIS OF PREPARATION

Statement of Compliance

The Company prepares their annual consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The significant accounting policies are presented in Note 3 and have been consistently applied in each of the periods presented.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of Measurement

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

b. Basis of Consolidation

The financial statements of the Company consolidate the accounts of Pure Gold and its 100% wholly owned subsidiary Laurentian Copper Corp., a private company incorporated under the Business

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Corporations Act of British Columbia in Canada. All intercompany transactions, balances and unrealized gains and losses are eliminated on consolidation.

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

c. Cash and cash equivalents

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

d. Short-term Investments

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

e. Property, Plant and Equipment

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

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

The major categories and annual depreciation rates are as follows:

Computer equipment	55 %
Computer software	100 %
Land	Non-depreciable
Mill	Units-of-production
Mine property and equipment	20 %
Office furniture and other equipment	20 %
Exploration equipment	20 %
Exploration infrastructure	10 %
Vehicles	30 %

f. Exploration and Evaluation Assets and Expenditures

The Company’s policy is to expense, as incurred, exploration and evaluation expenditures until the mineral property reaches the development stage. Costs related to property acquisitions are capitalized until the viability of the mineral interest is determined. When it has been established that a mineral deposit is commercially viable and technically feasible, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be amortized against

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

production when ready for use as intended by management, or derecognized if the property is sold, allowed to lapse or abandoned.

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

Upon disposal or abandonment, any consideration received is credited against the carrying amount of the exploration and evaluation assets, with any excess consideration greater than the carrying amount included as a gain in profit or loss.

g. Impairment of Non-Current Assets

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

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

Past impairments are also considered at each reporting period and where there is an indication that an impairment loss may have decreased, the recoverable amount is calculated as outlined above to determine the extent of the recovery. If the recoverable amount of the asset is more than its carrying amount, the carrying amount of the asset is increased to its recoverable amount and the impairment loss is reversed in profit or loss for that period. The increased carrying amount due to reversal will not be more than what the depreciated historical cost would have been if the impairment had not been recognized. Additionally, the review of impairment indicators takes into account factors such as political, social and legal and environmental regulations. These factors may change due to changing economic conditions or the accuracy of certain assumptions and, hence, affect the recoverable amount. The Company uses its best efforts to fully understand all of the aforementioned to make an informed decision based upon historical and current facts surrounding its projects.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Leases

The Company holds leases for office space and equipment. Leases are classified as either finance or operating leases. Assets held under finance leases, where substantially all of the risks and rewards of ownership have passed to the Company, are capitalized in the statement of financial position at the lower of the fair value of the leased property and the present value of the minimum lease payments during the lease term calculated using the interest rate implicit in the lease agreement. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Capitalized amounts are determined at the inception of the lease and are depreciated over the shorter of their useful economic lives or the lease term, unless there is a reasonable certainty the Company will obtain ownership of the asset by the end of lease term in which case it should be depreciated over its useful life. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in the statement of income (loss) as finance expense. Leases where substantially all of the risks and rewards of ownership have not passed to the Company are classified as operating leases. Rentals payable under operating leases are charged to the statement of income (loss) as exploration and evaluation expenses or general and administrative expenses on a straight-line basis over the lease term.

i. Provisions and Constructive Obligations

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Share Capital

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

k. Flow-Through Shares

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

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

l. Share-Based Payments

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

m. Loss per Share

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Resource Tax Credits

The Company recognizes resource tax credit amounts when the Company's application for such credits is approved by the relevant jurisdiction or when the amount to be received can be reasonably estimated and collection is reasonably assured. Resource tax credit amounts are accounted for as a credit to exploration and evaluation expenditures in the statement of income (loss).

o. Income Taxes

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

p. Financial Instruments

(i) Financial Assets

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

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

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

<u>Loans and Receivables</u>

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

<u>Available For Sale</u>

Available for sale financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in fair value are recognized in other comprehensive income (loss) and classified as a component of equity. When the financial assets are sold or an impairment write-down is required, the accumulated fair value adjustments in other comprehensive income are included in the statement of income (loss) and are included in other income and expenses. The Company's equity investment in Premier Gold Mines Ltd (Note 8c) was designated as available for sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Financial Liabilities

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

<u>Other Financial Liabilities</u>

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

<u>Derivative Financial Liabilities</u>

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

q. Impairment of Financial Assets

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

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

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

r. New, Amended and Future IFRS Pronouncements

<u>IFRS 9 – Financial Instruments</u>

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Further information on management's judgments, estimates and assumptions and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements.

(i) Exploration and Evaluation Assets and Expenditures

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

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

For the fiscal years ended March 31, 2018 and 2017, there were no indicators of impairment on the Company's exploration and evaluation assets, or the Company's other assets.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and Assumptions

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

(i) Exploration and Evaluation Assets and Expenditures

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

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

The fair value of stock options granted and warrants issued is computed to determine the relevant charge to equity reserves and the statement of income (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 statement of income (loss) and to equity reserves in a given period. Management believes that the estimates involving its share-based payments are reasonable.

(iii) Decommissioning, Restoration and Similar Liabilities

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements and 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.

(Expressed in Canadian Dollars Unless Noted Otherwise)

5. SHORT-TERM INVESTMENTS

As of March 31, 2018, the Company has invested $23,000 (March 31, 2017 - $23,000) into a Guaranteed Investment Certificate ("GIC") with a Canadian financial institution. The GIC yields interest at a rate of 1.35% and has an original maturity date of greater than three months but not more than one year.

6. AMOUNTS RECEIVABLE

Amounts receivable comprised of the following:

	Year Ended March 31, 2018	Year Ended March 31, 2017
Refundable goods and services tax/ harmonized sales tax	$ 645,696	$ 811,718
Other receivables	39,177	1,479
Total	**$ 684,873**	**$ 813,197**

7. PREPAID EXPENSES

Prepaid expenses comprised of the following:

	Year Ended March 31, 2018	Year Ended March 31, 2017
Advances for Madsen work programs	$ 260,697	$ 786,838
Insurance and benefits premiums	66,616	73,415
Surety bond premium	32,068	-
Investor relations and communication	31,286	19,866
Software licenses	25,020	17,399
Other prepaid expenses	19,154	14,794
Total	**$ 434,841**	**$ 912,312**

8. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

a. Acquisition Costs

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

	Madsen Gold Project
Balance – March 31, 2016	$ 6,908,651
Acquisition costs – Derlak	1,070,575
Change in estimate of provision for closure and reclamation	(9,906)
Balance – March 31, 2017	**$ 7,969,320**

	Madsen Gold Project
Balance – March 31, 2017	$ 7,969,320
Change in estimate of provision for closure and reclamation	(150,570)
Balance – March 31, 2018	**$ 7,818,750**

(Expressed in Canadian Dollars Unless Noted Otherwise)

8. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

b. Expenditures

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

For the year ended March 31, 2018	Madsen Gold Project	Other Properties[1]	Total
Drilling	$ 9,162,528	$ -	$ 9,162,528
Engineering	5,497,422	-	5,497,422
Contractors / consultants	4,823,502	47,815	4,871,317
Assaying and geochemical	1,694,043	-	1,694,043
Salaries, wages and benefits	1,309,413	-	1,309,413
Camp & field costs	877,804	-	877,804
Equipment rental	793,729	-	793,729
Utilities	691,917	-	691,917
Travel and accommodation	436,167	-	436,167
Geologic modelling & surveying	191,027	-	191,027
Supplies	165,320	-	165,320
Depreciation	145,377	-	145,377
Community & safety	116,145	-	116,145
Property fees	50,624	4,258	54,882
Administration and other	25,806	-	25,806
Refundable mineral exploration tax credit	-	310,124	310,124
Expenditures for the period	**25,980,824**	**362,197**	**26,343,021**
Cumulative balance – March 31, 2017	31,904,845	7,858,054	39,762,899
Cumulative balance – March 31, 2018	**$ 57,885,669**	**$ 8,220,251**	**$ 66,105,920**

[1] *Other properties include Van Horne and generative projects.*

For the year ended March 31, 2017	Madsen Gold Project	Other Properties[1]	Total
Drilling	$ 11,247,655	$ -	$ 11,247,655
Contractors / consultants	4,219,373	-	4,219,373
Assaying and geochemical	2,190,999	-	2,190,999
Engineering	1,661,160	-	1,661,160
Salaries, wages and benefits	1,045,485	-	1,045,485
Equipment rental	689,670	-	689,670
Camp & field costs	648,727	-	648,727
Travel and accommodation	392,665	-	392,665
Utilities	222,529	-	222,529
Property fees	150,212	3,845	154,057
Geologic modelling & surveying	134,775	-	134,775
Supplies	101,293	-	101,293
Community & safety	98,808	-	98,808
Depreciation	72,876	-	72,876
Administration and other	17,808	-	17,808
Expenditures for the period	**22,894,035**	**3,845**	**22,897,880**
Cumulative balance – March 31, 2016	9,010,810	7,854,209	16,865,019
Cumulative balance – March 31, 2017	**$ 31,904,845**	**$ 7,858,054**	**$ 39,762,899**

[1] *Other properties include Van Horne and generative projects.*

8. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES (continued)

c. Madsen Gold Project, Ontario

On March 4, 2014, the Company acquired a 100% interest in the Madsen Gold Project from Claude Resources Inc. ("Claude"). The Madsen Gold Project is located in the Red Lake gold camp of Northwestern Ontario.

On June 24, 2014, the Company acquired a 100% interest in the Newman-Madsen Property from Sabina Gold and Silver Corp ("Sabina"). The Newman-Madsen Property is considered part of the Madsen Gold Project. Certain of the Newman-Madsen claims acquired are subject to royalty arrangements based on Net Smelter Returns ("NSRs") ranging from 0.5% to 3%. Of the known resources on the Madsen Gold Project, only the Russet South resources are subject to a 2% NSR which is capped at $2,000,000.

On December 30, 2015, the Company entered into an agreement to sell 28 mineral claims of the Madsen Gold Project to Premier Gold Mines Ltd ("Premier"), in exchange for $2,500,000 in cash, $2,500,000 in common shares of Premier, and a 1% NSR royalty on substantially all of the claims sold. On December 30, 2015, the Company received cash of $2,000,000, and 1,001,721 common shares of Premier, while Premier received the underlying mineral rights of the claims being sold. On May 20, 2016, the Company received the final $500,000 while Premier received the surface rights to the claims.

The Company accounted for its investment in Premier as an available for sale financial instrument which is measured at fair value. The Company disposed of its investment in Premier in May 2016, at which time the unrealized gain recorded in other comprehensive income ("OCI") of $749,399 was reclassified to other income in the consolidated statement of loss and comprehensive loss.

Derlak

On March 10, 2017, the Company acquired a 100% interest in the Derlak Gold Property from Orefinders Resources Inc. ("Orefinders"). The Derlak Gold Property consists of 11 patented mining claims and is adjacent to Pure Gold's Madsen Gold Project in the prolific Red Lake gold camp, and is considered part of the Madsen Gold Project.

Upon completion of the acquisition, Pure Gold issued 1,290,322 of its common shares to Orefinders (fair value of $696,774), and paid $500,000 in cash. The 11 claims acquired are subject to a royalty arrangement based on a Net Smelter Return ("NSR") of 3%.

d. Van Horne Property, Ontario

During the year ended March 31, 2018, the Company completed the acquisition of surface rights at its Van Horne property at a cost of $113,900.

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 $4,000,000 on Van Horne over a four year period, with a committed minimum of $750,000 in year one, and pay to the Company $100,000.

(Expressed in Canadian Dollars Unless Noted Otherwise)

9. PROPERTY, PLANT AND EQUIPMENT

Year Ended March 31, 2018								
	Computer Equipment & Software	Office Furniture & Other Equipment	Land	Vehicles	Exploration Equipment & Infrastructure	Mill	Mine Property & Equipment	Total
Cost	($)	($)	($)	($)	($)	($)	($)	($)
March 31, 2017	120,620	106,541	4,952,463	33,396	602,058	616,650	139,300	6,571,028
Additions	11,510	8,104	113,900	-	306,404	-	1,025	440,943
Disposals	-	(48,159)	-	-	-	-	-	(48,159)
March 31, 2018	132,130	66,486	5,066,363	33,396	908,462	616,650	140,325	6,963,812
Accumulated Depreciation								
March 31, 2017	(104,833)	(62,209)	-	(6,676)	(127,308)	-	(7,287)	(308,313)
Depreciation	(11,841)	(8,764)	-	(8,016)	(116,218)	-	(12,671)	(157,510)
Disposals	-	41,789	-	-	-	-	-	41,789
March 31, 2018	(116,674)	(29,184)	-	(14,692)	(243,526)	-	(19,958)	(424,034)
Carrying Amounts								
March 31, 2017	**15,787**	**44,332**	**4,952,463**	**26,720**	**474,750**	**616,650**	**132,013**	**6,262,715**
March 31, 2018	**15,456**	**37,302**	**5,066,363**	**18,704**	**664,936**	**616,650**	**120,367**	**6,539,778**

Year Ended March 31, 2017								
	Computer Equipment & Software	Office Furniture & Other Equipment	Land	Vehicles	Exploration Equipment & Infrastructure	Mill	Mine Property & Equipment	Total
Cost	($)	($)	($)	($)	($)	($)	($)	($)
March 31, 2016	105,147	67,301	5,584,226	25,350	239,751	616,650	178,650	6,817,075
Additions	15,473	39,240	203,000	21,896	362,307	-	-	641,916
Disposals	-	-	(834,763)	(13,850)	-	-	(39,350)	(887,963)
March 31, 2017	120,620	106,541	4,952,463	33,396	602,058	616,650	139,300	6,571,028
Accumulated Depreciation								
March 31, 2016	(88,115)	(55,103)	-	(7,351)	(75,837)	-	-	(226,406)
Depreciation	(16,718)	(7,106)	-	(7,364)	(51,471)	-	(7,287)	(89,946)
Disposals	-	-	-	8,039	-	-	-	8,039
March 31, 2017	(104,833)	(62,209)	-	(6,676)	(127,308)	-	(7,287)	(308,313)
Carrying Amounts								
March 31, 2016	**17,032**	**12,198**	**5,584,226**	**17,999**	**163,914**	**616,650**	**178,650**	**6,590,669**
March 31, 2017	**15,787**	**44,332**	**4,952,463**	**26,720**	**474,750**	**616,650**	**132,013**	**6,262,715**

No depreciation or depletion has been recorded for the mill as these assets are not ready for use as intended by management. Land has not been depreciated as it has an unlimited useful life.

The carrying value of property, plant, and equipment under finance leases at March 31, 2018 was $105,283 (March 31, 2017 - $131,604).

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10. RECLAMATION DEPOSITS

In December 2017, the Company established a surety bonding arrangement with a United States-based surety group (the "Surety"), with respect to two separate Closure Plans for the Madsen Gold Project, to replace certain letters of credit on file with the Minister of Northern Development and Mines ("MNDM"). As a condition for the Surety providing two surety bonds pertaining to the Closure Plans, the Company was required to make a deposit of $1,322,799, as collateral with a US bank. The deposit yields interest at a rate of 1.50% per annum and has no maturity date. The surety bonds were accepted by the MNDM in December 2017 and the MNDM issued instructions to cancel six separate letters of credit previously issued by a Canadian financial institution. As a result, the Company reclassified $2,405,089 from reclamation deposits to cash as the six letters of credit have been cancelled and the funds released to the Company.

As of March 31, 2018, the Company had one remaining letter of credit outstanding supported by a deposit of $111,936 on deposit with a Canadian financial institution. The deposit yields interest at a rate of 1.10% per annum and has no maturity date. This deposit, combined with the collateral required by the Surety has resulted in a reclamation deposit balance at March 31, 2018 of $1,434,735 (March 31, 2017 - $2,517,025). All deposits are classified as long-term, regardless of their term, as the funds will remain on deposit until the letters of credit are extinguished.

11. PROVISION FOR CLOSURE AND RECLAMATION

The Company has recognized a liability relating to its Madsen Gold Project and has determined that no significant closure and reclamation liabilities exist in connection with the exploration activities on its other exploration and evaluation assets. The Company has calculated the present value of the closure and reclamation provision at March 31, 2018 using a pre-tax discount rate of 2.09% and inflation rate of 2.00% (March 31, 2017 – 1.63% and 2.00%, respectively). The estimated total future undiscounted, but inflation-adjusted, cash flows to settle the provision for closure and reclamation at March 31, 2018 is $3,252,998 (March 31, 2017 - $2,845,985). The Company has estimated that payments will be made in 2033 (March 31 2017 – 2025).

	Year Ended March 31, 2018	Year Ended March 31, 2017
Balance, beginning of the year	$ 2,480,540	$ 2,459,774
New estimated cash flows and changes in estimates	(150,570)	(9,906)
Accretion on discounted obligation	42,988	30,672
Balance, end of the year	**$ 2,372,958**	**$ 2,480,540**

12. EQUITY

a. Share Capital

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

b. Private Placements

On November 1, 2017, the Company completed a private placement of 8,690,000 super flow-through common shares ("Super FT Shares"), at a price of $0.725 per Super FT Share, 8,061,125 flow-through common shares ("FT Shares"), at a price of $0.64 per FT Share, and 14,862,167 common shares at a price of $0.52 per common share for aggregate gross proceeds of $19,187,697. In connection with the private placement the Company paid commissions, legal fees and filing fees totaling $1,384,642.

(Expressed in Canadian Dollars Unless Noted Otherwise)

12. EQUITY (continued)

On February 22, 2017, the Company completed a private placement of 17,600,000 flow-through common shares at a price of $0.75 per flow-through share for aggregate gross proceeds of $13,200,000. In connection with the private placement the Company paid commissions, legal fees and filing fees totaling $969,721.

On June 8, 2016, the Company completed a private placement of 8,334,000 flow-through common shares at a price of $0.75 per flow-through share for aggregate gross proceeds of $6,250,500. In connection with the private placement the Company paid commissions, legal fees and filing fees totaling $543,342.

c. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the years ended March 31, 2018 and March 31, 2017 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding Balance - March 31, 2016	38,163,250	$0.50
Exercised during the year ended March 31, 2017	(38,007,250)	$0.50
Expired during the year ended March 31, 2017	(156,000)	$0.50
Outstanding Balance – March 31, 2017 and March 31, 2018	**-**	**-**

At the time of issuance, the 38,163,250 share purchase warrants had a fair value of $2,721,495, which was included in equity reserves in the Company’s consolidated statement of financial position. In connection with the warrants exercised during the year ended March 31, 2017, the related fair value amount of $2,710,370 was transferred from equity reserves to share capital.

d. Stock Options

The Company has established a share purchase option plan (the “Stock Option Plan”) whereby the board of directors may, from time to time, grant options to directors, officers, employees, consultants or technical and administrative company employees (Note 13). Options granted must be exercised no later than five years from the date of grant or such lesser or greater period as may be determined by the Company’s board of directors and in accordance with the policies of the TSX-V. The exercise price of an option must be determined by the board of directors and in accordance with the Plan and the policies of the TSX-V. Subject to the policies of the TSX-V, the board of directors may determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist. The Company applies the fair value based method of accounting for options.

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12. EQUITY (continued)

At March 31, 2018, the following options are outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining Life in Years	Number of Options Exercisable
April 8, 2019	$0.35	3,560,000	1.02	3,560,000
May 13, 2019	$0.32	150,000	1.12	150,000
February 10, 2020	$0.35	200,000	1.87	200,000
March 19, 2020	$0.28	650,000	1.97	650,000
December 3, 2020	$0.11	83,333	2.68	50,000
December 11, 2020	$0.11	2,750,000	2.70	2,390,001
May 26, 2021	$0.63	400,000	3.16	133,334
October 11, 2021	$0.72	300,000	3.53	100,000
November 14, 2021	$0.72	75,000	3.63	50,000
December 21, 2021	$0.44	4,653,333	3.73	2,756,667
June 16, 2022	$0.54	200,000	4.21	100,000
July 24, 2022	$0.54	100,000	4.34	-
December 15, 2022	$0.49	5,170,000	4.71	1,800,000
	$0.39	**18,291,666**	**3.21**	**11,940,002**

The options exercisable at March 31, 2018 have a weighted average exercise price of $0.35.

Details of options granted, exercised, expired and forfeited during the years ended March 31, 2018 and March 31, 2017 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance – March 31, 2016	9,060,000	$0.25
Granted during the period	5,545,000	$0.48
Exercised during the period	(529,666)	$0.32
Forfeited during the period	(1,035,002)	$0.23
Expired during the period	(16,999)	$0.35
Balance – March 31, 2017	13,023,333	$0.34
Granted during the period	5,470,000	$0.49
Exercised during the period	(175,000)	$0.18
Forfeited during the period	(26,667)	$0.32
Balance – March 31, 2018	**18,291,666**	**$0.39**

Granting of Options

The fair value of newly granted options are calculated using the Black-Scholes option pricing model. For all grants, the assumed dividend yield and forfeiture rate were nil and nil, respectively. Other conditions and assumptions for options granted in the years ended March 31, 2018 and 2017 were as follows:

(Expressed in Canadian Dollars Unless Noted Otherwise)

12. EQUITY (continued)

Issue Date	Expected Life of Options in Years	Exercise Price	Risk-free Interest Rate	Volatility[1]	Weighted Average Black-Scholes Fair Value
May 26, 2016	5.0	$0.63	0.76%	84.79%	$0.42
October 11, 2016	5.0	$0.72	0.76%	91.86%	$0.50
November 14, 2016	5.0	$0.72	0.96%	91.78%	$0.31
December 21, 2016	5.0	$0.44	1.21%	91.71%	$0.31
June 16, 2017	5.0	$0.54	1.14%	90.87%	$0.38
July 24, 2017	5.0	$0.54	1.56%	90.85%	$0.37
December 15, 2017	5.0	$0.49	1.66%	90.86%	$0.34

[1]Volatility was determined using the average historic volatility of a number of comparable companies, calculated over the same period as the expected life of the option.

Options granted are typically subject to vesting provisions whereby one third vest one year from the grant date, one third vest two years from the grant date, and one third vest three years from the grant date. The following option grants are subject to alternate vesting provisions:

(i) The 75,000 options granted November 14, 2016 were granted to a consultant and subject to vesting provisions whereby one third will vest six months from the grant date, one third will vest one year from the grant date, and one third will vest eighteen months from the grant date.

(ii) 1,800,000 of the 4,670,000 options granted December 21, 2016 were granted to non-executive directors and vested immediately. The remaining 2,870,000 options were granted to employees and subject to typical vesting provisions.

(iii) The 200,000 options granted June 16, 2017 were granted to a consultant and subject to vesting provisions whereby one half will vest six months from the grant date, and one half will vest one year from the grant date.

(iv) 1,800,000 of the 5,170,000 options granted December 15, 2017 were granted to non-executive directors and vested immediately. The remaining 3,370,000 options were granted to employees and consultants and subject to typical vesting provisions.

Exercise of Options

During the year ended March 31, 2018, 100,000 options with a strike price of $0.20, and 75,000 options with a strike price of $0.16 were exercised for total proceeds of $32,000. The weighted average share price on the date the options were exercised during the period was $0.54. In connection with these option exercises, the related fair value amount of $23,890 was transferred from equity reserves to share capital.

During the year ended March 31, 2017, 413,000 options with a strike price of $0.35, 66,666 options with a strike price of $0.28, and 50,000 options with a strike price of $0.11 were exercised for total proceeds of $168,716. The weighted average share price on the date the options were exercised during the period was $0.64. In connection with these option exercises, the related fair value amount of $122,213 was transferred from equity reserves to share capital.

Forfeiture of Options

During the year ended March 31, 2018, 10,000 options with a strike price of $0.11, and 16,667 options with a strike price of $0.44 were forfeited. As a result of the forfeitures, previously recognized share-

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12. EQUITY (continued)

based compensation relating to the unvested options of $2,692 was reversed, resulting in a net expense for the year of $1,528,798.

During the year ended March 31, 2017, 100,000 options with a strike price of $0.63, 215,001 options with a strike price of $0.35, 133,334 options with a strike price of $0.28, and 586,667 options with a strike price of $0.11 were forfeited. As a result of the forfeitures, previously recognized share-based compensation relating to the unvested options of $72,330 was reversed, resulting in a net expense for the year of $938,068.

Expiry of Options

No options expired during the year ended March 31, 2018.

During the year ended March 31, 2017, 16,999 options with a strike price of $0.35 expired without exercise. These options had fully vested prior to expiry.

13. RELATED PARTY TRANSACTIONS

Oxygen Capital Corp ("Oxygen").

Oxygen is a private company partially owned by one director and one officer of the Company. Oxygen provides technical and administrative services to the Company under an Amended Technical and Administrative Services Agreement (the "Oxygen Agreement") at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. As at March 31, 2018, Oxygen holds a refundable deposit of $305,280 on behalf of the Company (March 31, 2017 - $305,280). During the year ended March 31, 2018, a total of $1,574,696 (March 31, 2017 - $1,413,001) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at March 31, 2018, the Company has a payable amount to Oxygen of $117,191 (March 31, 2017 - $102,168). 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 VP of Exploration, the VP of Operations, the Chief Financial Officer, and the Corporate Secretary. The total compensation paid or payable to key management for employee services directly or via Oxygen is as follows:

	Year Ended March 31, 2018	Year Ended March 31, 2017
Salaries and other short-term employee benefits	$ 1,094,078	$ 1,045,991
Directors fees	410,000	185,000
Share-based compensation	1,236,670	850,342
Total	**$ 2,740,748**	**$ 2,081,333**

14. SEGMENTED INFORMATION

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

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15. COMMITMENTS & CONTINGENCIES

a. The Company's operating lease with respect to its head office premises is paid by Oxygen pursuant to the Oxygen Agreement. The Oxygen Agreement was amended on October 1, 2017, and may be terminated by either party giving at least 180 days' prior written notice of such termination. Upon termination, by the Company, of the Oxygen Agreement, the Company shall pay to Oxygen an amount equal to the average general and administrative monthly costs incurred under the Agreement for the previous six month period, the Company's share of committed operating lease costs, any employee termination fees due under the Agreement as a result of the termination as such term is defined under the Agreement, and the Company's share of any contractual obligations entered into on its behalf by Oxygen. The amount pertaining to the non-cancellable head office lease is included in the table below.

b. The Company has committed to certain operating leases for two vehicles used on-site at its Madsen Gold Project in Red Lake, Ontario.

c. 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 lease has an implicit interest rate of 1.4%.

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

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

The total operating lease expense during the year ended March 31, 2018 was $282,829 (2017 - $233,764).

As at March 31 2018, the Company is committed to incur, on a best efforts basis, qualifying resource expenditures pursuant to the November 1, 2017 private placement (Note 12b). As at March 31, 2018, the Company had incurred qualifying resource expenditures relating to the Super FT Shares of $4,987,816, and qualifying resource expenditures relating to the FT Shares of $4,044,458. The Company filed its renunciation forms in February 2018, and at March 31, 2018 reversed the portion of the Super FT Share and FT Share flow-through liabilities relating to expenditures incurred during the period, and recognized a deferred tax recovery of $1,508,723 in the Company's consolidated statement of loss and comprehensive loss for the year ended March 31, 2018.

The Company must therefore incur the balance of $1,312,434 qualifying resource expenditures in relation to the Super FT Shares, and $1,114,662 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 amount of qualifying resource expenditures of $13,200,000 pursuant to the February 2017 private placement (Note 12b) by December 31, 2017. The Company filed its renunciation forms in December 2017, and subsequently reversed the flow-through liability of

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15. COMMITMENTS & CONTINGENCIES (continued)

$2,992,000 and included it in the Company's consolidated statement of loss and comprehensive loss as a deferred tax recovery for the year ended March 31, 2018.

During April 2016 the Company incurred the remaining $224,580 of qualifying resource expenditures pursuant to the February 2015 private placement, resulting in the reversal of the remaining flow-through premium liability and subsequent recognition of a deferred tax recovery of $44,916 for the year ended March 31, 2017.

d. In May 2018, the Company's subsidiary, Laurentian Copper Corp., received a revised notice of assessment from Revenu Quebec for fiscal 2013, regarding a reduction in the tax credit relating to resources claimed following a tax audit of its fiscal 2013-2015 income tax returns. The Company has accrued for the amount due relating to the fiscal 2013 notice of assessment at March 31, 2018.

Revenu Quebec has indicated that the Company is expected to receive revised notices of assessments disallowing substantially all deductions claimed by the Company in calculating the tax credit relating to resources claimed in fiscal 2014-2015. The Company has not yet received the revised notices of assessments and has therefore recorded a provision of $195,085 at March 31, 2018, equal to the full value of the tax credit relating to resources claimed in fiscal 2014-2015.

16. SUPPLEMENTAL CASH FLOW INFORMATION

Non-Cash Investing and Financing Activities		Year Ended March 31, 2018		Year Ended March 31, 2017
Fair value of shares issued for Derlak acquisition	$	-	$	(696,774)
Change in estimate of provision for closure and reclamation	$	(150,570)	$	(9,906)

17. FINANCIAL INSTRUMENTS

a. Financial Assets and Liabilities

At March 31, 2018, the carrying amounts of cash, short-term investments, amounts receivable, interest receivable, deposits, reclamation deposits, accounts payable and accrued liabilities are considered to be a reasonable approximation of their fair values, due to their short-term nature.

The Company's equity investment in Premier (Note 8c) was designated as available for sale and held at fair value, as determined by the closing price of Premier's shares as at the date of the consolidated statement of financial position. Any unrealized gains or losses on available for sale assets were recognized in OCI.

Premier is a publicly-listed company and the fair value was based on the trading price of its shares as at the date of the consolidated statement of financial position. The Company disposed of its investment in Premier in May 2016, at which time the unrealized gain recorded in other comprehensive income ("OCI") of $749,399 was reclassified to other income in the consolidated statement of loss and comprehensive loss.

b. Fair Value

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

17. FINANCIAL INSTRUMENTS (continued)

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

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

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

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

The Company's policy for determining when a transfer occurs between levels in the fair value hierarchy is to assess the impact at the date of the event or the change in circumstances that could result in a transfer. There were no transfers between levels in the fair value hierarchy during the year ended March 31, 2018.

18. MANAGEMENT OF CAPITAL

Pure Gold considers the items included in the consolidated statement of shareholders' equity as capital. Management of the Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders. The Company is not subject to externally imposed capital requirements. Pure Gold's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

19. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial instrument related risks. The Board provides oversight for the Company's 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 consolidated financial statements, net of any allowances for losses, represents the maximum exposure to credit risk.

The Company principally 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.

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19. FINANCIAL RISK MANAGEMENT (continued)

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. At March 31, 2018, the Company had cash of $7,420,078 (March 31, 2017 - $16,508,815) and short-term investments of $23,000 (March 31, 2017 - $23,000) to settle current liabilities of $3,317,770 ($2,915,264 excluding the flow-through premium liability of $402,506) (March 31, 2017 - $5,103,527). As at March 31, 2018, the Company is committed to incur, on a best efforts basis, $2,427,096 in qualifying resource expenditures.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows or fair value 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, restricted cash and short-term investments by approximately $61,000.

20. INCOME TAXES

a. The income tax provision for the year ended March 31, 2018 differs from the amount that would have resulted from applying combined Canadian federal and provincial income tax rates of 26.25% (March 31, 2017 – 26%).

	For the year ended March 31, 2018	For the year ended March 31, 2017
Loss before income taxes	$ (30,661,791)	$ (25,493,681)
Statutory Canadian federal and provincial tax rates	26.25%	26.00%
Expected tax recovery	(8,048,720)	(6,628,357)
Adjustments:		
Flow through shares	5,835,972	1,683,391
Flow through premium liabilities	(4,500,723)	(961,656)
Permanent differences	803,255	125,755
Change in tax rates	(483,900)	-
Benefit not recognized and other	1,893,393	4,819,211
Income tax (recovery) expense	**$ (4,500,723)**	**$ (961,656)**

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

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20. INCOME TAXES (continued)

c. The following are temporary differences, the net benefits of which have not been recognized at March 31, 2018 and 2017:

	March 31, 2018	March 31, 2017
Non-capital loss carry-forwards	$ 5,482,182	$ 4,012,068
Share issuance costs	587,159	468,724
Other	640,699	644,940
Exploration and evaluation assets	6,895,729	6,139,483
Total temporary differences	**$ 13,065,769**	**$ 11,265,215**

d. The Company has non-capital losses which may be applied to reduce future year's taxable income. At March 31, 2018, the non-capital losses amounted to $20,304,377 (March 31, 2017 – $15,431,031) which will expire between the years 2026 and 2038.

There are no income taxes owing by Pure Gold at March 31, 2018.

21. SUBSEQUENT EVENTS

a. On May 24, 2018 the Company closed a bought-deal private placement of 16,130,000 units at a price of $0.62 per unit (the "Units"), and 4,000,000 Flow Through Shares (the "FT Shares") at a price of $0.75 per FT Share, for gross proceeds of $13,000,600. Each unit consists 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. In connection with the private placement, the Company paid the underwriters a cash commission equal to 6.0% of the gross proceeds.

Concurrent with the above private placement, Anglogold Ashanti Limited purchased 12,800,000 Units of the Company at $0.62 per Unit for gross proceeds of $7,936,000, on a non-brokered private placement basis, increasing its ownership percentage in the Company to 14.9% of the common shares issued and outstanding on a non-diluted basis.

b. A total of 50,000 stock options with an exercise price of $0.65 were granted to an employee on June 5, 2018.

c. 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.

d. A total of 200,000 stock options with an exercise price of $0.65 were granted to a consultant on June 11, 2018. The options will vest one half in six months from the grant date, and one half in one year from the grant date.