Pure Gold Mining Inc.

Condensed Interim Consolidated Financial Statements

For the nine months ended December 31, 2017

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

Notice of no Auditor Review of
Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Pure Gold Mining Inc. (the “Company”) as at December 31, 2017, and for the nine months ended December 31, 2017, have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada (“CPA Canada”) for a review of interim financial statements by an entity’s auditor.

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars Unless Noted Otherwise)

	As at December 31, 2017	As at March 31, 2017
ASSETS		
Current Assets		
Cash	$ 14,856,993	$ 16,508,815
Short-term investments *(Note 5)*	23,000	23,000
Amounts receivable *(Note 6)*	408,165	813,197
Prepaid expenses *(Note 7)*	259,051	912,312
Interest receivable	-	131
	15,547,209	18,257,455
Non-current Assets		
Exploration and evaluation asset acquisition costs *(Note 8a)*	7,848,409	7,969,320
Property, plant and equipment *(Note 9)*	6,538,525	6,262,715
Reclamation deposits *(Note 10)*	1,434,735	2,517,025
Deposits *(Note 13)*	305,280	305,280
Total Assets	$ 31,674,158	$ 35,311,795
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,446,330	$ 2,055,559
Flow-through premium liability *(Note 15d)*	1,911,229	2,992,000
Provisions	55,968	55,968
	3,413,527	5,103,527
Non-current Liabilities		
Provision for closure and reclamation *(Note 11)*	2,390,517	2,480,540
Other long-term liabilities	-	48,461
Total Liabilities	5,804,044	7,632,528
Equity		
Share capital *(Note 12a)*	90,030,212	74,118,556
Equity reserves *(Note 12c and Note 12d)*	7,877,426	6,634,106
Accumulated deficit	(72,037,524)	(53,073,395)
Total Equity	25,870,114	27,679,267
Total Liabilities and Equity	$ 31,674,158	$ 35,311,795

Commitments & Contingencies *(Note 15)*

Approved by the Audit Committee of the Board of Directors on February 13, 2018:

“Lenard Boggio”, Audit Committee Chair

“Graeme Currie”, Director

- See Accompanying Notes to the Consolidated Financial Statements -

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the three months ended December 31, 2017	For the three months ended December 31, 2016	For the nine months ended December 31, 2017	For the nine months ended December 31, 2016
Expenses				
Exploration and evaluation expenditures *(Note 8b)*	$ 5,371,902	$ 5,570,608	$ 18,723,755	$ 15,324,095
Share-based compensation *(Note 12d)*	834,932	663,190	1,251,150	735,095
Wages, consulting and director fees	403,292	396,504	971,566	861,861
Investor relations and communication	189,613	119,440	462,972	386,556
Office and rent	151,916	136,160	424,183	314,352
Professional fees	16,252	38,514	124,907	131,872
Listing and filing fees	7,167	3,653	43,492	56,612
Administrative travel	23,626	500	24,567	26,592
Depreciation	2,408	6,466	8,651	13,498
Total Expenses	(7,001,108)	(6,935,035)	(22,035,243)	(17,850,533)
Other Income and Expenses				
Gain on sale of available for sale investment (*Note 8c)*	-	-	-	749,399
Finance income	47,192	45,599	108,392	89,494
(Loss) Gain on disposal of property, plant and equipment *(Note 9)*	-	(11,952)	8,629	(38,747)
Accretion expense *(Note 11)*	(11,484)	(6,208)	(30,888)	(20,302)
Finance Expense	(2,138)	-	(7,019)	(1,259)
Total Other Income	33,570	27,439	79,114	778,585
Loss before income taxes	(6,967,538)	(6,907,596)	(21,956,129)	(17,071,948)
Income tax recovery *(Note 15d)*	2,992,000	-	2,992,000	44,916
Net Loss for the Period	$ (3,975,538)	$ (6,907,596)	$ (18,964,129)	$ (17,027,032)
Other Comprehensive Loss				
Items that may be subsequently reclassified to profit or loss				
Mark to market gain (loss) 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 Period	$ (3,975,538)	$ (6,907,596)	$ (18,964,129)	$ (17,477,806)
Weighted Average Number of Common Shares Outstanding	212,223,456	172,590,770	198,469,447	152,404,845
Basic and Diluted Loss per Common Share	$ (0.02)	$ (0.04)	$ (0.10)	$ (0.11)

- See Accompanying Notes to the Consolidated Financial Statements -

Pure Gold Mining Inc.

Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited – Prepared by Management)
(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 issuance *(Note 12b)*	8,334,000		6,250,500		-		-		-		6,250,500
Flow-through premium liability	-		(916,740)		-		-		-		(916,740)
Share issue costs - cash	-		(543,342)		-		-		-		(543,342)
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 stock options	479,666		163,216		-		-		-		163,216
Fair value of exercised stock options *(Note 12d)*	-		118,713		(118,713)		-		-		-
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)*	-		-		735,095		-		-		735,095
Net loss for the period	-		-		-		-		(17,027,032)		(17,027,032)
Balance – December 31, 2016	172,590,770	$	64,174,503	$	6,434,633	$	-	$	(45,568,402)	$	25,040,734
Flow-through common share issuance *(Note 12b)*	17,600,000		13,200,000		-		-		-		13,200,000
Flow-through premium liability	-		(2,992,000)		-		-		-		(2,992,000)
Share issue costs - cash	-		(969,721)		-		-		-		(969,721)
Fair value of shares issued for Derlak *(Note 8c)*	1,290,322		696,774		-		-		-		696,774
Exercised stock options	50,000		5,500		-		-		-		5,500
Fair value of exercised stock options *(Note 12d)*	-		3,500		(3,500)		-		-		-
Share-based compensation *(Note 12d)*	-		-		202,973		-		-		202,973
Net loss for the period	-		-		-		-		(7,504,993)		(7,504,993)
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	75,000		12,000		-		-		-		12,000
Fair value of exercised stock options *(Note 12d)*	-		7,830		(7,830)		-		-		-
Share-based compensation *(Note 12d)*	-		-		1,251,150		-		-		1,251,150
Net loss for the period	-		-		-		-		(18,964,129)		(18,964,129)
Balance – December 31, 2017	223,219,384	$	90,030,212	$	7,877,426	$	-	$	(72,037,524)	$	25,870,114

- See Accompanying Notes to the Consolidated Financial Statements -

Pure Gold Mining Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the nine months ended December 31, 2017		December 31, 2016
Operating Activities			
Net loss for the period	$ (18,964,129)	$	(17,027,032)
Items not affecting cash:			
Deferred income tax recovery	(2,992,000)		(44,916)
Gain on sale of available for sale investment *(Note 8c)*	-		(749,399)
Share-based compensation (*Note 12d)*	1,251,150		735,095
Depreciation (*Note 9)*	111,068		57,598
Accretion expense (*Note 11)*	30,888		20,302
(Gain) Loss on disposal of property, plant and equipment	(8,629)		38,747
Finance expense	7,019		-
Finance income	(108,392)		(89,494)
Changes in non-cash working capital:			
Accounts payable and accrued liabilities	(643,110)		1,464,732
Prepaid expenses	653,261		(103,643)
Amounts receivable	405,032		(1,156,304)
Net cash used in operating activities	$ (20,257,842)	$	(16,854,314)
Investing Activities			
Proceeds from disposal of property, plant and equipment	15,000		6,414
Proceeds from sale of available for sale investment	-		3,403,960
Proceeds from sale of land (*Note 8c)*	-		500,000
Reclamation deposits (*Note 10)*	1,082,290		(90,000)
Deposits (*Note 13)*	-		(149,280)
Interest received	108,523		89,666
Property, plant and equipment (*Note 9)*	(393,248)		(189,445)
Net cash provided by investing activities	$ 812,565	$	3,571,315
Financing Activities			
Proceeds from financing *(Note 12b)*	19,187,697		6,250,500
Proceeds from exercised warrants (*Note 12c)*	-		19,003,625
Proceeds from exercised stock options (*Note 12d)*	12,000		163,216
Share issue costs	(1,384,642)		(543,342)
Repayment of finance lease obligation (*Note 15c)*	(21,600)		-
Net cash provided by financing activities	$ 17,793,455	$	24,873,999
Net (Decrease) Increase in Cash	(1,651,822)		11,591,000
Cash - Beginning of the Period	16,508,815		2,199,151
Cash - End of the Period	$ 14,856,993	$	13,790,151

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

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

The Company 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"). These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34").

The accounting policies and methods of application applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company's most recent annual consolidated financial statements as at and for the year ended March 31, 2017. These condensed interim consolidated financial statements do not include all of the information required for full IFRS financial statements and therefore should be read in conjunction with the Company's most recent annual consolidated financial statements as at and for the year ended March 31, 2017.

3. NEW, AMENDED AND FUTURE IFRS PRONOUNCEMENTS

These condensed interim consolidated financial statements have been prepared using accounting policies consistent with those used in the annual consolidated financial statements.

Future IFRS Pronouncements

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

(Expressed in Canadian Dollars Unless Noted Otherwise)

3. NEW, AMENDED AND FUTURE IFRS PRONOUNCEMENTS (continued)

annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements, and does not presently expect it to have a significant impact.

IFRS 16 – Leases

IFRS 16 - *Leases* specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently evaluating the 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.

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements.

5. SHORT-TERM INVESTMENTS

As of December 31, 2017, the Company has invested $23,000 (March 31, 2017 - $23,000) into a Guaranteed Investment Certificate ("GIC") with a Canadian financial institution. The GIC currently yields interest at a rate of 1.10% 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:

	Nine Months Ended December 31, 2017	Year Ended March 31, 2017
Refundable goods and services tax/ harmonized sales tax	$ 402,972	$ 811,718
Other receivables	5,193	1,479
Total	**$ 408,165**	**$ 813,197**

(Expressed in Canadian Dollars Unless Noted Otherwise)

7. PREPAID EXPENSES

Prepaid expenses comprised of the following:

	Nine Months Ended December 31, 2017	Year Ended March 31, 2017
Advances for Madsen work programs	$ 120,440	$ 786,838
Software licenses	45,318	17,399
Surety bond premium	44,093	-
Insurance and benefits premiums	25,670	73,415
Investor relations and communication	17,731	19,866
Other prepaid expenses	5,799	14,794
Total	**$ 259,051**	**$ 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 (Note 8c)	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	(120,911)
Balance – December 31, 2017	**$ 7,848,409**

(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 nine months ended December 31, 2017	Madsen Gold Project	Other Properties[1]	Total
Drilling	$ 6,980,572	$ -	$ 6,980,572
Contractors / consultants	3,721,493	36,434	3,757,927
Engineering	3,492,701	-	3,492,701
Assaying and geochemical	1,060,049	-	1,060,049
Salaries, wages and benefits	967,542	-	967,542
Equipment rental	604,338	-	604,338
Camp & field costs	675,725	-	675,725
Travel and accommodation	356,376	-	356,376
Utilities	394,710	-	394,710
Property fees	6,931	2,526	9,457
Geologic modelling & surveying	142,827	-	142,827
Supplies	84,015	-	84,015
Community & safety	90,612	-	90,612
Depreciation	102,417	-	102,417
Administration and other	29,654	-	29,654
Refundable mineral exploration tax credit	-	(25,167)	(25,167)
Expenditures for the period	**18,709,962**	**13,793**	**18,723,755**
Cumulative balance – March 31, 2017	31,904,845	7,858,054	39,762,899
Cumulative balance – December 31, 2017	**$ 50,614,807**	**$ 7,871,847**	**$ 58,486,654**

(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 Madsen Gold Project claims 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 and measured it 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 Red Lake gold camp, and is considered part of the Madsen Gold Project.

Upon completion of the acquisition, Pure Gold issued 1,290,322 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 NSR of 3%.

(Expressed in Canadian Dollars Unless Noted Otherwise)

9. PROPERTY, PLANT AND EQUIPMENT

Nine Months Ended December 31, 2017

Cost	Computer Equipment & Software ($)	Office Furniture & Other Equipment ($)	Land ($)	Vehicles ($)	Exploration Equipment & Infrastructure ($)	Mill ($)	Mine Property & Equipment ($)	Total ($)
March 31, 2017	120,620	106,541	4,952,463	33,396	602,058	616,650	139,300	6,571,028
Additions	3,218	7,325	113,900	-	267,780	-	1,025	393,248
Disposals	-	(48,159)	-	-	-	-	-	(48,159)
December 31, 2017	123,838	65,707	5,066,363	33,396	869,838	616,650	140,325	6,916,117
Accumulated Depreciation								
March 31, 2017	(104,833)	(62,209)	-	(6,676)	(127,308)	-	(7,287)	(308,313)
Depreciation	(8,426)	(6,624)	-	(6,271)	(80,008)	-	(9,739)	(111,068)
Disposals	-	41,789	-	-	-	-	-	41,789
December 31, 2017	(113,259)	(27,044)	-	(12,947)	(207,316)	-	(17,026)	(377,592)
Carrying Amounts								
March 31, 2017	**15,787**	**44,332**	**4,952,463**	**26,720**	**474,750**	**616,650**	**132,013**	**6,262,715**
December 31, 2017	**10,579**	**38,663**	**5,066,363**	**20,449**	**662,522**	**616,650**	**123,299**	**6,538,525**

Year Ended March 31, 2017

Cost	Computer Equipment & Software ($)	Office Furniture & Other Equipment ($)	Land ($)	Vehicles ($)	Exploration Equipment & Infrastructure ($)	Mill ($)	Mine Property & Equipment ($)	Total ($)
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.

During the nine months ended December 31, 2017, the Company completed the acquisition of surface rights at its Van Horne project at a cost of $113,900.

The carrying value of property, plant, and equipment under finance leases at December 31, 2017 was $111,323 (March 31, 2017 - $131,604).

(Expressed in Canadian Dollars Unless Noted Otherwise)

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 1.37% 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 has reclassified $2,405,089 from reclamation deposits to cash at December 31, 2017 as the deposits were no longer required to secure the letters of credit.

As of December 31, 2017, 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 0.95% 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 December 31, 2017 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 December 31, 2017 using a pre-tax discount rate of 2.04% 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 December 31, 2017 is $3,269,142 (March 31, 2017 - $2,845,985). The Company has estimated that payments will be made in 2033 (March 31, 2017 – 2025).

	Nine Months Ended December 31, 2017	Year Ended March 31, 2017
Balance, beginning of the period	$ 2,480,540	$ 2,459,774
New estimated cash flows and changes in estimates	(120,911)	(9,906)
Accretion on discounted obligation	30,888	30,672
Balance, end of the period	**$ 2,390,517**	**$ 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.

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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 nine months ended December 31, 2017 and the year ended 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 December 31, 2017	**-**	**-**

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 December 31, 2017, 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
February 25, 2018	$0.20	100,000	0.15	100,000
April 8, 2019	$0.35	3,560,000	1.27	3,560,000
May 13, 2019	$0.32	150,000	1.62	150,000
February 10, 2020	$0.35	200,000	2.11	133,333
March 19, 2020	$0.28	650,000	2.22	433,333
December 3, 2020	$0.11	83,333	2.93	50,000
December 11, 2020	$0.11	2,760,000	2.95	2,390,001
May 26, 2021	$0.63	400,000	3.40	133,334
October 11, 2021	$0.72	300,000	3.78	100,000
November 14, 2021	$0.72	75,000	3.87	50,000
December 21, 2021	$0.44	4,670,000	3.98	2,756,667
June 16, 2022	$0.54	200,000	4.46	100,000
July 24, 2022	$0.54	100,000	4.56	-
December 15, 2022	$0.49	5,170,000	4.96	1,800,000
	$0.39	**18,418,333**	**3.44**	**11,756,668**

The options exercisable at December 31, 2017 have a weighted average exercise price of $0.35.

Details of options granted, exercised, expired and forfeited during the nine months ended December 31, 2017 and the year ended 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	(75,000)	$0.16
Balance – December 31, 2017	**18,418,333**	**$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 nine months ended December 31, 2017 and the year ended March 31, 2017 were as follows:

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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 nine months ended December 31, 2017, 75,000 options with a strike price of $0.16 were exercised for total proceeds of $12,000. The weighted average share price on the date the options were exercised during the period was $0.52. In connection with these option exercises, the related fair value amount of $7,830 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

No options were forfeited during the nine months ended December 31, 2017.

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

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12. EQUITY (continued)

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 nine months ended December 31, 2017.

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 December 31, 2017, Oxygen holds a refundable deposit of $305,280 on behalf of the Company (March 31, 2017 - $305,280). During the nine months ended December 31, 2017, a total of $1,217,835 (December 31, 2016 - $1,105,327) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at December 31, 2017, the Company has a payable amount to Oxygen of $114,942 (March 31, 2017 - $102,168). This amount was paid subsequent to December 31, 2017.

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:

	Nine months ended	
	December 31, 2017	December 31, 2016
Salaries and other short-term employee benefits	$ 859,991	$ 812,000
Directors fees	195,000	120,000
Share-based compensation	1,051,514	701,148
Total	**$ 2,106,505**	**$ 1,633,148**

14. SEGMENTED INFORMATION

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

15. COMMITMENTS & 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

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15. COMMITMENTS & CONTINGENCIES (continued)

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	$ 277,427	$ 4,803	$ 5,711	$ 18,984
2019	284,491	-	-	-
2020	286,846	-	-	-
2021	293,910	-	-	-
2022+	514,342	-	-	-
Total	**$ 1,657,016**	**$ 4,803**	**$ 5,711**	**$ 18,984**

d. As at December 31 2017, 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 December 31, 2017, the Company had incurred qualifying resource expenditures relating to the Super FT Shares of $1,533,334, and qualifying resource expenditures relating to the FT Shares of $1,356,930. The Company must therefore incur the balance of $4,766,916 qualifying resource expenditures in relation to the Super FT Shares, and $3,802,190 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 $2,992,000 and included it in the Company's consolidated statement of loss and comprehensive loss as a deferred tax recovery for the nine months ended December 31, 2017.

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.

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15. COMMITMENTS & CONTINGENCIES (continued)

e. On April 19, 2017, the Company's subsidiary, Laurentian Copper Corp., received draft assessments indicating a reduction in the tax credit relating to resources claimed following a tax audit of its fiscal 2013-2015 income tax returns by Revenu Quebec, in which certain deductions claimed by the Company were disallowed. The Company has responded to the draft assessments and Revenu Quebec is currently evaluating the response. At this time the Company is unable to determine what the outcome of this review will be. A total of $305,129 has been received by the Company in tax credits relating to resources claimed in fiscal 2013-2015.

In the event that management's estimate of the future resolution of this matter changes, the Company will recognize the effect of the change in its consolidated financial statements of the period in which the change occurs.

f. Pursuant to the Company's surety bonding arrangement established in December 2017 (Note 10), 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 for the Madsen Gold Project.

16. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine months ended			
Non-Cash Investing and Financing Activities		December 31, 2017		December 31, 2016
Change in estimate of provision for closure and reclamation	$	120,911	$	118,386

17. FINANCIAL INSTRUMENTS

a. Financial Assets and Liabilities

At December 31, 2017, 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:

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

17. FINANCIAL INSTRUMENTS (continued)

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 nine months ended December 31, 2017.

18. 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:

<u>Credit Risk</u>

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

<u>Liquidity Risk</u>

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 December 31, 2017, the Company had cash of $14,856,993 (March 31, 2017 - $16,508,815) and short-term investments of $23,000 (March 31, 2017 - $23,000) to settle current liabilities of $3,413,527 ($1,502,298 excluding the flow-through premium liabilities totalling $1,911,229) (March 31, 2017 - $5,103,527). As at December 31, 2017, the Company is committed to incur, on a best efforts basis, $4,766,916 in qualifying resource expenditures in relation to the Super FT Shares, and $3,802,190 in qualifying resource expenditures in relation to the FT Shares, before January 1, 2019.

18. FINANCIAL RISK MANAGEMENT (continued)

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 nine months ended December 31, 2017, a plus or minus 0.5% change in market interest rates would affect the Company's interest earned on cash, restricted cash and short-term investments by approximately $46,000.

19. SUBSEQUENT EVENTS

a. A total of 100,000 stock options with an exercise price of $0.20 were exercised on January 2, 2018 for proceeds of $20,000.