



**Pure Gold Mining Inc.**

**(An Exploration Stage Company)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the nine months ended December 31, 2015**

**Pure Gold Mining Inc.**  
**Management's Discussion and Analysis**  
**For the three and nine months ended December 31, 2015**

This Management's Discussion and Analysis (the "**MD&A**"), dated as of February 18, 2016, is for the nine months ended December 31, 2015 and should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended December 31, 2015 of Pure Gold Mining Inc. (also referred to as "**Pure Gold**", or the "**Company**", or "**we**", or "**our**", or "**its**" or "**us**" within this MD&A), the related notes thereto (together, the "**Interim Financial Statements**") and our other corporate filings including our Annual Information Form for the year ended March 31, 2015 dated June 4, 2015 (the "**AIF**"), available under Pure Gold's company profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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

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

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

### **Highlights of the quarter ended December 31, 2015**

On December 2, 2015, Pure Gold entered into a binding letter of intent to sell 28 non-core mining claims (including surface rights and mineral rights on 27 patented claims and mineral rights on one leased claim) to Premier Gold Mines Limited ("Premier"). Total consideration to Pure Gold is to consist of \$2.5 million in cash and a further \$2.5 million in share consideration based upon the 20-day Volume Weighted Average Price ("**VWAP**") of Premier shares, preceding closing. In addition, Pure Gold would be granted a 1% Net Smelter Return ("**NSR**") royalty on the majority of the claims divested, with Premier having the right to acquire back 50% of the royalty for \$0.5 million.

On December 30, 2015, Pure Gold announced a partial closing of the above transaction, consisting of all of the mineral rights associated with the 28 claims. Pure Gold received \$2.0 million in cash and 1,001,721 common shares of Premier valued at \$2.6 million and was granted the 1% NSR royalty. Pure Gold will receive the remaining \$0.5 million in cash upon closing of the sale of surface rights to Premier, expected before the end of March 2016, upon receipt of customary regulatory approvals for such transfers. As a result of the transaction, Pure Gold's working capital balance at December 31, 2015, increased to \$5.4 million.

### **Outlook**

Pure Gold is focused on advancing high quality assets that host the key traits of economic mines: grade, scope, size potential and access to infrastructure in mining-friendly jurisdictions. Our key asset is the Madsen Gold Project ("**Madsen**") which comprises in excess of 4,400 hectares in the prolific Red Lake gold camp of Northwestern Ontario, and hosts two former gold producers including the Madsen Gold Mine which had previous gold production of 2.4 million ounces. In addition to the historic production and the NI 43-101 compliant mineral resource, Madsen has strong upside exploration potential. A new understanding of controls on high-grade mineralization in the Red Lake camp has resulted in multiple recent discoveries including the High Grade Zone and HG Young at Goldcorp's Red Lake Gold Mine and

the Bruce Channel deposit down plunge of Cochenour. Opportunity exists to apply modern science to the Madsen Mine Trend, where substantive production ceased in 1974. The Company's 8 Zone, discovered in 1969 at the Madsen Mine is a high grade quartz carbonate vein system that lies within the ultramafic contact zone, similar to other recent high grade discoveries in the district and demonstrates the potential of this zone to host significant mineralization. At Madsen, numerous high-grade discoveries have been made in proximity to the ultramafic contact zone over the last decade and many of these high-grade discoveries have only been partially advanced. Additional satellite mineral resources may be defined in the near term with additional geological studies and drilling. Some examples of exploration discoveries post mine closure include the Fork Zone, Russet South and Treasure Box.

A near term focus of Pure Gold will be to advance many of these exploration targets within the footprint of the past producing Madsen Gold Mine with the goal of improving our understanding of the existing mineral resource and defining further mineral resources. The Company has also initiated and will continue engineering studies to assess the existing mining and milling infrastructure, and assess potential development opportunities within the existing resource base and nearby prospects. These engineering studies have been utilized in designing the current winter drill program for the purpose of upgrading and expanding the current mineral resource.

Pure Gold will also continue its exploration efforts on developing additional targets along the 10 km-long Madsen Mine Trend and the 10 km-long ultramafic contact zone with an objective of making a new high grade discovery.

The Company has immediate plans for an initial 6,000 metre winter drill program designed to test prospective near surface targets, commencing in January 2016. The estimated budget for this program is \$1.6 million.

## **Overall Performance**

### ***Exploration Projects and Other Mineral Property Interests***

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

On March 4, 2014, the Company acquired 100% interest in the Madsen Gold Mine and adjacent claims from Claude Resources Inc. for a total cost, including transaction costs of \$12.2 million. On June 24, 2014, the Company successfully completed the acquisition of the Newman-Madsen property from Sabina Gold & Silver Corp. The total cost of the Newman-Madsen property, including transaction costs was \$2.9 million. The Newman Madsen property adjoined the Madsen Property and the Company considers the combined properties to be one project.

Madsen (following the acquisition of Newman-Madsen but after the sale of mineral rights to Premier) comprises 250 mining claims (predominantly patented) covering an area of 4,489 hectares and includes accompanying surface rights in the prolific Red Lake gold camp of Northwestern Ontario. Madsen hosts two former gold producers including the Madsen Gold Mine which had previous gold production of 2.4 million ounces.

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

In 2009, SRK Consulting Inc. was contracted by Claude to calculate a mineral resource for the Madsen Gold Mine. SRK compiled a geological database consisting of 13,617 historic surface and underground core holes, 647 stope boreholes, and 6 underground core drill holes completed by Claude. Using this database SRK estimated an Indicated and Inferred mineral resource for four mineralized zones accessible from the underground mine workings. The mineral resource statement for the Madsen Gold Mine is listed in Table 1.

**Table 1: Consolidated Mineral Resource Statement\* for Madsen Gold Project, Ontario**

| Resource Class   | Zone         | Tonnes           | Grade (g/tonne) | Grade (oz/ton) | Contained Gold (oz) |
|------------------|--------------|------------------|-----------------|----------------|---------------------|
| <b>Indicated</b> | Austin       | 1,677,000        | 7.92            | 0.23           | 427,000             |
|                  | South Austin | 850,000          | 9.32            | 0.27           | 254,000             |
|                  | McVeigh      | 374,000          | 9.59            | 0.28           | 115,000             |
|                  | Zone 8       | 335,000          | 12.21           | 0.36           | 132,000             |
|                  | <b>Total</b> | <b>3,236,000</b> | <b>8.93</b>     | <b>0.26</b>    | <b>928,000</b>      |
| <b>Inferred</b>  | Austin       | 108,000          | 6.30            | 0.18           | 22,000              |
|                  | South Austin | 259,000          | 8.45            | 0.25           | 70,000              |
|                  | McVeigh      | 104,000          | 6.11            | 0.18           | 20,000              |
|                  | Zone 8       | 317,000          | 18.14           | 0.53           | 185,000             |
|                  | <b>Total</b> | <b>788,000</b>   | <b>11.74</b>    | <b>0.34</b>    | <b>297,000</b>      |

\* Mineral resources are not mineral reserves and do not have demonstrated economic viability. All figures have been rounded to reflect the relative accuracy of the estimates. Reported at a cut-off grade of 5.0 g/t gold based on US\$1,000 per troy ounce gold and gold metallurgical recoveries of 94 percent. For further details as to how the mineral resource for Madsen was calculated, see the National Instrument 43-101 Technical Report entitled "Technical Report for the Madsen Gold Project, Red Lake, Ontario, Canada" with an effective date of February 18, 2014, which can be found on Pure Gold's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Existing mine and mill infrastructure on the property includes a 1,275 metre shaft, a 500 tonne per day mill and CIP gold recovery circuit installed at site in the late 1990's, and tailings storage facility, all of which are permitted and currently on care and maintenance. The existing permitted infrastructure provides considerable development flexibility, allowing for shortened timelines and the opportunity to leverage on exploration success.

The second former gold producer on the Madsen property is the historic Starratt-Olsen Mine. A 450 metre shaft was sunk in 1945 and mining operations were carried out from 1945 to 1956. A total of 823,544 metric tonnes were mined at an average recovered grade of 6.17 g/t Au to produce 163,990 ounces of gold. The Starratt-Olsen Mine does not have a current mineral resource. Only limited modern day exploration has been conducted near the mine workings.

In addition to the historic production and the mineral resource, Madsen has significant upside exploration potential. A new interpretation of the role of folded ultramafic contacts and structural controls have resulted in multiple recent discoveries in the district, including Goldcorp's High Grade Zone and HG Young at the Red Lake Mine Complex and the Bruce Channel system at the Cochenour Mine. Pure Gold believes that opportunity exists to apply modern exploration science and a new understanding of the district to achieve similar success along the 10 km-long ultramafic contact at Madsen.

Madsen's '8 Zone', discovered in 1969 along the ultramafic contact zone, has historic drill intersections that include 10.6 metres grading 16.7 g/t gold and 6.4 metres grading 21.9 g/t gold. These were followed up in recent years, returning drill intercepts as high as 7.9 metres grading 26.4 g/t gold<sup>(1)</sup>. The 8 Zone is a system of high-grade gold hosted in quartz carbonate veins, with mineralization similar in style and host environment to more recent discoveries in the district.

<sup>(1)</sup> Historic drill hole results listed from '8 Zone' were completed prior to the implementation of National Instrument 43-101. A full discussion and cautionary language regarding historic sampling practices can be found in the NI 43-101 Technical Report entitled "Technical Report for the Madsen Gold Project Red Lake, Ontario, Canada," prepared by SRK Consulting (Canada) Inc. dated effective February 18, 2014.

Since acquiring Madsen in March 2014, the Company has spent a cumulative total of \$7.1 million exploring Madsen as follows:

- Consolidated historic archives from former operators into a common digital platform;
- Conducted a high resolution airborne magnetic survey;
- Defined sampling and assaying protocols suitable for Red Lake coarse gold;
- Developed new predictive vectoring tools for targeting high-grade, 8 Zone-style mineralization;
- Developed a geological “footprint” of high-grade gold zones by constructing new 3D stratigraphic, structural, and alteration models, allowing more predictive drill targeting of ultramafic contact 8-Zone style mineralization;
- Trenched, stripped, and channel sampled key areas within the broad gold footprint identified at Russet South;
- Commenced engineering on existing resource and infrastructure;
- Completed over 5,800 soil samples over the entire project area;
- Prioritized near surface drill targets designed to expand the current mineral resource and discovered the new Alpha, Beta and Kappa targets at Russet South which delineated near-surface high-grade gold mineralization within a 600 metre by 350 metre target horizon, that remains open down dip and along strike; and
- Drilled a total of 12,804 metres on the Madsen property, collecting 6,942 core samples for assaying; and
- Assaying an additional 3,519 drill core samples from re-logging historic drill core at the project site.

The Company spent a total of \$2.4 million on exploration during the nine months ended December 31, 2015 compared to a budget of \$2.5 million. The Company has begun engineering studies to better understand the existing resource and status of existing mining and milling infrastructure and is designing an initial 6,000 metre winter drill program which commenced in January 2016, to test targets near the existing infrastructure. The budget for this program is \$1.6 million.

On December 30, 2015, the Company entered into an asset purchase agreement (“APA”) with Premier. Under the terms of the APA, the Company is to sell 28 mineral claims (primarily patented mineral claims consisting of surface and mineral rights) of the Madsen Gold Project to Premier, in exchange for \$2.5 million in cash and \$2.5 million in common shares of Premier, calculated using the 20-day VWAP of Premier’s shares and a 1% NSR on substantially all of the claims being sold.

The transaction is to close in two tranches. The first tranche closed on December 30, 2015, with the Company receiving cash consideration of \$2.0 million, share consideration consisting of 1,001,721 common shares of Premier with a fair value of \$2.6 million, and the NSR, while Premier received the underlying mineral rights of the claims being sold. The amount received on first closing has been netted against exploration and evaluation assets.

The second tranche is expected to be completed by the end of March 2016 upon receipt of customary regulatory approvals for the severance of the surface rights. On closing of the second tranche, the Company will receive the final \$0.5 million, while Premier will receive the surface rights to the claims. A total of \$0.3 million received from the first closing has been recorded in “other” current liabilities as it is considered to be a partial payment received in advance for the surface rights to be sold to Premier which have an estimated fair value of \$0.8 million.

The Company accounts for its investment in Premier as an available for sale financial instrument which is measured at fair value. Any unrealized gains and losses relating to the equity investment in Premier are recorded in other comprehensive income (“OCI”).

### Other Mineral Property Interests

The Company has not incurred any significant costs exploring other properties in its portfolio during the first nine months of fiscal 2016. The Company's focus is on Madsen. Minimal expenditures are expected at any of the Company's other mineral property interests. See the MD&A for the year ended March 31, 2015 for a description of the Company's Other Mineral Interests.

### **Selected Financial Information**

Management is responsible for the Interim Financial Statements referred to in this MD&A, and provides officers' disclosure certifications filed with the Canadian provincial securities commissions. The Audit Committee of the Company's Board of Directors (the "Board") has been delegated the responsibility to review and approve the Interim Financial Statements and MD&A.

The Interim Financial Statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, and should be read in conjunction with Pure Gold's audited consolidated financial statements for the year ended March 31, 2015 (the "Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Our significant accounting policies are presented in Note 3 of the Annual Financial Statements. No material changes for the quarter ended December 31, 2015 were noted. We have elected to expense all exploration and evaluation expenditures relating to our mineral exploration property interests. Details of new accounting standards, effective for the reporting period beginning April 1, 2015, and their effect on the financial information are discussed within this MD&A in the section entitled "Changes in Accounting Policies and New Pronouncements".

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

The Company's operations are in one industry – the exploration for gold, and other precious and base metals. At December 31, 2015, Pure Gold has one geographic location being Canada. Information discussed herein reflects the Company as a consolidated entity, consistent with our determination that the one industry in which we operate provides the most meaningful information to a user.

### **Results of Operations**

The following financial data are derived from our condensed interim consolidated financial statements for the three and nine months ended December 31, 2015 and 2014, respectively:

|   | <b>For the three months ended December 31, 2015</b> | <b>For the three months ended December 31, 2014</b> | <b>For the nine months ended December 31, 2015</b> | <b>For the nine months ended December 31, 2014</b> |
|---|---|---|--|--|
| Total revenue   | \$ -  | \$ -  | \$ -   | \$ -   |
| Total net loss and comprehensive loss for the period attributable to shareholders | \$ 0.8 million                                      | \$ 2.0 million                                      | \$ 3.6 million                                     | \$ 5.2 million                                     |
| Basic and diluted loss per share  | \$ 0.01   | \$ 0.02   | \$ 0.03  | \$ 0.05  |

***Three and nine months ended December 31, 2015 vs. three and nine months ended December 31, 2014***

Net loss for the period totaled \$0.8 million and \$3.6 million for the three and nine months ended December 31, 2015 compared to \$2.0 million and \$5.2 million for the same periods in the prior year. The most significant contributors to the loss for the three and nine month period ended December 31, 2015 and 2014, were (i) exploration and evaluation expenditures, (ii) wages, consulting and directors fees (iii) non-cash share-based compensation expense (iv) office and rent expenses and (v) investor relations and communication expenditures.

Exploration and evaluation expenditures totalled \$0.3 million and \$2.3 million for the three and nine months ended December 31, 2015 compared to \$1.5 million and \$3.1 million for the same period in the prior year. Fiscal 2016 to date has seen smaller exploration programs at the Madsen Gold Project, compared to the prior year, as a result of the Company's efforts to conserve cash in light of difficult capital markets. Given the Company's working capital position has improved as a result of the sale of non-core mineral claims to Premier, the Company has ramped up exploration at site with an active drill campaign which will see higher exploration expenditures in the fourth quarter of fiscal 2016.

Wages, consulting and director fees totalled \$0.2 million and \$0.5 million during the three and nine months ended December 31, 2015 remaining consistent in comparison to \$0.2 million and \$0.6 million for the same period in the prior year. Compensation that was deferred in the quarter ended September 30, 2015 has now been paid in January 2016 and the resulting payment was accrued as at December 31, 2015.

Share-based compensation expense increased for the three months ended December 31, 2015 to \$0.2 million compared to \$0.1 million in the prior year, and decreased in the nine months ended December 31, 2015 to \$0.3 million, compared to \$0.8 million for the same period in the prior year. Share-based compensation expense relates to grants from current and previous periods in which stock options were granted to executive directors and employees. During the three and nine months ended December 31, 2015, the Company granted 3.5 million stock options with a weighted average exercise price of \$0.11 to directors and new and existing employees. During the three and nine months ended December 31, 2014, the Company granted a total of 4.7 million stock options with a weighted average exercise price of \$0.35 to new directors and new and existing employees. All stock options granted to non-executive directors vested immediately resulting in the immediate recognition of the corresponding share based compensation expense on the date of grant. Stock options granted to executive directors and employees were subject to vesting restrictions over a three year period with the corresponding share-based compensation expense being recognized over this period.

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

Office and rent totalled \$0.1 million and \$0.2 million for the three and nine months ended December 31, 2015, consistent with \$0.1 million and \$0.2 million for the same periods in December 2014.

Investor relations and communication totalled \$7,934 and \$0.1 million during the three and nine months ended December 31, 2015 compared to \$48,576 and \$0.4 million for the same period in the prior year. During the three and nine months ended December 31, 2014, the Company incurred costs to develop a new brand name, brand signature, approach and foundation to reposition and build the long-term brand

equity of the Company as well as costs related to promotional activities such as travel, conferences and dissemination of press releases. During the three and nine months ended December 31, 2015, the Company, in light of difficult financing markets, reduced its level of promotional activities, in an effort to conserve cash.

### **Financial Position**

The unaudited condensed interim consolidated financial statements were prepared on a going concern basis. The going concern basis assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

As of the date of this MD&A, the Company has approximately \$5.4 million in working capital. The Madsen Project will take a considerable amount of capital, far in excess of the current cash position, to advance the Project to a production decision. The Company does however have sufficient working capital resources to accommodate its current planned 6,000 metre drill program and administrative costs for the next 12 months.

The Company has classified its investment in shares of Premier as an available for sale investment. It is anticipated that the Company will sell these shares within the next 12 months to meet its cash requirements for the Madsen Gold Project and for general working capital purposes.

The Company received approval from regulatory authorities to delay payment of the final financial assurance payment under the Madsen Mine Closure Plan originally due in November 2015 totalling \$0.3 million, to January 31, 2016 (paid in January 2016). As part of the sale of mineral rights to Premier, the financial assurance paid relating to the past producing Buffalo property of \$0.1 million will be returned to the Company, once Premier has posted its own financial assurance for the property and the Minister of Northern Development and Mines approves of the transfer of the Buffalo Mine Closure Plan to Premier. As part of the sale agreement with Premier, the Company will pay \$55,968, equal to 50% of the amount received from the release of the financial assurance, to Premier.

The following financial data are derived from our Interim Financial Statements as at December 31, 2015 and our annual audited consolidated financial statements as at March 31, 2015.

|                         | <b>As at<br/>December 31, 2015</b> | As at<br>March 31, 2015 |
|-------------------------|------------------------------------|-------------------------|
| Total assets            | <b>\$ 23.1 million</b>             | \$ 26.3 million         |
| Current liabilities     | <b>\$ 1.9 million</b>              | \$ 1.8 million          |
| Non-current liabilities | <b>\$ 2.4 million</b>              | \$ 2.6 million          |
| Cash dividends declared | <b>\$ -</b>                        | \$ -                    |

Total assets decreased by \$3.2 million as at December 31, 2015 in comparison to March 31, 2015 primarily due to the reduction of cash on the balance sheet spent on operating activities totalling \$3.3 million, offset by the cash and shares received from Premier.

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

At December 31, 2015, our current liabilities comprise (i) trade accounts payable and accrued liabilities of \$0.6 million (March 31, 2015 – \$0.8 million); (ii) a flow-through premium liability of \$1.0 million (March 31, 2015 - \$1.0 million); and (iii) other liability of \$0.3 million consisting of the partial payment received from

Premier for the surface rights. The flow-through premium liability consists of the premium paid by investors for flow-through shares in excess of the market value of the shares without flow-through features, less the amount of premium relating to expenditures that have been renounced to flow-through share purchasers. This premium is recorded as a liability and upon completion of the qualified expenditures and renouncement by the Company of the tax benefits associated with the related expenditures this liability amount will be reversed and included in the Company's Statement of Loss and Comprehensive Loss as a deferred tax recovery.

At December 31, 2015, our non-current liabilities consist of a provision for closure and reclamation costs with respect to future reclamation work to be performed on our Madsen Gold Project totaling \$2.4 million (March 31, 2015 - \$2.6 million). The change during the nine month period ending December 31, 2015 in comparison to March 31, 2015 was due to a combination of a change in estimate relating to the discount rate used in calculating the present value of the future reclamation obligation and accretion as a result of the normal passage of time. Additionally, as the sale of mineral claims to Premier contractually passes the responsibility for future closure expenditures related to the Buffalo Mine Closure Plan to Premier, the Company has derecognized this liability of \$0.1 million at December 31, 2015.

Also included in non-current liabilities at December 31, 2015 is other liabilities of \$3,295 (March 31, 2015 - \$3,295) which consists of a security deposit paid for a site office in Winnipeg. Please refer to section entitled "Contractual Obligations" within this MD&A for further discussion on the site office in Winnipeg.

#### Shareholders' Equity

The Company did not issue any Common Shares during the three or nine month period ending December 31, 2015:

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

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

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

|                                       | December 31, 2015 | September 30, 2015 | June 30, 2015 | March 31, 2015 | December 31, 2014 | September 30, 2014 | June 30, 2014 | March 31, 2014 |
|---------------------------------------|-------------------|--------------------|---------------|----------------|-------------------|--------------------|---------------|----------------|
| Total revenue                         | \$ -              | \$ -               | \$ -          | \$ -           | \$ -              | \$ -               | \$ -          | \$ -           |
| Total expenses                        | (\$803,801)       | (\$1,234,650)      | (\$1,544,054) | (\$1,938,842)  | (\$1,966,490)     | (\$1,658,249)      | (\$1,632,237) | (\$775,322)    |
| Net loss and total comprehensive loss | (\$811,332)       | (\$1,228,903)      | (\$1,531,393) | (\$1,933,548)  | (\$1,962,672)     | (\$1,644,426)      | (\$1,613,854) | (\$768,155)    |
| Basic and diluted loss per share      | (\$0.01)          | (\$0.01)           | (\$0.01)      | (\$0.02)       | (\$0.02)          | (\$0.02)           | (\$0.02)      | (\$0.02)       |

- The Company's net loss and total comprehensive loss for the quarter ended December 31, 2015 decreased by \$0.4 million in comparison to the quarter ended September 30, 2015. The decrease is primarily due to a \$0.6 million decrease in exploration and evaluation expenditures, partially offset by a \$0.1 million increase in wages, consulting and director's fees during the three month period ended December 31, 2015 as a result of accruing previously deferred compensation that was paid out in January 2016. Upon closing the sale of mineral rights to Premier in December 2015, which significantly improved Pure Gold's financial position, the Board elected to pay all the voluntarily deferred compensation of the Chief Executive Officer, Chief Financial Officer and directors. The decreased loss was also offset by a \$0.1 million increase in share-based compensation expense, as the Company granted 3.5 million stock options in the quarter ended December 31, 2015, of which 1.7 million vested immediately while the remainder were subject to vesting restrictions. The Company recognized a large portion of share-based compensation expense during the quarter as a result of those stock options which vested immediately. There were no options issued in the quarter ended September 30, 2015.
- The Company's net loss and total comprehensive loss for the quarter ended September 30, 2015 decreased by \$0.3 million in comparison to the quarter ended June 30, 2015. The decrease is primarily due to a decrease in exploration and evaluation expenditures and wages, consulting and director's fees during the three month period ended September 30, 2015. The Company concluded its summer exploration program in the quarter and in an effort to conserve cash resources curtailed staffing levels and certain remaining staff and the board of directors took voluntary salary reductions while exploration plans were developed and financing sourced.
- The Company's net loss and total comprehensive loss for the quarter ended June 30, 2015 decreased by \$0.4 million in comparison to the quarter ended March 31, 2015. A significant portion of the drill program which commenced in late February 2015 was completed by the quarter ended March 31, 2015. This resulted in higher exploration and evaluation expenditures during the quarter ended March 31, 2015 in comparison to the quarter ended June 30, 2015. Also, costs relating to professional fees and investor relations and communication decreased during the quarter ended June 30, 2015 thus contributing to the decreased net loss and comprehensive loss in comparison to the quarter ended March 31, 2015. The Company conducted less promotional activities during the quarter ended June 30, 2015 and incurred less professional fees. Increased professional fees during the quarter ended March 31, 2015 related directly to audit fees incurred for the annual audit of the Company's financial statements.
- The Company's net loss and total comprehensive loss for the quarter ended March 31, 2015 remained consistent at \$2.0 million when compared to the net loss and comprehensive loss for the quarter ended December 31, 2014. The Company began a 5,000 metre winter drill program in late February of 2015 and by March 31, 2015, the Company had completed 3,778 metres of drilling. Thus exploration activities and general and administrative activities remained consistent with that of the prior quarter.
- The Company's net loss and total comprehensive loss for the quarter ended December 31, 2014 increased by \$0.3 million when compared to the net loss and comprehensive loss for the quarter ended September 30, 2014 primarily due to an increase in exploration and evaluation expenditures of \$0.5 million. The Company completed 3,675 metres of drilling during the quarter ended December 31, 2014. The increase in exploration and evaluation expenditures of \$0.5 million was offset by a decrease in investor relations and communication of \$0.2 million during the quarter ended December 31, 2014. During the prior quarter ended September 30, 2014, the Company incurred additional costs relating to investor relations and communication as it continued to advise the markets about the Company's new Madsen acquisition and new project focus.
- The Company's net loss and total comprehensive loss for the quarter ended September 30, 2014 remained consistent at \$1.6 million when compared to the net loss and comprehensive loss for the quarter ended June 30, 2014. During the quarter ended September 30, 2014, the Company did incur a \$0.4 million increase in exploration and evaluation expenditures when compared to the quarter ended June 30, 2014 due to Phase 2 drilling at the Madsen Gold Project which commenced in mid-

August. As of September 30, 2014 a total of 3,220 metres have been drilled in a total of 12 holes. Furthermore, the Company incurred a \$0.1 million increase in investor relations and communication as the Company continues to advise the markets about the Company's new Madsen acquisition and new project focus. This increase was offset by a decrease in share-based compensation expense of \$0.5 million. During the quarter ended June 30, 2014, the Company granted 4.7 million stock options of which 2.0 million vested immediately while the remainder were subject to vesting restrictions. The Company recognized a large portion of share-based compensation expense during the quarter ended June 30, 2014 as a result of those stock options which vested immediately.

- The Company's net loss and total comprehensive loss for the quarter ended June 30, 2014 increased by \$0.8 million when compared to the net loss and comprehensive loss for the quarter ended March 31, 2014 primarily due to a \$0.6 million increase in share-based compensation expense related to director and employee stock option grants, an increase of \$47,112 relating to wages, consulting and director fees due to increased staffing levels, an increase of \$0.1 million in investor relations and communication due to the Company incurring costs to develop a new brand name, brand signature, approach and foundation to reposition and build the long-term brand equity of the Company and an increase in exploration and evaluation expenditures of \$0.4 million due to the ramp up of the Phase 1 exploration program at Madsen which had only just started in March 2014. The overall increase in expenses for the quarter ended June 30, 2014 compared to the quarter ended March 31, 2014 was offset by the de-recognition of the acquisition costs for the Van Horne property of \$0.3 million in the quarter ended March 31, 2014.

### **Liquidity and Capital Resources**

On February 20, 2015, Pure Gold closed a bought-deal private placement pursuant to which the Company issued 13,836,478 flow-through common shares and 3,187,143 common shares at a price of \$0.35 per flow-through share and \$0.28 per common share, for aggregate gross proceeds to Pure Gold of \$5.7 million. As a result, the Company recorded a flow-through premium liability of \$1.0 million resulting from the premium paid by investors for flow-through shares in excess of the market value of the shares without flow-through features. This premium has been recorded as a liability and upon completion of the qualified expenditures and renouncement by the Company of the tax benefits associated with the related expenditures this liability amount will be reversed and included in the Company's Statement of Loss and Comprehensive Loss as a deferred tax recovery.

In addition, on December 30, 2015, the Company partially closed on the sale the mineral rights to Premier, which resulted in cash proceeds of \$2.0 million and a further \$2.6 million in consideration consisting of shares of Premier (subject to a four month hold period). An additional \$0.5 million in cash will be received once regulatory authorities approve of the transfer of the surface rights for these claims, which is expected before the end of March 2016.

As a result, as at the date of this MD&A, the Company has approximately \$6.8 million in cash, short-term investments and available for sale investments, and approximately \$1.4 million in current liabilities including the \$1.0 million flow-through share premium liability. The Company's working capital balance as at the date of this MD&A is approximately \$5.4 million. There are no known restrictions on the ability of our subsidiary to transfer or return funds to the Company.

Although we have no revenue-producing operations, and earn only minimal income through investment income on treasury, amounts arising through various property option or alliance agreements and occasionally as a result of the disposal of an exploration asset, the partial closing of the recent asset sale to Premier positions the Company to advance Madsen during calendar 2016 without the immediate need to raise additional capital. Capital demands may change depending upon the results of exploration and changes to exploration or development plans. On an ongoing basis, and especially in light of current market conditions for mineral exploration, management evaluates and tries to adjust its planned level of activities, including planned, exploration and permitting activities and committed administrative costs, to try to maintain adequate levels of working capital. We believe that this approach, given the relative size of Pure Gold, is reasonable.

Management anticipates it will need further funds for anticipated levels of activity for the latter half of 2016 and has thus began the process to identify potential sources of financing. Management will determine whether to accept any offer to finance weighing such things as the financing terms against results of exploration at Madsen, the Company's share price at the time, and current market conditions among others. We have not issued any dividends and management does not expect this will change in the near future.

Our budget for calendar 2016, including exploration and administration, is approximately \$5.1 million. The budget anticipates spending approximately \$3.3 million exploring and developing our Madsen Gold Project and approximately \$1.8 million on general and administrative costs which include wages and consulting fees, professional fees and those costs associated with running the Company's head office in Vancouver.

Pure Gold manages and adjusts its capital structure based on available funds in order to support acquisition, exploration and development of mineral properties. The properties in which we currently have an interest in are in the exploration stage. Accordingly, we are dependent on external financing, including the proceeds of future equity issuances or debt financing, to fund our activities. Circumstances that could impair our ability to raise additional funds, or our ability to undertake transactions, are discussed in our AIF dated June 4, 2015 under the heading "Risk Factors". Although management has been successful in the past when raising additional financing, there can be no assurance they will be successful in the future. Management continues to evaluate alternative sources for financing

### ***Contractual Obligations***

#### Mineral Properties

Pursuant to the Madsen closure Plan, the Company was required to pay \$0.3 million in reclamation deposits on or before January 31, 2016 (now paid) to provide for a partial indemnification of the closure reclamation costs associated with its Madsen Gold Project. This is the final amount owing under the existing closure plan for Madsen. The original date for this payment was December 1, 2015 but the Company requested and received a short extension from the Minister of Northern Development and Mines to allow it to obtain additional financial resources to make the payment.

Pure Gold has no other commitments for material capital expenditures as of December 31, 2015.

#### Management and Technical Services Agreement

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

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

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

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

The Oxygen Agreement is for an initial term of two years, and shall be automatically renewed from time to time thereafter for an a additional term of two years unless otherwise terminated. The Oxygen Agreement may be terminated by either party giving at least 180 days' prior written notice of such termination.

#### Flow-Through Obligation

The Company is committed to incur, on a best efforts basis, qualifying resource expenditures pursuant to the private placement for which flow-through proceeds have been received. The Company will file its renunciation forms by the end of February 2016. As at December 31, 2015, the Company had incurred qualifying resource expenditures of approximately \$2.9 million. The Company must therefore incur approximately \$1.9 million of qualifying resource expenditures before December 31, 2016.

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.

#### Leases

##### *Winnipeg Site Office*

Pursuant to a rental lease agreement dated February 29, 2012, the Company is committed to pay rent for office space in Winnipeg, Canada at approximately \$3,000 per month (\$36,000 annually). The lease expires on June 30, 2017. On November 14, 2012, the Company sub-leased this site office to a third party for the same rental cost (approximately \$3,000 per month). The third party is bound by all the covenants, terms and conditions of the original rental lease agreement.

##### *Vehicle Leases*

The Company has signed two leases dated July 23, 2014 and July 31, 2014, respectively for the use of two pickup trucks to be used at the Madsen project. The two leases call for payments of \$800 and \$952 per month with the leases expiring on June 24, 2018 and June 30, 2018. The future minimum lease payments required under all of these lease agreements are as follows:

|              | GMC<br>Sierra 2500 HD | GMC<br>Sierra 2500 HD |
|--------------|-----------------------|-----------------------|
| 2016         | \$ 9,606              | \$ 11,422             |
| 2017         | 9,606                 | 11,422                |
| 2018         | 4,803                 | 5,711                 |
| <b>Total</b> | <b>\$ 24,015</b>      | <b>\$ 28,555</b>      |

#### **Contingencies**

The Company has no contingent liabilities as at December 31, 2015.

#### **Subsequent Events**

The following items of significance occurred after December 31, 2015:

- a) A total of 10,000 stock options with an exercise price of \$0.20 expired on January 21, 2016.
- b) A total of 75,000 stock options with an exercise price of \$0.16 were granted to a consultant on February 18, 2016. 37,500 options will vest six months from the grant date, and the remaining 37,500 will vest one year from the grant date.

## Related Party Transactions

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

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

Oxygen is a private company partially owned by one director and one officer of the Company. Oxygen provides technical and administrative services to the Company at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. As at December 31, 2015, Oxygen holds a refundable deposit of \$0.2 million (March 31, 2015 - \$0.2 million) on behalf of the Company. During the nine months ended December 31, 2015, a total of \$0.7 million (\$0.6 million for the same period in the prior year) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at December 31, 2015, the Company has a payable amount to Oxygen of \$0.1 million (March 31, 2015 - \$0.1 million). This amount was paid subsequent December 31, 2015.

### Compensation of key management personnel

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

| <b>Name</b>                           | <b>Nature of Compensation</b> | <b>Nine months ended December 31, 2015</b> | <b>Nine months ended December 31, 2014</b> |
|---------------------------------------|-------------------------------|--|--|
| President and Chief Executive Officer | Salary                        | \$155,333                                  | \$150,667                                  |
| Vice President of Exploration         | Salary                        | \$138,000                                  | \$133,583                                  |
| Directors                             | Directorship                  | \$120,000                                  | \$120,000                                  |
| Chief Financial Officer               | Salary                        | \$117,917                                  | \$66,400                                   |
| Former Director, Investor Relations   | Salary                        | \$22,078                                   | \$43,250                                   |
| Corporate Secretary                   | Salary                        | \$7,230                                    | \$15,956                                   |
| <b>Total</b>                          |                               | <b>\$560,558</b>                           | <b>\$529,856</b>                           |

Share-based compensation issued to key management personnel during the nine months ended December 31, 2015 totaled \$0.2 million compared to \$0.7 million for the same period in the prior year. Share-based compensation is the fair value of options granted and vested to key management personnel. These amounts have not been included in the table above and should be considered as additional compensation. The amounts above do include accruals for all voluntarily deferred compensation of key management and directors, approved by the Board upon closing the sale of mineral rights to Premier in December 2015.

## Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at December 31, 2015 or as at the date hereof.

## Proposed Transactions

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

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

### **Changes in Accounting Policies and New Pronouncements**

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

The Company has adopted the following amended accounting policy and revised standards, effective April 1, 2015.

#### IFRS 6 – Exploration and Evaluation Assets

During the quarter ended December 31, 2015, the Company sold the mineral rights on 28 claims that originally formed part of the Madsen Property. In absence of specific guidance within IFRS on how to account for a partial sale of an exploration and evaluation asset, the Company has amended its accounting policy on exploration and evaluation assets to specify that 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.

#### IFRS 8 – Operating Segments

IFRS 8, Operating segments, was amended to require (i) disclosure of judgements made by management in aggregating segments, and (ii) a reconciliation of segment assets to the entity's assets when segment assets are reported.

#### IAS 24 – Related Party Transactions

IAS 24 – Related party transactions was amended to (i) revise the definition of “related party” to include an entity that provides key management personnel services to the reporting entity or its parent, and (ii) clarify related disclosure requirements.

### **Standards with Future Implementation Dates**

The following standards have been published and are effective for annual accounting periods beginning on or after January 1, 2018:

#### IFRS 7

This standard was amended to require additional disclosures on transition from IAS 39 to IFRS 9. The Company is currently evaluating the extent of the impact of the adoption of this standard.

#### IFRS 9 – Financial Instruments

IFRS 9, Financial Instruments introduces new requirements for the classification and measurement of financial assets and liabilities. The Company is currently evaluating the extent of the impact of the adoption of this standard.

#### IAS 12 – Deferred Tax Assets for Unrealized Losses

IAS 12, Income Taxes has been amended to clarify the accounting for deferred tax assets for unrealized losses on debt instruments. The Company does not expect this amendment when implemented to have any impact upon adoption of this standard.

The following standards have been published and are effective for annual accounting periods beginning on or after January 1, 2019:

#### IFRS 16 – Leases

IFRS 16, Leases specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company is currently evaluating the extent of the impact of the adoption of this standard.

### **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. Factors that could affect these judgments, estimates and assumptions are discussed in our AIF, dated June 4, 2015, under the heading “Risk Factors”. Subject to the impact of such risks, the carrying value of Pure Gold’s financial assets and liabilities approximates their estimated fair value.

#### ***Judgments***

In the process of applying the Company’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

**(i) Review of Asset Carrying Values and Impairment Assessment**

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

**(ii) Exploration and Evaluation Assets and Expenditures**

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

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

For the nine month period ended December 31, 2015, there were no indicators of impairment on the Company’s exploration and evaluation assets.

## ***Estimates and Assumptions***

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

### **(i) Exploration and Evaluation Assets and Expenditures**

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

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

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

### **(iii) Decommissioning, Restoration and Similar Liabilities**

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

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

## **Financial Instruments and Other Instruments**

Financial assets and liabilities are recognized when Pure Gold becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from assets have expired or have been transferred and Pure Gold has transferred substantially all risks and rewards of ownership. Our accounting policy for each category of financial instrument held or recorded by the Company is summarized below.

## ***Financial assets***

### Loans and Receivables

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

### Available For Sale Investments

A financial asset is classified as available for sale when: (i) it is not classified as a loan and receivable, a held to maturity investment or as fair value to profit and loss; or (ii) it is designated as available for sale on initial recognition. The Company's investment in shares of Premier is classified as available for sale and is measured at fair value with mark-to-market gains and losses recognized in other comprehensive income (loss) ("OCI") and accumulated in the investment revaluation reserve within equity until the financial assets are derecognized or there is objective evidence that the financial assets are impaired. When available for sale investments are derecognized, the cumulative mark-to-market gains or losses that had been previously recognized in OCI are reclassified to earnings for the period. When there is objective evidence that an available for sale financial asset is impaired, the cumulative loss that had been previously recognized in OCI is reclassified to earnings for the period.

## ***Financial liabilities***

### Other Financial Liabilities

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

Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

## ***Risks associated with financial instruments***

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

### Credit Risk

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

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

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

#### Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company attempts to manage liquidity risk by maintaining sufficient cash balances. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term obligations. At December 31, 2015, the Company had cash of \$4.6 million (March 31, 2015 - \$5.0 million) and short-term investments of \$23,000 (March 31, 2015 - \$1.5 million) to settle current liabilities of \$1.6 million (March 31, 2015 - \$1.8 million). As at December 31, 2015, the Company is committed to incur, on a best efforts basis, \$1.9 million in qualifying resource expenditures by December 31, 2016.

#### Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Cash and short-term investments include deposits which are at variable interest rates. For the nine month period ended December 31, 2015, a plus or minus 0.5% change in market interest rates would affect the Company's interest earned on cash and short-term investments by approximately \$18,000.

#### Fair Value Estimation

Other than the Company's investment in Premier, which is measured on a recurring basis, the carrying value of the Company's financial assets and liabilities approximates their estimated fair value.

#### **Management of Capital**

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

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

## Outstanding Share Data

Pure Gold's authorized capital is unlimited common shares without par value. As at February 18, 2016 the following common shares, stock options, share purchase warrants and compensation options were outstanding:

|                                      | # of Shares | Exercise Price | Expiry Date       |
|--------------------------------------|-------------|----------------|-------------------|
| Issued and Outstanding Common Shares | 125,719,854 | N/A            | N/A               |
| Stock Options                        | 50,000      | \$0.20         | March 11, 2016    |
|                                      | 150,000     | \$0.20         | February 25, 2018 |
|                                      | 4,230,000   | \$0.35         | April 8, 2019     |
|                                      | 150,000     | \$0.32         | May 13, 2019      |
|                                      | 200,000     | \$0.35         | February 10, 2020 |
|                                      | 850,000     | \$0.28         | March 19, 2020    |
|                                      | 100,000     | \$0.11         | December 3, 2020  |
|                                      | 3,380,000   | \$0.11         | December 11, 2020 |
| Share Purchase Warrants              | 38,163,250  | \$0.50         | September 4, 2016 |
| Compensation Options *               | 1,242,657   | \$0.25         | March 4, 2016     |
| Fully Diluted                        | 174,235,761 |                |                   |

\* Compensation Options were issued to various Brokers for services rendered for the March 4, 2014 private placement. Each Compensation Option is exercisable for a period of 24 months from issuance and has a strike price of \$0.25. Upon exercise, the holder is entitled to one Common Share of the Company and one-half common share purchase warrant. Each whole warrant entitles the holder to subscribe for one additional common share at a price of \$0.50, with such warrants expiring 24 months from initial issuance of the Compensation Option.

## Industry and Economic Factors That May Affect Our Business

Economic and industry risk factors that may affect our business, in particular those that could affect our liquidity and capital resources, are described under the heading "Risk Factors" in our AIF dated June 4, 2015, available on Pure Gold's SEDAR profile at [www.sedar.com](http://www.sedar.com). In particular, there remains to be significant uncertainties in capital markets impacting the availability of equity financing for the purposes of mineral exploration and development. There are also significant uncertainties and increased volatility in the prices of gold, copper, other precious and base metals and other minerals as well as increased volatility in the foreign currency exchange markets as assets continue to be re-priced against a backdrop of uncertainty relating to the foreign exchange rate and certainty that the United States Federal Reserves Qualitative Easing programs will be tapered, ongoing deferral of, and debate relating to, budget issues in the United States, and as a rebalancing of the global growth forecast is digested by the capital, commodity and currency markets.

While the decrease in the price of gold during 2013, 2014 and 2015 and ongoing uncertainties in capital markets do not have direct impact on the Company's ability to carry out exploration, the Company may be impacted should it become more difficult to gain access to capital (e.g. debt or equity financing for the purposes of mineral exploration and development) when and if needed. Difficulty in accessing capital on favourable terms may limit the Company's ability to develop and/or further explore the mineral properties in which we have an interest.

## Additional Disclosure for Venture Issuers Without Significant Revenue

Additional disclosure concerning Pure Gold's general and administrative expenses and exploration and evaluation expenses is provided in the Company's Statements of Loss and Comprehensive Loss contained in its Interim Financial Statements for the nine months ended December 31, 2015 and in its Annual Financial Statements for the years ended March 31, 2015 and 2014 which are all available on Pure Gold's website at [www.puregoldmining.ca](http://www.puregoldmining.ca) or on its profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Legal Matters**

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

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

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

Management, under the supervision of and with the participation of the CEO and the CFO, have a process in place to evaluate disclosure controls and procedures and internal control over financial reporting as required by Canadian securities regulations. The CEO and CFO will certify the annual filings with the CSA as required in Canada by National Instrument ("NI") 52-109 (Certification of Disclosure in an Issuer's Annual and Interim Filings). The Board of Directors is responsible for overseeing management and to consider whether they have fulfilled their responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee which is independent from management. The Audit Committee is appointed by the Board of Directors and reviews the financial statements and MD&A; considers the report of the external auditors; assesses the adequacy of management's assessment over internal controls described below; considers and approves the fees and expenses for the audit services; and recommends the independent auditors to the Board for the appointment by the shareholders. The independent auditors have full and free access to the Audit Committee and meet with it to discuss their audit work, our internal control over financial reporting and financial reporting matters. The Audit Committee reports its findings to the Board of Directors for consideration when approving the financial statements for issuance to the shareholders and also management's report on Internal Control over Financial Reporting. Management is responsible for establishing and maintaining adequate internal control over financial reporting.

## **Controls and Procedures**

In connection with NI 52-109, the CEO and CFO of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited condensed interim consolidated financial statements and respective accompanying MD&A as at December 31, 2015 (together the "Interim Filings").

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

## **Disclosure Controls and Procedures**

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

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

### **Scientific and Technical Disclosure**

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

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

- "Technical Report on the Madsen Gold Project, Red Lake, Ontario, Canada", effective February 18, 2014, and dated February 18, 2014, filed under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

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

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

Mineral resource estimates relating to Madsen are only estimates and no assurance can be given that any particular level of recovery of minerals will be realized or that an identified resource will ever qualify as a commercially mineable or viable deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined at Madsen may differ from the one indicated by drilling results and the difference may be material. Although there has been no economic analysis summarized in this MD&A relating to the Madsen Gold Project Technical Report, readers are cautioned that the Madsen Technical Report is preliminary in nature and includes inferred and indicated mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that this will indeed occur. Further studies, including engineering and economics, are required (typically as a Pre-Feasibility Study) with regards to infrastructure and operational methodologies. Additional disclosure and cautionary notes relating to Madsen are summarized in our AIF, available on Pure Gold's SEDAR profile at [www.sedar.com](http://www.sedar.com).

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

consented to the inclusion of the Technical Information in the form and context in which it appears in this MD&A.

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

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

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

Forward-looking statements and forward-looking information are not guarantees of future performance and are based upon a number of estimates and assumptions of management at the date the statements are made including among other things, assumptions about future prices of gold, copper, silver, molybdenum and other metal prices, changes in the worldwide price of other commodities such as coal, fuel and electricity fluctuations in resource prices, currency exchange rates and interest rates, favourable operating conditions, political stability, obtaining governmental approvals and financing on time, obtaining renewals for existing licences and permits and obtaining required licences and permits, labour stability, stability in market conditions, availability of equipment, accuracy of any mineral resources and mineral reserves, successful resolution of the challenges to the EIAs described in this MD&A, if any, anticipated costs and expenditures and our ability to achieve our goals. While we consider these assumptions to be reasonable, the assumptions are inherently subject to significant business, social, economic, political, regulatory, competitive and other risks and uncertainties, contingencies and other factors that could

cause actual performance, achievements, actions, events, results or conditions to be materially different from those projected in the forward-looking statements and forward-looking information. Many assumptions are based on factors and events that are not within the control of Pure Gold and there is no assurance they will prove to be correct.

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

Forward-looking statements and forward-looking information contained herein are made as of the date of this MD&A and we disclaim any obligation to update or revise any forward-looking statements or forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by applicable law. There can be no assurance that forward-looking statements or forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements or forward-looking information. All forward-looking statements and forward-looking information attributable to us is expressly qualified by these cautionary statements.

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

### **Approval**

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

### **Additional Information**

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

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

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

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

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