

NEWS RELEASE 16-17

June 17, 2016

## PURE GOLD REPORTS FISCAL 2016 FINANCIAL RESULTS

VANCOUVER, B.C. – Pure Gold Mining Inc. (PGM – TSX-V) (“**Pure Gold**” or the “**Company**”) is pleased to announce financial results and operating highlights for the fiscal year ended March 31, 2016, as well as an update on activities at the Company’s 100% owned Madsen Gold Project (“**Madsen**”). All financial figures are in Canadian dollars, unless otherwise stated.

### Financial and Operating Highlights through and subsequent to March 31, 2016:

- **Completion of Flow-Through Share Financing**

On June 8, 2016, the Company closed a bought deal private placement whereby the Company raised gross proceeds of \$6.3 million through the issuance of 8,334,000 flow-through common shares at a price of \$0.75 per flow-through common share. The funds raised will be used towards the Company’s planned exploration activities at Madsen in 2016.

- **Madsen Exploration**

Exploration during the year has been focused on the McVeigh horizon. Pure Gold’s work and drilling to date suggests that the McVeigh horizon is a parallel fold of the Austin horizon and remains open down plunge from historic mining. The Madsen Mine, which operated for over 36 years, produced 2.5 million ounces of gold at an average grade of 9.9 g/t with the primary source of mine feed coming from the Austin horizon which was mined from surface to a depth of 1,200 metres. The McVeigh horizon shares the same characteristics and similar widths and grades as the parallel Austin horizon, with drilling to date indicating that the McVeigh horizon is open for potential resource expansion along strike and at depth, below historical mining depths of 230 metres.

Drilling at Russet South, first drill tested by Pure Gold in 2015, has delineated three separate zones – Alpha, Beta and Kappa – which together form part of a large altered mineral system currently measuring approximately 600 metres long by 350 metres wide at surface. This target has now been drilled to a depth of approximately 200 metres, with gold mineralization encountered from surface, and remains open in all directions. These targets share a similar geologic environment to Madsen’s 8 Zone resource, which is situated 1.6 kilometres down dip on the same geologic contacts.

On June 9, 2016, Pure Gold announced an expansion to its 2016 exploration program, including an additional 35,000 metres of diamond drilling at the Madsen Gold Project. The planned \$9.1 million expansion of the program will include:

- An additional 30,000 metre diamond drill program focused on the potential expansion of the McVeigh horizon;
- Approximately 5,000 metres of additional drilling at Russet South and other satellite targets with a goal of expanding the near surface, high-grade mineralization discovered to date;
- Development of a plan to re-open the existing McVeigh portal and decline allowing for an underground inspection, and for detailed underground geological mapping and sampling to refine structural setting, characterize mineralization and aid in additional targeting at McVeigh; and

- Continued surface geology mapping, soil and rock sampling, scientific review of historic data sets and multidisciplinary analysis and refinement of targeting.
- **Results of a Preliminary Economic Assessment for Madsen<sup>1</sup>**

On April 20, 2016 the Company announced the results of a Preliminary Economic Assessment (“PEA”) on Madsen. The PEA provides a base case assessment of developing a portion of the current mineral resources by utilizing existing mining infrastructure, including the permitted mill and tailings facilities. Highlights include (base case parameters assume a gold price of US\$1,175/oz and an exchange rate (US\$ to C\$) of 0.80):

  - Pre-Tax NPV<sub>5%</sub> and IRR of \$104 million and 74% respectively with a 1.5 year payback period
  - After-Tax NPV<sub>5%</sub> and IRR of \$76 million and 62% respectively with a 1.5 year payback period
  - Mine life of 6.5 years with peak annual gold production of approximately 58,000 ounces
  - Pre-production capital cost estimated at \$20.1 million
  - LOM cash cost plus sustaining cost of US\$692/oz
- **Sale of Non-Core Assets**

On December 2, 2015, Pure Gold entered into a binding letter of intent to sell 28 non-core mining claims to Premier Gold Mines Limited (“Premier”). Total consideration to Pure Gold consisted 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 was granted a 1.0% Net Smelter Return (“NSR”) royalty on the majority of the claims divested, with Premier having the right to acquire back 50% of the NSR royalty for \$1.0 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 1.0% NSR royalty. On May 20, 2016 the Company received the remaining \$0.5 million in cash upon closing of the sale of surface rights for the Buffalo claims to Premier. The Premier shares were sold in May 2016 for net proceeds of \$3.4 million.
- **Exercise of Warrants**

Subsequent to year-end, Pure Gold received total proceeds of \$2.1 million from the exercise of 4,146,500 share purchase warrants with a strike price of \$0.50 expiring September 4, 2016.

## Selected Financial Data

The following selected financial data is derived from our Consolidated Financial Statements and related notes thereto for the periods indicated, as prepared in accordance with International Financial Reporting Standards. Details of these results are described in the Consolidated Financial Statements and Management’s Discussion

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<sup>1</sup> See the National Instrument 43-101 technical report entitled “*Technical Report on the Preliminary Economic Assessment For the Madsen Gold Project*,” prepared by Nordmin Engineering Ltd., dated effective April 20, 2016 available on the Company’s website at [www.puregoldmining.ca](http://www.puregoldmining.ca) or under its SEDAR profile at [www.sedar.com](http://www.sedar.com), for further details. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.

and Analysis for the year ended March 31, 2016. These documents can be found on the Company's website ([www.puregoldmining.ca](http://www.puregoldmining.ca)) or on SEDAR at [www.sedar.com](http://www.sedar.com). All dollar figures are expressed in Canadian \$.

	Year ended March 31	
	2016	2015
Net Loss for the year	\$5,009,047	\$7,154,500
Total Comprehensive Loss for the year	\$4,558,273	\$7,154,500
Basic and diluted loss per share	\$0.04	\$0.07

	As at	
	March 31, 2016	March 31, 2015
Cash and short-term investments	\$2,222,151	\$6,529,937
Available for sale investment	\$3,105,335	--
Working capital ( <i>current assets less current liabilities</i> )	\$4,206,910	\$4,990,710
Total assets	\$21,697,657	\$26,338,681
Current liabilities	\$1,408,402	\$1,787,173
Non-current liabilities	\$2,463,069	\$2,571,775
Shareholders' equity	\$17,826,186	\$21,979,733

Net loss for the year ended March 31, 2016 totaled \$5.0 million compared to \$7.2 million for the same period in the prior year. The most significant contributors to the loss for the years ended March 31, 2016 and 2015, were (i) exploration and evaluation expenditures; (ii) wages, consulting and directors fees; (iii) non-cash share-based compensation expense; (iv) office and rent expenses; (v) investor relations and communication expenditures and; (vi) professional fees. Explanations for material variances year over year are described below.

Exploration and evaluation expenditures totalled \$4.2 million for the year ended March 31, 2016 remaining relatively consistent on a total expenditure basis compared to \$4.5 million for the same period in the prior year. Fiscal 2016 saw the number of metres drilled decrease slightly to 10,168 metres compared to 11,015 metres in fiscal 2015, while drilling costs fell from \$1.3 million in fiscal 2015 to \$1.1 million in the current year, reflecting a more efficient drill contractor and logistical savings related to drilling nearer to the Madsen mine infrastructure. Fiscal 2016 saw an increase in assaying costs to \$0.4 million compared to \$0.3 million in fiscal 2015, reflecting additional screen metallic assays and specific gravity measurements due to the increased percentage of metres drilled in mineralization. Geophysics costs in fiscal 2015 totalled \$0.1 million compared to nil in fiscal 2016. Fiscal 2015 saw the Company complete a 1,653 line-kilometre helicopter-borne geophysical survey over the entire property. During the year ended March 31, 2016, the Company incurred \$0.2 million on engineering costs, primarily associated with the PEA and related engineering studies.

Share-based compensation expense decreased to \$0.4 million for the year ended March 31, 2016, compared to \$0.9 million in the same period in the prior year, reflecting fewer options granted in fiscal 2016 compared to the prior year.

Investor relations and communication totalled \$0.1 million for the year ended March 31, 2016, compared to \$0.5 million for the same period in the prior year. In fiscal 2015, 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 and to highlight Madsen to the markets, which the Company acquired at the end of fiscal 2014. In the first nine months of fiscal 2016, the Company curtailed investor relations activities in an effort to conserve cash, in light of difficult financing markets at the time.

Other comprehensive income for the year ended March 31, 2016, included a mark to market gain of \$0.5 million on the 1,001,720 shares of Premier held at year-end, which were considered available for sale investments. This unrealized gain is the difference between the fair value of the shares in December 2015 at the time of the sale of the mineral rights on the Buffalo Claims to Premier, compared to the fair value of the shares at March 31, 2016. As a result, the Company has a Comprehensive loss for the year of \$4.5 million. Any unrealized gain or loss on available for sale investments is reclassified to profit and loss when the assets are sold.

The Company currently has approximately \$9.6 million in cash and short-term investments.

## **Exploration at Madsen**

Since acquiring Madsen in March 2014, Pure Gold has spent a cumulative total of \$9.0 million exploring and developing the Project 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 geological targeting models 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;
- Stripped, mapped and chip and channel sampled key areas within the broad mineral system footprint identified at Russet South;
- Commenced engineering studies on existing resource and infrastructure culminating in the completion of a PEA;
- Completed approximately 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 zones at Russet South which delineated near-surface high-grade gold mineralization within a 600 metre by 350 metre target area, that remains open down dip and along strike;
- Developed a new interpretation for the McVeigh horizon;
- Drilled over 85 diamond drill holes for more than 20,000 metres, with the majority of this core analyzed for gold and multi-element geochemistry; and
- An additional 9,000 metres of historic drill core was re-logged and selectively re-sampled.

Pure Gold spent the year compiling, analyzing and digitizing historic geology, drilling and mining data of the Madsen Mine's parallel Austin and McVeigh mineralized horizons. The Austin horizon was the principal source of mine feed for the Madsen Mine. The parallel McVeigh horizon only saw limited near-surface production with a maximum mining depth of approximately 230 metres. Pure Gold's work suggests that the McVeigh horizon is a parallel fold of the Austin horizon and remains open down plunge from historic mining.

Significant results from drilling at McVeigh during fiscal 2016 and subsequent to year-end, include<sup>2</sup>:

- Hole PG16-056, 11.3 g/t Au over 9.3 metres;
- Hole PG16-058, 16.0 g/t Au over 7.0 metres, including 45.5 g/t Au over 2.1 metres and a separate zone of 9.9 g/t Au over 7.0 metres ;
- Hole PG16-060, 10.3 g/t Au over 3.2 metres, including 50.8 g/t Au over 0.6 metres;
- Hole PG16-071, 11.0 g/t Au over 5.9 metres;
- Hole PG16-075, 20.6 g/t Au over 2.0 metres;
- Hole PG16-093, 10.9 g/t Au over 9.8 metres, including 27.0 g/t Au over 3.8 metres;
- Hole PG16-112 31.3 g/t Au over 3.7 metres, including 54.1 g/t Au over 2.0 metres; and
- Hole PG16-122 14.2 g/t Au over 5.0 metres.

Work also continued at the Russet South target. Mineralization at Russet South, located 1,500 metres west of the Madsen mine infrastructure, is of a similar style to the Madsen Mine's 8 Zone and other recent discoveries in the Red Lake district, such as Goldcorp's HG Young and High Grade Zone<sup>3</sup>. Drilling in 2015 has delineated near surface gold mineralization in three zones over a 350 metre by 650 metre mineralized system and remains open down-dip and along strike. During fiscal 2016, the Company obtained the following significant results from drilling at Russet South<sup>4</sup>:

- Hole PG15-027, 9.5 g/t Au over 3.5 metres;
- Hole PG15-028, 15.0 g/t Au over 5.0 metres;
- Hole PG15-031, 39.1 g/t Au over 2.9 metres;
- Hole PG15-032, 37.5 g/t Au over 1.7 metres;
- Hole PG15-045, 5.4 g/t Au over 8.0 metres, including 12.3 g/t Au over 2.9 metres;
- Hole PG16-069, 22.1 g/t gold over 3.5 metres, including 36.9 g/t gold over 1.8 metres; and
- Hole PG16-091, 20.1 g/t gold over 2.9 metres.

The Company spent a total of \$4.2 million on exploration and development during the year ended March 31, 2016 compared to a budget of \$4.0 million. A total of 10,168 metres were drilled during the fiscal year, including 3,993 metres drilled at Russet South and 6,175 metres targeting the McVeigh and Austin horizons near the historic Madsen mine site.

The Company has designed a further \$9.1 million exploration program for Madsen for the remainder of calendar 2016 that will include an additional 30,000 metres of drilling targeting the McVeigh horizon, as well as

<sup>2</sup> See press releases dated March 1, 2016, April 4, 2016, May 17, 2016 and June 14, 2016 available on the Company's website at [www.puregoldmining.ca](http://www.puregoldmining.ca) or under its SEDAR profile at [www.sedar.com](http://www.sedar.com), for further details of the results obtained from the McVeigh horizon drilling.

<sup>3</sup> There are no assurances that the geological similarities to the 8 Zone, HG Young, or High Grade Zone mineralization will result in the establishment of any resource estimate at Russet South, or, if found to exist, that it will be of a similar grade or quantity that is found at those other deposits, or that the Russet South target can be advanced in a similar timeframe.

<sup>4</sup> See Press Releases dated May 27, 2015, June 16, 2015, April 11, 2016 and May 4, 2016 available on the Company's website at [www.puregoldmining.ca](http://www.puregoldmining.ca) or under its SEDAR profile at [www.sedar.com](http://www.sedar.com), for further details of the results obtained from the Russet South target drilling.

approximately 5,000 metres to be drilled at Russet South and other targets. The program will also entail ongoing environmental monitoring, rehabilitation and tailings dam inspections, and opening of the historic McVeigh portal and inspection of the existing McVeigh decline to allow for underground mapping and sampling of the McVeigh horizon.

This press release should be read in conjunction with Pure Gold's Consolidated Financial Statements and Management's Discussion and Analysis for the year ended March 31, 2016. In addition, for further information please see Pure Gold's Annual Information Form for the year ended March 31, 2016. These documents can be found on the Company's website ([www.puregoldmining.ca](http://www.puregoldmining.ca)) or under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may receive a printed copy of the audited consolidated financial statements, free of charge, upon request.

#### **ABOUT MADSEN**

The Madsen Mine operated for over 36 years with historic production of 2.5 million ounces at an average grade of 9.9 g/t gold. The Madsen Gold Project hosts an operational head frame, a permitted mill and tailings facility, and access to power, water and labour. The Madsen Gold Project has an Indicated Resource of 928,000 ounces gold at 8.93 g/t gold (in 3.24 million tonnes) and an Inferred Resource of 297,000 ounces gold at 11.74 g/t gold (in 0.79 million tonnes)<sup>5</sup>. The mineral resource is based on 13,624 drill holes, evenly dispersed throughout the mineral resource. A robust geologic model based on 27 levels of geological mapping and chip sampling provides a solid understanding of the geology and continuity of mineralization.

In addition to the mineral resource, the Madsen Gold Project hosts a number of highly prospective new discoveries including the Fork Zone and Russet South targets, as well as, two significant historic underground mines. Pure Gold believes the opportunity exists to advance these near-surface, high grade exploration targets through the application of modern exploration science and a new understanding of the district.

*(5) See the National Instrument 43-101 technical report entitled "Technical Report on the Preliminary Economic Assessment For the Madsen Gold Project," prepared by Nordmin Engineering Ltd., dated effective April 20, 2016. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.*

#### **QA/QC and Core Sampling Protocols**

Drill core samples are submitted to ALS Minerals in Thunder Bay, Ontario for sample preparation by crushing to 70% less than 2mm, a rotary split of 1kg, and pulverization of the split to better than 85% passing 75 microns. Sample pulps are shipped to the ALS assay laboratory in North Vancouver, B.C. for gold analysis with a 30g fire assay and AAS finish (code Au-AA23). Samples returning >5 g/t Au are re-assayed with a gravimetric finish (code GRA21). Mineralized zones with visible gold are also analyzed by a 1kg screen fire assay with screening to 100 microns. A duplicate 30g fire assay is conducted on the screen undersize with assaying of the entire oversize fraction (code Au-SCR21). Control samples (accredited standards and non-accredited blanks) were inserted on a regular basis. Results are assessed for precision on an ongoing basis.

#### **Qualified Persons and 43-101 Disclosure**

Phil Smerchanski, P. Geo., Vice President, Exploration for the Company, is the designated Qualified Person for this news release within the meaning of National Instrument 43-101 ("NI 43-101") and has reviewed and verified that the technical information contained herein is accurate and approves of the written disclosure of same.

## ABOUT PURE GOLD

Our mandate is pure and simple. To dream big. To colour outside the lines. To use smart science and creativity to unlock the next major gold discovery at the Madsen Gold Project in Red Lake, Ontario. And become Canada's next iconic gold company.

For more information, visit [www.puregoldmining.ca](http://www.puregoldmining.ca) or contact:

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*All statements in this press release, other than statements of historical fact, are "forward-looking information" with respect to Pure Gold within the meaning of applicable securities laws, including, but not limited to statements with respect to those that address potential quantity and/or grade of minerals, potential size and expansion of a mineralized zone, proposed timing of exploration and development plans. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "planned", "expect", "project", "predict", "potential", "targeting", "intends", "believe", "potential", and similar expressions, or describes a "goal", or variation of such words and phrases or state that certain actions, events or results "may", "should", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking information is not a guarantee of future performance and is based upon a number of estimates and assumptions of management at the date the statements are made including, among others, assumptions about future prices of gold and other metal 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, successful resolution of disputes and anticipated costs and expenditures. 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.*

*Such forward-looking information, involves known and unknown risks, which may cause the actual results to be materially different from any future results expressed or implied by such forward-looking information, including, risks related to the interpretation of results at the Madsen Gold Project; changes in project parameters as plans continue to be refined; current economic conditions; future prices of commodities; possible variations in grade or recovery rates; the costs and timing of the development of new deposits; failure of equipment or processes to operate as anticipated; the failure of contracted parties to perform; the timing and success of exploration activities generally; delays in permitting; possible claims against the Company; labour disputes and other risks of the mining industry; delays in obtaining governmental approvals, financing or in the completion of exploration as well as those factors discussed in the Annual Information Form of the Company dated June 17, 2016 in the section entitled "Risk Factors", under Pure Gold's SEDAR profile at [www.sedar.com](http://www.sedar.com).*

*Although Pure Gold has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate as actual results and future events could differ materially from those anticipated in such 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 unless required by law.*