

NEWS RELEASE 17-11

June 19, 2017

## PURE GOLD REPORTS FISCAL 2017 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, 2017, 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, 2017:

#### *Financing Activities*

- raised a total of \$19.5 million by way of two bought deal private placements whereby the Company issued a total of 25,934,000 flow-through common shares (“Flow Through Shares”) at a price of \$0.75 per Flow Through Share;
- through the Corporation’s Flow Through Share offering, welcomed Goldcorp Inc. as a ~ 7% strategic investor, on an undiluted basis ; and
- raised a total of \$19.0 million from the exercise of share purchase warrants with a strike price of \$0.50 (the “Warrants”), that otherwise expired on September 6, 2016. A total of 38,007,250 Warrants were exercised representing 99.6% of the total Warrants issue.

#### *Madsen Property (“Madsen”)*

- successfully confirmed a south plunge to the McVeigh mineralization and established that the McVeigh mineralization is analogous to the Austin with similar style of alteration and comparable widths and grades of gold mineralization;
- announced the Company’s first ever drill results from the Starratt target. The historic Starratt-Olsen mine and the Starratt target lie within 100% owned patent claims that form a core part of Madsen. Surface drilling beyond the north end of the historic mine expanded the mineralization significantly down plunge from the mined zones. Highlights from drilling at Starratt during fiscal 2017 include<sup>12</sup>
  - **34.0 g/t gold over 11.0 metres** (estimated true thickness of 2.3 metres) in hole PG16-198 including **27.3 g/t gold over 2.0 metres** and including **104.1 g/t gold over 3.0 metres**; and
  - **15.1 g/t gold over 5.4 metres** in hole PG16-215 including **69.2 g/t gold over 1.0 metres**.

<sup>1</sup> See press release dated October 3, 2016 for complete details of these drill results, including tables of completed drill results, available on the Company’s website at [www.puregoldmining.ca](http://www.puregoldmining.ca) or Sedar profile at [www.sedar.com](http://www.sedar.com).

<sup>2</sup> Starratt is an early stage exploration project and does not contain any mineral resource estimates as defined by NI 43-101. The potential to define a mineral resource at Starratt or other targets is conceptual in nature and there has been insufficient exploration to define a mineral resource. It is uncertain if further exploration at these or other targets at Madsen will yield a mineral resource.

- successfully identified a new target called A3 within the Austin horizon. This new target lies beyond the southern limits of the historic mining in the Austin horizon and is interpreted to be another sub-parallel gold bearing structure that is open to depth. Highlights from drilling at A3 during fiscal 2017 include<sup>3</sup>:
  - **25.4 g/t gold over 8.0 metres** in hole PG16-229 including **41.3 g/t gold over 4.6 metres**;
  - **16.7 g/t gold over 1.0 metre** in hole PG16-231;
  - **58.8 g/t gold over 2.0 metres** in hole PG17-304 including **113.3 g/t gold over 1.0 metre**; and
  - The deepest gold mineralized intercept drilled to date by Pure Gold intersecting the A3 zone at 600 metres vertical and returning **6.2 g/t gold over 3.3 metres** in hole PG17-320.
- successfully identified and expanded the footprint of near surface gold mineralization at Russet South, which shares a similar geologic environment to the Madsen 8 Zone resource<sup>4</sup>. A new zone of mineralization was successfully discovered in 2017, expanding the gold mineralized system at Russet South across a 650 metre X 650 metre area to depths of 250 metres. Highlights from drilling at Russet South during fiscal 2017 include:<sup>45</sup>
  - **56.2 g/t gold over 1.3 metres** in hole PG16-067;
  - **22.1 g/t gold over 3.5 metres** in hole PG16-069 including **36.9 g/t gold over 1.8 metres**;
  - **20.1 g/t gold over 2.9 metres** in hole PG16-091 including **42.2 g/t gold over 1.0 metres** and also including **14.3 g/t gold over 0.9 metres**;
  - **17.7 g/t gold over 1.0 metres** in hole PG-16-099;
  - **76.0 g/t gold over 2.1 metres** in hole PG16-233 including **132.0 g/t gold over 1.1 metres**;
  - **15.9 g/t gold over 1.0 metre** in hole PG16-241;
  - **6.6 g/t gold over 9.9 metres** in hole PG16-243 including **46.4 g/t gold over 1.0 metre**; and
  - **23.1 g/t gold over 1.9 metres** in hole PG17-310;

<sup>3</sup> See press releases dated October 31, 2016, February 28, 2017 and April 27, 2017 for complete details of these drill results, including tables of completed drill results, available on the Company's website at [www.puregoldmining.ca](http://www.puregoldmining.ca) or Sedar profile at [www.sedar.com](http://www.sedar.com).

<sup>4</sup> The proximity and geologic similarities to Madsen does not mean that Pure Gold will obtain similar results at Russet South or other exploration targets on the Madsen Property. Russet South is an early stage exploration project and does not contain any mineral resource estimates as defined by NI 43-101. The potential to define a mineral resource at Russet South or other targets is conceptual in nature and there has been insufficient exploration to define a mineral resource. It is uncertain if further exploration at these or other targets at Madsen will yield a mineral resource.

<sup>5</sup> See press releases dated April 11, 2016, May 4, 2016, November 14, 2016 and March 27, 2017, for complete details of these drill results, including tables of completed drill results, available on the Company's website at [www.puregoldmining.ca](http://www.puregoldmining.ca) or Sedar profile at [www.sedar.com](http://www.sedar.com).

- established a strike length of 450 metres in a shallow south-plunging gold-bearing structure which remains open for expansion at the Fork Zone;
- announced the acquisition of the Derlak Property consisting of 11 patented mining claims, filling an important keyhole gap in the Madsen Gold Project claim package. The acquisition secures the future large-scale exploration potential of the Madsen mine's northeast plunging Austin mineralization which remains open to depth; and
- announced the results of a Preliminary Economic Assessment ("PEA") on the Madsen Project<sup>6</sup> prepared by Nordmin Engineering. 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 NPV5% and IRR of \$104 million and 74% respectively with a 1.5 year payback period;
  - After-Tax NPV5% 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.

### **Management Changes**

- Phil Smerchanski was appointed Vice President, Exploration, from his previous position with the Company as Director, Geoscience; and
- Ken Donner was appointed Vice President, Operations. Mr. Donner will initially be focused on development management at Madsen, including the re-opening of the existing McVeigh portal and rehabilitation of surface infrastructure.

### **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 and Analysis for the year ended March 31, 2017. 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 \$.

---

<sup>6</sup> For further details on the PEA for Madsen, see the National Instrument 43-101 Technical Report entitled "NI 43-101 Technical Report on the Preliminary Economic Assessment for the Madsen Gold Project" with an effective date of April 20, 2016, which can be found on Pure Gold's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

|   | Year ended<br>March 31 |             |
|---|------------------------|-------------|
|   | 2017                   | 2016        |
| Net Loss for the year                   | \$24,532,025           | \$5,009,047 |
| Exploration and evaluation expenditures | \$22,897,880           | \$4,221,780 |
| Total Comprehensive Loss for the year   | \$24,982,799           | \$4,558,273 |
| Basic and diluted loss per share        | \$0.15                 | \$0.04      |

  

|  | As at             |                   |
|--|-------------------|-------------------|
|  | March 31,<br>2017 | March 31,<br>2016 |
| Cash and short-term investments                                    | \$16,531,815      | \$2,222,151       |
| Available for sale investment                                      | -                 | \$3,105,335       |
| Working capital ( <i>current assets less current liabilities</i> ) | \$13,153,928      | \$4,206,910       |
| Total assets   | \$35,311,795      | \$21,697,657      |
| Current liabilities  | \$5,103,527       | \$1,408,402       |
| Non-current liabilities  | \$2,529,001       | \$2,463,069       |
| Shareholders' equity   | \$27,679,267      | \$17,826,186      |

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

**Exploration and evaluation expenditures** increased to \$22.9 million for the year ended March 31, 2017 compared to \$4.2 million for the same period in the prior year. Fiscal 2017 saw a significant expansion of exploration activities at Madsen compared to the prior year period. In fiscal 2016, the Company concluded a winter drill program in April 2015 and then reduced exploration activity due to financial constraints.

In fiscal 2017, the Company received \$19.0 million from the exercise of share purchase warrants; completed two separate Flow Through Share financings raising an additional \$19.5 million; and received funds from the sale of non-core assets to Premier, resulting in a significantly improved financial position and allowing the Company to resume an aggressive exploration program at Madsen.

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

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

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

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

**Share-based compensation** increased for the year ended March 31, 2017 to \$0.9 million from \$0.4 million in fiscal 2016, primarily due to the increased Black-Scholes option value assigned to the fiscal 2017 grants as compared to the prior year.

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

The Company currently has approximately \$9.9 million in cash and short-term investments.

### **Grant of Incentive Stock Options**

The Company has granted incentive stock options to a consultant to purchase up to 200,000 common shares in the capital of the Company until June 16, 2022 at an exercise price of \$0.54 per share to First Global Capital, who provides investor relations activities to the Company. The incentive stock options were granted in accordance with the Company's Stock Option Plan.

### **Exploration at Madsen**

The Company spent a total of \$22.9 million on exploration and other studies at Madsen during the year ended March 31, 2017 compared to a budget of \$22.3 million. The small variance was primarily due to additional metres drilled in fiscal Q4 of 2017 compared to budget, as well as higher than expected underground service installation costs at the McVeigh portal.

The Company is currently undertaking a Phase I exploration and engineering program at Madsen which includes a minimum of 70,000 metres of drilling and includes reinstalling underground services to the McVeigh decline and ongoing engineering studies on stope optimization. Phase I is expected to be completed by September 2017. Phase II is contingent upon the results of Phase I but is expected to include further drilling

from both surface and underground. The Company is also working to update its mineral resource statement and plans to have this completed during the second quarter of fiscal 2018.

During the fiscal year, the Company successfully confirmed a south plunge to the McVeigh mineralization and established that the McVeigh is analogous to the Austin mineralized zones with a similar style of alteration and comparable widths and grades of gold mineralization. Drilling within the McVeigh has extended the strike length of mineralization approximately 200 metres south of any previous mine production. Gold mineralization in the McVeigh forms repeating, south-plunging shoots.

Current drilling in the McVeigh has encountered strong alteration at a vertical depth of approximately 600 metres, characterized by strong biotite alteration, pervasive silicification, significant sulphide content, and anomalous gold mineralization. Deeper drilling by previous operators anchors the south end of the McVeigh, including hole 16-9500-SW-1-A which returned 24.3 g/t gold over 1.5 metres, occurring 1.4 kilometres south of the Madsen shaft and at a vertical depth of 750 metres .

Digital geologic mapping at Madsen was initiated upon acquisition of the property, progressing to the south towards Starratt in 2015 and 2016. This work identified a continuation of the stratigraphic units and alteration zones which host the mineralization at Madsen and provided support for initial drill targeting at Starratt. Pure Gold's work has confirmed that the historic zones at Starratt are analogous in geologic setting to the McVeigh, South Austin, and Austin with mineralization occurring along structures that intersect geologic contacts at low angles.

In October 2016, Pure Gold announced the Company's first ever drill results from the Starratt Target. The historic Starratt-Olsen mine and the Starratt target lie within 100% owned patent claims that form a core part of the Madsen property. Drilling down plunge of stopes at the North end of the Starratt Mine successfully intersected high grade mineralization.

The Company identified a new target called A3 within the Austin horizon. This new target lies beyond the southern limits of the historic mining in the Austin horizon and is interpreted to be another sub-parallel gold bearing structure that is open to depth. The Company plans to test the extent of the A3 Target with additional drilling.

Geological interpretation and drilling also identified and expanded the footprint of near surface gold mineralization at Russet South. The association of very high gold grades in deformed quartz veins along the contacts of folded ultramafic units is directly analogous to the setting of the High Grade Zone at Goldcorp's Red Lake Mine as well as to the 8 Zone at Madsen, which occurs 1,600 metres down dip from Russet South. Recent drilling at the Fork Zone has established a strike length of 450 metres in a shallow south-dipping gold bearing structure which remains open for expansion<sup>7</sup>.

---

<sup>7</sup> The proximity and geologic similarities to Madsen Mine, the 8 Zone or Goldcorp's Red Lake Mine High Grade Zone does not mean that Pure Gold will obtain similar results at Russet South or other exploration targets on the Madsen Property. Russet South is an early stage exploration project and does not contain any mineral resource estimates as defined by NI 43-101. The potential to define a mineral resource at Russet South or other targets is conceptual in nature and there has been insufficient exploration to define a mineral resource. It is uncertain if further exploration at these or other targets at Madsen will yield a mineral resource.

New geologic modelling based on the recent drilling has established the structural framework for the Fork Zone and reinforces the scale of the Madsen mineral system. This new work confirms the earlier postulation of strike continuity of the gold mineralized system between the Madsen and Starratt Mines, with approximately 2.5 kilometres from the Madsen #2 shaft to the Starratt Target and 5 kilometres total strike length of the high grade gold-mineralized system.

The Company also submitted a project description to the Ministry of Northern Development of Ontario and received permission in December 2016 to re-open the McVeigh portal, which provides underground access to the McVeigh. The Company expects to complete underground services for the McVeigh portal which will allow the commencement of underground exploration in the second half of calendar 2017.

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.

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

Drill core samples in calendar 2016 were 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 were 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 which returned >5 g/t Au were re-assayed with a gravimetric finish (code GRA21). Mineralized zones with visible gold were also analyzed by a 1kg screen fire assay with screening to 100 microns. A duplicate 30g fire assay was 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.

Drill core samples in 2017 are bagged and sealed and submitted to SGS in Red Lake, Ontario for sample preparation by crushing to 75% less than 2mm, a riffle split of 1kg, and pulverization of the split to better than 85% passing 75 microns. Gold analysis is completed in the SGS Red Lake lab with a 30g fire assay and AAS

finish (code GE-FAA313). Samples returning >5 g/t Au are re-assayed with a gravimetric finish (code GO-FAG303). Mineralized zones with visible gold are also analyzed by a 1kg screen fire assay with screening to 106 microns (code GO-FAS51K). Two 30g fire assays are conducted on the screen undersize and combined with an assay of the entire oversize fraction. 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:

Darin Labrenz, President & CEO

Phone: 604-646-8000 or Toll Free 1-877-632-4677

[info@puregoldmining.ca](mailto:info@puregoldmining.ca)

*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.*