

NEWS RELEASE 16-02

February 18, 2016

## PURE GOLD REPORTS THIRD QUARTER FINANCIAL AND OPERATING RESULTS

VANCOUVER, B.C. – Pure Gold Mining Inc. (PGM – TSX-V) (“Pure Gold” or the “Company”) is pleased to announce its financial results and company highlights for the fiscal 2016, third quarter ended December 31, 2015 and provide an update on company activities at the Madsen Gold Project, located in the Red Lake district, Ontario.

“The sale of non-core mineral claims to Premier Gold Mines Ltd. has provided Pure Gold with the working capital to advance the Madsen Gold Project, minimizing dilution to shareholders,” stated Darin Labrenz, President and CEO of Pure Gold. “We are excited to kick off our winter drill program which will focus on near mine targets in the shadow of the existing head frame. We believe that drilling to bolster and expand our near mine resource combined with ongoing engineering studies, will allow us to assess the possibility of a mining scenario suitable for the existing infrastructure at Madsen.”

### Third Quarter Financial and Operational Highlights:

- **Completion of partial sale of assets to Premier Gold Mines Ltd.**

On December 30, 2015, the Company entered into an asset purchase agreement (“APA”) with Premier Gold Mines Ltd. (“Premier”). Under the terms of the APA, the Company is to sell 28 non-core patented mineral claims, of the Madsen Gold Project, 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 (classified as an available for sale investment), with a then fair value of \$2.6 million, and the NSR, while Premier received the underlying mineral rights of the claims being sold.

The second tranche is expected to be completed by the end of March 2016 upon receipt of regulatory approval 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.

- **Winter exploration program**

The Company commenced a 6,000 metre drill program, designed to test and advance new interpretations of near-surface high-grade targets, in close proximity to the historic mine. The Company is also continuing engineering studies to assess the existing mining and milling infrastructure, and assess potential development opportunities within the existing resource base and nearby prospects.

## SELECTED FINANCIAL DATA

The following selected financial data is derived from our unaudited condensed interim 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 unaudited condensed interim consolidated financial statements and Management's Discussion and Analysis for the three and nine months ended December 31, 2015. 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 \$.

	Three months ended December 31		Nine months ended December 31	
	2015	2014	2015	2014
Net Loss for the period	\$801,315	\$1,962,672	\$3,561,611	\$5,220,952
Total Comprehensive Loss for the period	\$811,332	\$1,962,672	\$3,571,628	\$5,220,952
Basic and diluted loss per share	\$0.01	\$0.02	\$0.03	\$0.05

	As at	
	December 31, 2015	March 31, 2015
Cash and short-term investments	\$4,656,463	\$6,529,937
Available for sale investment	\$2,644,544	--
Working capital ( <i>current assets less current liabilities</i> )	\$5,431,075	\$4,990,710
Total assets	\$23,102,399	\$26,338,681
Current liabilities	\$1,942,888	\$1,787,173
Non-current liabilities	\$2,435,832	\$2,571,775
Shareholders' equity	\$18,723,679	\$21,979,733

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 totaled \$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 program which will see higher exploration expenditures in the fourth quarter of fiscal 2016.

Wages, consulting and director fees totaled \$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. In the nine month period ended December 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 same period in 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.

Office and rent totaled \$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 ended December 2014.

Investor relations and communication totaled \$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, 2015, the Company, in light of difficult financing markets, reduced its level of promotional activities, in an effort to conserve cash.

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 and a reduction in exploration and evaluation assets as a result of the sale of assets to Premier, offset by the cash and shares received from Premier.

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, which relates to a prepayment of proceeds relating to surface rights to be transferred to Premier. 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.

The Company currently has approximately \$6.8 million in cash, short-term investments and investments classified as available for sale.

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

The Company has granted incentive stock options to a consultant to purchase up to 75,000 common shares in the capital of the Company until February 18, 2021 at an exercise price of \$0.16 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.

*Darren O'Brien, P.Geo., Vice President, Exploration, is the Company's designated Qualified Person for this news release within the meaning of NI 43-101 and has reviewed and validated that the scientific and technical information contained in this release is accurate.*

*(1) See the National Instrument 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. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.*

This press release should be read in conjunction with Pure Gold's unaudited condensed interim consolidated financial statements and Management's Discussion and Analysis for the three and nine months ended December 31, 2015. 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. All dollar figures are expressed in Canadian \$.

### **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 July 4, 2014 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.*