



**Pure Gold Mining Inc.**

**Condensed Interim Consolidated Financial Statements**

**For the three months ended June 30, 2015**

*(Unaudited – Prepared by Management)*

*(Expressed in Canadian Dollars Unless Noted Otherwise)*

**Notice of no Auditor Review of  
Interim Financial Statements**

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

The accompanying unaudited condensed interim consolidated financial statements of Pure Gold Mining Inc. (the "Company") as at June 30, 2015, and for the three months ended June 30, 2015, have been prepared by and are the responsibility of the Company's management.

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

# Pure Gold Mining Inc.

## Condensed Interim Consolidated Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	As at June 30, 2015	As at March 31, 2015
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 1,925,268	\$ 5,006,937
Short-term investments (Note 6)	2,023,000	1,523,000
Prepaid expenses (Note 7)	289,868	83,180
Amounts receivable (Note 8)	128,453	130,048
Interest receivable	4,973	34,718
	4,371,562	6,777,883
<b>Non-current Assets</b>		
Exploration and evaluation assets (Note 11a)	10,970,286	11,052,776
Property, plant and equipment (Note 10)	6,622,924	6,604,523
Reclamation deposits (Note 9)	2,087,262	1,747,499
Deposits (Note 14)	156,000	156,000
<b>Total Assets</b>	<b>\$ 24,208,034</b>	<b>\$ 26,338,681</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 208,282	\$ 818,620
Flow-through premium liability	968,553	968,553
	1,176,835	1,787,173
<b>Non-current Liabilities</b>		
Provision for closure and reclamation (Note 12)	2,494,679	2,568,480
Other long-term liabilities	3,295	3,295
<b>Total Liabilities</b>	<b>3,674,809</b>	<b>4,358,948</b>
<b>Equity</b>		
Share capital (Note 13a)	37,362,311	37,362,311
Equity reserves (Note 13b and Note 13c)	8,234,630	8,149,745
Accumulated deficit	(25,063,716)	(23,532,323)
<b>Total Equity</b>	<b>20,533,225</b>	<b>21,979,733</b>
<b>Total Liabilities and Equity</b>	<b>\$ 24,208,034</b>	<b>\$ 26,338,681</b>

### Commitments (Note 16)

Approved by the Audit Committee of the Board of Directors on August 12, 2015:

"Graeme Currie", Director

"Lenard Boggio", Director

- See Accompanying Notes to the Condensed Interim Consolidated Financial Statements -

# Pure Gold Mining Inc.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the three months ended June 30, 2015	For the three months ended June 30, 2014
<b>Expenses</b>		
Exploration and evaluation expenditures (Note 11b)	\$ 1,100,979	\$ 584,756
Wages, consulting and director fees	210,131	209,745
Share-based compensation (Note 13c)	84,885	607,464
Office and rent	79,980	74,896
Investor relations and communication	45,669	106,101
Listing and filing fees	9,011	8,531
Depreciation	7,190	2,609
Professional fees	4,420	18,123
Administrative travel	1,789	15,237
Write-down of property, plant and equipment	-	4,775
<b>Total Expenses</b>	<b>(1,544,054)</b>	<b>(1,632,237)</b>
<b>Other Income and Expenses</b>		
Interest income	21,350	24,573
Management and administration fee	-	7,950
Accretion expense (Note 12)	(8,689)	(14,140)
<b>Total Other Income</b>	<b>12,661</b>	<b>18,383</b>
<b>Net Loss and Comprehensive Loss for the Period</b>	<b>\$ (1,531,393)</b>	<b>\$ (1,613,854)</b>
<b>Weighted Average Number of Common Shares Outstanding</b>	<b>125,719,854</b>	<b>97,169,020</b>
<b>Basic and Diluted Loss per Common Share</b>	<b>\$ (0.01)</b>	<b>\$ (0.02)</b>

- See Accompanying Notes to the Condensed Interim Consolidated Financial Statements -

## Pure Gold Mining Inc.

### Condensed Interim Consolidated Statements of Changes in Equity

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	Number of Common Shares	Share Capital	Equity Reserves	Accumulated Deficit	Total
Balance – March 31, 2014	96,667,075	\$ 28,556,296	\$ 7,549,407	\$ (16,377,823)	\$ 19,727,880
Fair value of shares issued for exploration and evaluation assets – Sabina	6,500,000	2,730,000	-	-	2,730,000
Exercised warrants	162,000	48,600	-	-	48,600
Fair value of exercised warrants	-	17,081	(17,081)	-	-
Exercised stock options	15,000	3,000	-	-	3,000
Fair value of exercised stock options	-	2,410	(2,410)	-	-
Share-based compensation	-	-	607,464	-	607,464
Net loss for the period	-	-	-	(1,613,854)	(1,613,854)
Balance – June 30, 2014	103,344,075	\$ 31,357,387	\$ 8,137,380	\$ (17,991,677)	\$ 21,503,090
Balance – March 31, 2015	125,719,854	\$ 37,362,311	\$ 8,149,745	\$ (23,532,323)	\$ 21,979,733
Share-based compensation	-	-	84,885	-	84,885
Net loss for the period	-	-	-	(1,531,393)	(1,531,393)
Balance – June 30, 2015	125,719,854	\$ 37,362,311	\$ 8,234,630	\$ (25,063,716)	\$ 20,533,225

- See Accompanying Notes to the Condensed Interim Consolidated Financial Statements -

# Pure Gold Mining Inc.

## Condensed Interim Consolidated Statements of Cash Flows

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

	For the three months ended June 30, 2015	For the three months ended June 30, 2014
<b>Operating Activities</b>		
Net loss for the year	\$ (1,531,393)	\$ (1,613,854)
Items not affecting cash:		
Share-based compensation	84,885	607,464
Depreciation	18,799	2,609
Accretion expense	8,689	14,140
Write-down of property, plant and equipment	-	4,775
Interest income	(21,350)	(24,573)
Changes in non-cash working capital:		
Amounts receivable	1,595	(43,321)
Accounts payable and accrued liabilities	(610,338)	56,131
Prepaid expenses	(206,688)	(84,176)
<b>Net cash used in operating activities</b>	<b>(2,255,801)</b>	<b>(1,080,805)</b>
<b>Investing Activities</b>		
Purchase of short-term investments	(500,000)	(3,030,233)
Reclamation deposits	(339,763)	-
Property, plant and equipment	(37,200)	(1,391)
Deposits	-	(156,000)
Interest received	51,095	20,022
Transaction costs related to acquisition of the Newman-Madsen Project	-	(50,292)
<b>Net cash used in investing activities</b>	<b>(825,868)</b>	<b>(3,217,894)</b>
<b>Financing Activities</b>		
Proceeds from exercised warrants	-	48,600
Proceeds from exercised stock options	-	3,000
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>51,600</b>
<b>Net Decrease in Cash</b>	<b>(3,081,669)</b>	<b>(4,247,099)</b>
<b>Cash - Beginning of the Period</b>	<b>5,006,937</b>	<b>8,991,899</b>
<b>Cash - End of the Period</b>	<b>\$ 1,925,268</b>	<b>\$ 4,744,800</b>

### Supplemental Cash Flow Information (Note 17)

- See Accompanying Notes to the Condensed Interim Consolidated Financial Statements -

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

*(Unaudited – Prepared by Management)*

*(Expressed in Canadian Dollars Unless Noted Otherwise)*

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### 1. GENERAL INFORMATION

Pure Gold Mining Inc. (“Pure Gold” or the “Company”), is a publicly listed company incorporated and domiciled in Canada. The Company is listed on the TSX Venture Exchange (“TSX-V”) under the symbol “PGM.” On June 24, 2014, the Company changed its name from Laurentian Goldfields Ltd. to Pure Gold Mining Inc. The Company’s head office and principal address is located at Suite 1900 – 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9. The Company’s records office and registered office address is c/o McMillan LLP, 1500 Royal Centre PO Box 1117, 1055 West Georgia Street, Vancouver, British Columbia, Canada, V6E 4N7.

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

The Company has not yet determined whether its properties contain mineral reserves that are economically recoverable. The continued operations of the Company and the recoverability of the amounts capitalized for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of such properties and upon future profitable production or proceeds from the disposition of the properties.

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### 2. BASIS OF PREPARATION

#### Statement of Compliance

These condensed interim consolidated financial statements were prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS 34”), using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The accounting policies and methods of application applied by the Company in these condensed interim consolidated financial statements are the same as those applied in the Company’s most recent annual consolidated financial statements as at and for the year ended March 31, 2015, except for those policies which have changed as a result of the adoption of new and amended IFRS pronouncements effective April 1, 2015. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements and therefore should be read in conjunction with the Company’s most recent annual consolidated financial statements as at and for the year ended March 31, 2015. The effects of the adoption of new, amended and future IFRS pronouncements have been disclosed in Note 3 of these condensed interim consolidated financial statements.

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### 3. NEW, AMENDED AND FUTURE IFRS PRONOUNCEMENTS

#### Changes in Accounting Policies

The Company has adopted the following revised standards, effective April 1, 2015. There was no consequential impact upon adoption.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

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### 3. NEW, AMENDED AND FUTURE IFRS PRONOUNCEMENTS - *Continued*

#### **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.

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.

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### 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and expenses. Estimates and judgments are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In preparing these condensed interim consolidated financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended March 31, 2015.

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### 5. ACQUISITIONS

On June 24, 2014, the Company acquired 100% interest in the Newman-Madsen Property from Sabina Gold & Silver Corp. (“Sabina”). In accordance with IFRS 3, Business Combinations, a business combination is a transaction in which an acquirer obtains control of a business which is defined as an integrated set of activities and assets that are capable of being conducted and managed to provide a return to investors. For an integrated set of activities and assets to be considered a business, the set needs to contain inputs and processes. This acquisition does not meet the definition of a business combination as the Newman-Madsen Property is an exploration stage property with no defined mineral reserves and did not contain any processes. Consequently, this transaction has been recorded as an acquisition of assets. All assets acquired and liabilities assumed were recorded at fair value.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 5. ACQUISITIONS - Continued

Share consideration paid	\$	2,730,000
Transaction costs		50,292
<b>Total Purchase Consideration – Newman-Madsen</b>	<b>\$</b>	<b>2,780,292</b>
Exploration and evaluation assets	\$	2,169,316
Property, plant and equipment		610,976
<b>Net Assets Acquired – Newman-Madsen</b>	<b>\$</b>	<b>2,780,292</b>

The Newman-Madsen Project is adjacent to the Madsen Gold Project. On a go forward basis, the Company considers the combined projects as the Madsen Gold Project.

### 6. SHORT-TERM INVESTMENTS

As of June 30, 2015, the Company has invested \$2,023,000 (March 31, 2015 - \$1,523,000) into two Guaranteed Investment Certificates (“GICs”) with two Canadian Financial Institutions. These GICs yield interest at rates of 0.9% and 1.65% and have original maturity dates of greater than three months but not more than one year.

### 7. PREPAID EXPENSES

Prepaid expenses comprised of the following:

	Three Months Ended June 30, 2015	Year Ended March 31, 2015
Advance for mapping and sampling program at Madsen	\$ 202,150	\$ -
Insurance policies	32,818	44,780
Investor relations and communication	32,086	22,877
Other prepaid expenses	22,814	15,523
<b>Total</b>	<b>\$ 289,868</b>	<b>\$ 83,180</b>

### 8. AMOUNTS RECEIVABLE

Amounts receivable comprised of the following:

	Three Months Ended June 30, 2015	Year Ended March 31, 2015
Refundable goods and services tax/ harmonized sales tax	\$ 78,503	\$ 129,008
Refundable mineral exploration tax credit	33,405	-
Other receivables	16,545	1,040
<b>Total</b>	<b>\$ 128,453</b>	<b>\$ 130,048</b>

### 9. RECLAMATION DEPOSITS

As of June 30, 2015, the Company made four deposits with Canadian financial institutions to provide financial assurance for four letters of credit totaling \$2,087,262 (March 31, 2015 - \$1,747,499). These letters of credit provide for a partial indemnification of the closure and reclamation costs with respect to the Company's Madsen Gold Project (Note 16a). The deposits yield interest at a rate of 1.10% per annum and have no maturity date. All deposits are considered long-term, regardless of their term, as the funds will remain on deposit until the letters of credit are extinguished.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 10. PROPERTY, PLANT AND EQUIPMENT

#### Three Months Ended June 30, 2015

Cost	Computer Equipment & Software (\$)	Office Furniture & Other Equipment (\$)	Land (\$)	Vehicles (\$)	Exploration Equipment (\$)	Mill (\$)	Mine Property & Equipment (\$)	Total (\$)
March 31, 2015	47,761	67,301	5,584,226	13,850	233,991	616,650	178,650	6,742,429
Additions	31,440	-	-	-	5,760	-	-	37,200
June 30, 2015	79,201	67,301	5,584,226	13,850	239,751	616,650	178,650	6,779,629
<b>Accumulated Depreciation</b>								
March 31, 2015	(46,599)	(52,053)	-	(4,155)	(35,099)	-	-	(137,906)
Depreciation	(7,077)	(762)	-	(727)	(10,233)	-	-	(18,799)
June 30, 2015	(53,676)	(52,815)	-	(4,882)	(45,332)	-	-	(156,705)
<b>Carrying Amounts</b>								
March 31, 2015	1,162	15,248	5,584,226	9,695	198,892	616,650	178,650	6,604,523
June 30, 2015	25,525	14,486	5,584,226	8,968	194,419	616,650	178,650	6,622,924

#### Year Ended March 31, 2015

Cost	Computer Equipment (\$)	Office Furniture & Other Equipment (\$)	Land (\$)	Vehicles (\$)	Exploration Equipment (\$)	Mill (\$)	Mine Property & Equipment (\$)	Total (\$)
March 31, 2014	46,370	67,301	6,024,491	22,125	-	616,650	181,350	6,958,287
Additions	1,391	-	500,025	-	233,991	-	-	735,407
Reclassification	-	-	(939,540)	-	-	-	-	(939,540)
Write-down	-	-	-	(8,275)	-	-	-	(8,275)
Disposal	-	-	(750)	-	-	-	(2,700)	(3,450)
March 31, 2015	47,761	67,301	5,584,226	13,850	233,991	616,650	178,650	6,742,429
<b>Accumulated Depreciation</b>								
March 31, 2014	(45,181)	(48,241)	-	-	-	-	-	(93,422)
Depreciation	(1,418)	(3,812)	-	(4,155)	(35,099)	-	-	(44,484)
March 31, 2015	(46,599)	(52,053)	-	(4,155)	(35,099)	-	-	(137,906)
<b>Carrying Amounts</b>								
March 31, 2014	1,189	19,060	6,024,491	22,125	-	616,650	181,350	6,864,865
March 31, 2015	1,162	15,248	5,584,226	9,695	198,892	616,650	178,650	6,604,523

No depreciation or depletion has been recorded for the mill and mine property and equipment as these assets are not ready for use as intended by management. Land has not been depreciated as it has an unlimited useful life.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 11. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES

#### a. Acquisition Costs

Details of the Company's acquisition costs for its exploration and evaluation assets are as follows:

	Madsen	Van Horne	Total
Balance – March 31, 2014	\$ 7,635,798	\$ -	\$ 7,635,798
Acquisition costs – Newman-Madsen	2,280,267	-	2,280,267
Change in estimate of provision for closure and reclamation	197,171	-	197,171
Reclassification	939,540	-	939,540
<b>Balance – March 31, 2015</b>	<b>\$ 11,052,776</b>	<b>\$ -</b>	<b>\$ 11,052,776</b>
Balance – March 31, 2015	\$ 11,052,776	\$ -	\$ 11,052,776
Change in estimate of provision for closure and reclamation	(82,490)	-	(82,490)
<b>Balance – June 30, 2015</b>	<b>\$ 10,970,286</b>	<b>\$ -</b>	<b>\$ 10,970,286</b>

#### b. Expenditures

Details of the Company's exploration and evaluation expenditures, which have been cumulatively expensed in the Statement of Loss and Comprehensive Loss, are as follows:

<b>For the three months ended June 30, 2015</b>	Madsen Gold Project	Other Properties <sup>(1)</sup>	Total
Salaries, wages and benefits	\$ 330,109	\$ -	\$ 330,109
Contractors / consultants	282,385	-	282,385
Drilling	161,621	-	161,621
Assaying and geochemical	145,591	275	145,866
Equipment rental	60,772	-	60,772
Travel and accommodation	36,342	-	36,342
Camp field costs	35,084	88	35,172
Property fees	29,539	951	30,490
Utilities	25,269	-	25,269
Supplies	11,944	-	11,944
Depreciation	11,609	-	11,609
Administration and other	2,805	-	2,805
Refundable mineral exploration tax credit	-	(33,405)	(33,405)
<b>Expenditures for the period</b>	<b>1,133,070</b>	<b>(32,091)</b>	<b>1,100,979</b>
Cumulative balance – March 31, 2015	4,768,080	7,875,159	12,643,239
<b>Cumulative balance – June 30, 2015</b>	<b>\$ 5,901,150</b>	<b>\$ 7,843,068</b>	<b>\$ 13,744,218</b>

<sup>(1)</sup> Other properties include Van Horne and generative projects.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 11. EXPLORATION AND EVALUATION ASSETS AND EXPENDITURES - *Continued*

#### b. Expenditures - *Continued*

For the three months ended June 30, 2014	Madsen Gold Project	Van Horne	Other Properties <sup>(1)</sup>	Total
Salaries, wages and benefits	\$ 213,293	\$ -	\$ -	\$ 213,293
Geology and geophysics	120,550	-	-	120,550
Camp field costs	73,582	1,681	10,600	85,863
Contractors / consultants	58,462	-	-	58,462
Utilities	38,122	-	-	38,122
Travel and accommodation	30,106	-	-	30,106
Administration and other	19,274	-	-	19,274
Property maintenance	11,351	-	-	11,351
Assaying and geochemical	7,489	-	-	7,489
Property fees	232	-	-	232
Project management	14	-	-	14
<b>Expenditures for the period</b>	<b>572,475</b>	<b>1,681</b>	<b>10,600</b>	<b>584,756</b>
Cumulative balance – March 31, 2014	168,588	\$ 1,735,223	\$ 6,261,571	\$ 8,165,382
<b>Cumulative Balance – June 30, 2014</b>	<b>\$ 741,063</b>	<b>\$ 1,736,904</b>	<b>\$ 6,272,171</b>	<b>\$ 8,750,138</b>

<sup>(1)</sup> Other properties include Maze Lake, Thundercloud, Goldpines North, Goldpines South and generative projects.

#### c. Madsen Gold Project, Ontario

On March 4, 2014, the Company acquired a 100% interest in the Madsen Gold Project from Claude for cash consideration of \$8.75 million and share consideration of \$2.1 million. The Madsen Gold Project comprises in excess of 4,000 hectares in the Red Lake gold camp of Northwestern Ontario.

##### Newman-Madsen

On June 24, 2014, the Company acquired a 100% interest in the Newman-Madsen Property from Sabina. The Newman-Madsen Property consists of 38 patented mining claims and is adjacent to Pure Gold's Madsen Gold Project in the prolific Red Lake gold camp, and going forward is to be considered as part of the Madsen Gold Project.

Upon completion of the acquisition, Pure Gold issued 6,500,000 of its common shares to Sabina (fair value of \$2,730,000). Pure Gold and Sabina also entered into an equity participation agreement pursuant to which Sabina has a right to maintain its equity position in the Company. Such right will expire on the earlier of June 24, 2016 or the date on which Sabina ceases to hold at least 3.5% of the shares of Pure Gold.

### 12. PROVISION FOR CLOSURE AND RECLAMATION

The Company has recognized a liability relating to its Madsen Gold Project and has determined that no significant closure and reclamation liabilities exist in connection with the exploration activities on its other exploration and evaluation assets. The Company has calculated the present value of the closure and reclamation provision at June 30, 2015 using a pre-tax discount rate of 1.68% (March 31, 2015 – 1.36%). The estimated total future undiscounted and inflation-adjusted cash flows to settle the provision for closure and reclamation at June 30, 2015 is \$2,886,195 (March 31, 2015 - \$2,900,520). Since no abandonment plans are being considered as well as the uncertainty surrounding the end of the life of mine, the Company has estimated that payments will be made in 2024.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 12. PROVISION FOR CLOSURE AND RECLAMATION - *Continued*

	Three Months Ended June 30, 2015	Year Ended March 31, 2015
Balance, beginning of the period	\$ 2,568,480	\$ 2,320,238
New estimated cash flows and changes in estimates	(82,490)	197,171
Accretion on discounted obligation	8,689	51,071
<b>Balance, end of the period</b>	<b>\$ 2,494,679</b>	<b>\$ 2,568,480</b>

### 13. EQUITY

#### a. Share Capital

The Company's authorized share capital consists of an unlimited number of common shares without par value and an unlimited number of preferred shares.

#### b. Share Purchase Warrants

Details of share purchase warrants issued, exercised, expired and outstanding as at and during the three months ended June 30, 2015 and the year ended March 31, 2015 are as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding Balance - March 31, 2014	41,332,250	\$0.48
Issued during the year ended March 31, 2015	1,449,767	\$0.50
Exercised during the year ended March 31, 2015	(1,661,767)	\$0.47
Expired during the year ended March 31, 2015	(2,957,000)	\$0.30
<b>Outstanding Balance – March 31, 2015 and June 30, 2015</b>	<b>38,163,250</b>	<b>\$0.50</b>

The 38,163,250 outstanding share purchase warrants noted above have a deemed fair value of \$2,721,495. This amount has been included in equity reserves in the Company's consolidated statement of financial position at June 30, 2015.

#### c. Stock Options

The Company has established a share purchase option plan (the "Stock Option Plan") whereby the board of directors may, from time to time, grant options to directors, officers, employees, consultants or management company employees. Options granted must be exercised no later than five years from the date of grant or such lesser or greater period as may be determined by the Company's board of directors and in accordance with the policies of the TSX-V. The exercise price of an option must be determined by the board of directors and in accordance with the Plan and the policies of the TSX-V. Subject to the policies of the TSX-V, the board of directors may determine the time during which options shall vest and the method of vesting, or that no vesting restriction shall exist. The Company applies the fair value based method of accounting for stock options granted to officers, directors, employees and non-employees.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 13. EQUITY - Continued

#### c. Stock Options - Continued

There were no stock options granted during the three month period ended June 30, 2015.

##### April 2014

On April 7, 2014, the Company granted incentive stock options to its directors, employees and consultants exercisable to purchase up to 4,380,000 common shares in the capital of the Company until April 8, 2019 at an exercise price of \$0.35 per share. The incentive stock options were granted in accordance with the Company's Stock Option Plan and, other than those options granted to non-executive directors, are subject to vesting provisions whereby 793,333 options will vest one year from the grant date, 793,333 options will vest two years from the grant date and the remaining 793,334 will vest three years from the grant date. The 2,000,000 options granted to non-executive directors vested immediately.

The fair value of these options at issuance was \$1,129,040, of which \$46,860 has been recognized as share-based compensation expense during the three months ended June 30, 2015, 2015 (June 30, 2014 - \$601,654). The corresponding share-based compensation expense has a weighted average fair value of \$0.26 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

<b>Assumptions</b>	
Risk-free interest rate	1.73%
Expected stock price volatility	97.93%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

##### May 2014

On May 13, 2014, the Company granted incentive stock options to an officer and an employee exercisable to purchase up to 300,000 common shares in the capital of the Company until May 13, 2019 at an exercise price of \$0.32 per share. The incentive stock options were granted in accordance with the Company's Stock Option Plan and are subject to vesting provisions whereby 100,000 options will vest one year from the grant date, 100,000 options will vest two years from the grant date and the remaining 100,000 will vest three years from the grant date.

The fair value of these options at issuance was \$70,231, of which \$7,576 has been recognized as share-based compensation expense during the three months ended June 30, 2015 (June 30, 2014 - \$5,810). The corresponding share-based compensation expense has a weighted average fair value of \$0.23 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

<b>Assumptions</b>	
Risk-free interest rate	1.62%
Expected stock price volatility	97.02%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 13. EQUITY - Continued

#### c. Stock Options - Continued

##### February 2015

On February 10, 2015, the Company granted incentive stock options to an employee exercisable to purchase up to 200,000 common shares in the capital of the Company until February 10, 2020 at an exercise price of \$0.35 per share. The incentive stock options were granted in accordance with the Company's Stock Option Plan and are subject to vesting provisions whereby 66,667 options will vest one year from the grant date, 66,667 options will vest two years from the grant date and the remaining 66,666 will vest three years from the grant date.

The fair value of these options at issuance was \$37,384, of which \$5,712 has been recognized as share-based compensation expense during the three months ended June 30, 2015 (June 30, 2014 - \$Nil). The corresponding share-based compensation expense has a weighted average fair value of \$0.19 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

<b>Assumptions</b>	
Risk-free interest rate	0.73%
Expected stock price volatility	92.04%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

##### March 2015

On March 19, 2015, the Company granted incentive stock options to its employees exercisable to purchase up to 950,000 common shares in the capital of the Company until March 19, 2020 at an exercise price of \$0.28 per share. The incentive stock options were granted in accordance with the Company's Stock Option Plan and are subject to vesting provisions whereby 316,667 options will vest one year from the grant date, 316,667 options will vest two years from the grant date and the remaining 316,666 will vest three years from the grant date.

The fair value of these options at issuance was \$161,918, of which \$24,737 has been recognized as share-based compensation expense during the three months ended June 30, 2015 (June 30, 2014 - \$Nil). The corresponding share-based compensation expense has a weighted average fair value of \$0.17 per option and was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

<b>Assumptions</b>	
Risk-free interest rate	0.74%
Expected stock price volatility	91.48%
Expected dividend yield and forfeiture rate	0.00%
Expected life of options	5 years

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 13. EQUITY - Continued

#### c. Stock Options - Continued

##### *Exercise and Expiry of Stock Options*

During the year ended March 31, 2015, 75,000 incentive stock options with a strike price of \$0.20 were exercised for total proceeds of \$15,000. The weighted average trading price for stock options exercised during the year was \$0.45. In connection with this option exercise, the related fair value amount of \$69,854 was transferred from equity reserves to share capital.

During the year ended March 31, 2015, 172,500 incentive stock options with a strike price of \$0.20 expired without exercise.

Details of stock options granted, exercised and expired during the three months ended June 30, 2015 and the year ended March 31, 2015 are as follows:

	Number of Options	Weighted Average Exercise Price
Balance – March 31, 2014	532,500	\$0.20
Granted during the year ended March 31, 2015	5,830,000	\$0.34
Exercised during the year ended March 31, 2015	(75,000)	\$0.20
Expired during the year ended March 31, 2015	(172,500)	\$0.20
<b>Balance – March 31, 2015 and June 30, 2015</b>	<b>6,115,000</b>	<b>\$0.33</b>

At June 30, 2015, the following options are outstanding and exercisable:

Expiry Date	Weighted Average Exercise Price	Number of Options Outstanding	Weighted Average Remaining in Years	Number of Options Exercisable
January 21, 2016	\$0.20	10,000	0.56	10,000
March 11, 2016	\$0.20	50,000	0.70	50,000
February 25, 2018	\$0.20	225,000	2.66	225,000
April 8, 2019	\$0.35	4,380,000	3.78	2,793,333
May 13, 2019	\$0.32	300,000	3.87	100,000
February 10, 2020	\$0.35	200,000	4.62	-
March 19, 2020	\$0.28	950,000	4.72	-
	<b>\$0.33</b>	<b>6,115,000</b>	<b>3.88</b>	<b>3,178,333</b>

#### d. Compensation Options

Details of issued and outstanding Compensation Options are as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance - March 31, 2014	4,142,190	\$0.25
Exercised during the year ended March 31, 2015	(2,899,533)	\$0.25
<b>Balance – March 31, 2015 and June 30, 2015</b>	<b>1,242,657</b>	<b>\$0.25</b>

The above mentioned Compensation Options are exercisable for a period of 24 months from the date of issuance (March 4, 2014) and have 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.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 14. RELATED PARTY TRANSACTIONS

#### Oxygen Capital Corp (“Oxygen”).

Oxygen is a private company partially owned by one director and one officer of the Company. Oxygen provides technical and administrative services to the Company (the “Oxygen Agreement”) at cost, including providing some staffing who are seconded to the Company, office facilities and other administrative functions. As at June 30, 2015, Oxygen holds a refundable deposit of \$156,000 (March 31, 2015 - \$156,000) on behalf of the Company. During the three months ended June 30, 2015, a total of \$281,619 (June 30, 2014 - \$327,253) was paid or accrued to Oxygen as a reimbursement of costs incurred by Oxygen on behalf of the Company. As at June 30, 2015, the Company has a payable amount to Oxygen of \$78,442 (March 31, 2015 - \$84,157). This amount was paid subsequent to June 30, 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:

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014
Salaries and other short-term employee benefits	\$ 168,344	\$ 126,075
Directors fees	40,000	40,000
Share-based compensation	58,608	579,243
<b>Total</b>	<b>\$ 266,952</b>	<b>\$ 745,318</b>

### 15. SEGMENTED INFORMATION

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

### 16. COMMITMENTS

- a. The Company is required to provide financial assurance to the Ministry of Northern Development and Mines in Ontario (the “Ministry”), in connection with the mine closure plans for its Madsen Gold Project. The financial assurance can be provided for in the form of cash or a letter of credit from a financial institution and will grant the Company partial indemnification of the closure and reclamation costs with respect to its Madsen Gold Project. The Ministry has accepted a financial assurance payment schedule and the Company is required to make a remaining final payment of \$339,763 on or before December 1, 2015; (Note 9).
- b. The Company’s operating lease with respect to its head office premises is paid by Oxygen pursuant to the Oxygen Agreement. The Oxygen Agreement may be terminated by either party giving at least 180 days’ prior written notice of such termination. Upon termination, by the Company, of the Oxygen Agreement, the Company shall pay to Oxygen an amount equal to the average monthly costs incurred under the Oxygen Agreement for the previous six month period, plus any employee termination fees due under the Oxygen Agreement as a result of the termination as such term is defined under the Oxygen Agreement.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

### 16. COMMITMENTS - Continued

- c. Effective August 6, 2014, the Company entered into a rental lease agreement for a house located in Madsen, Ontario for a period of 12 months. The Company has also committed to certain operating leases for two vehicles to be used for on-site at its Madsen Gold Project in Red Lake, Ontario. The future minimum lease payments required under these agreements are indicated in the table below:

	Madsen Rental House	GMC Sierra 2500 HD	GMC Sierra 2500 HD
2015	\$ 1,500	\$ 4,803	\$ 5,711
2016	-	9,606	11,422
2017	-	9,606	11,422
2018	-	4,803	5,711
<b>Total</b>	<b>\$ 1,500</b>	<b>\$ 28,818</b>	<b>\$ 34,266</b>

- d. As at June 30, 2015, the Company is committed to incur, on a best efforts basis, qualifying resource expenditures pursuant to a 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 June 30, 2015, the Company had incurred qualifying resource expenditures of \$2,072,019. The Company must therefore incur the \$2,770,748 balance of qualifying resource expenditures before January 1, 2017.

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.

### 17. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014
<b>Non-Cash Investing and Financing Activities</b>		
Change in estimate of provision for closure and reclamation	\$ 82,490	\$ 37,666
Fair value of shares issued for exploration and evaluation assets	\$ -	\$ 2,730,000
Fair value of exercised warrants	\$ -	\$ 17,081
Fair value of exercised stock options	\$ -	\$ 2,410

### 18. FAIR VALUE MEASUREMENT

There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The three levels of the fair value hierarchy are described below:

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

**Level 2** – Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

**Level 3** – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

The Company does not have any financial assets and liabilities that are measured at fair value on a recurring basis and also does not have any non-financial assets and liabilities measured at fair value on a non-recurring basis.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

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### 18. FAIR VALUE MEASUREMENT - *Continued*

The fair value of the following financial assets and liabilities approximate their carrying amount because of their short-term nature:

- Cash
- Short-term investments
- Amounts receivable (excluding sales tax receivable and resource tax credits)
- Interest receivable
- Trade accounts payable and accrued liabilities

The fair value of the following financial assets and liabilities approximate their carrying amount and fall within Level 3 of the fair value hierarchy:

- Deposits
  - Reclamation deposits
  - Other long-term liabilities
- 

### 19. 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.

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### 20. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial instrument related risks. The Board approves and monitors the risk management processes, inclusive of documented treasury policies, counterparty limits, and controlling and reporting structures. 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.

# Pure Gold Mining Inc.

## Notes to the Condensed Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars Unless Noted Otherwise)

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### 20. FINANCIAL RISK MANAGEMENT - *Continued*

#### 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 June 30, 2015, the Company had cash of \$1,925,268 (March 31, 2015 - \$5,006,937) and short-term investments of \$2,023,000 (March 31, 2015 - \$1,523,000) to settle current liabilities of \$1,176,835 (March 31, 2015 - \$1,787,173). As at June 30, 2015, the Company is committed to incur, on a best efforts basis, \$2,770,748 in qualifying resource expenditures.

#### 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, restricted cash and short-term investments include deposits which are at variable interest rates. For the three months ended June 30, 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 \$20,000.

#### Fair Value Estimation

The carrying value of the Company's financial assets and liabilities approximates their estimated fair value.

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