Consolidated Financial Statements

December 31, 2015

(Stated in Canadian Dollars)

PREMIER

Gold Mines Limited

Grant Thornton LLP
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Independent auditor's report

To the Shareholders of Premier Gold Mines Limited

We have audited the accompanying consolidated financial statements of Premier Gold Mines Limited, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, and the consolidated statements of income/(loss) and comprehensive income/(loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2015 and December 31, 2014, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Premier Gold Mines Limited as at December 31, 2015 and December 31, 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and December 31, 2014 in accordance with International Financial Reporting Standards.

Grant Thornton LLP

Toronto, Canada
March 30, 2016

Chartered Professional Accountants
Licensed Public Accountants

PREMIER
Gold Mines Limited

(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in Canadian Dollars)

	Note	**December 31, 2015** **$**	December 31, 2014 *(restated - Note 2(e))* $	January 1, 2014 *(restated - Note 2(e))* $
ASSETS				
Current assets				
Cash and cash equivalents	*4*	**73,056,817**	32,141,013	52,552,321
Accounts receivable		**1,167,199**	893,804	1,285,757
Prepaid and deposits		**861,546**	803,641	251,630
Other assets	*5*	**5,932,812**	3,777,233	17,516,690
Total current assets		**81,018,374**	37,615,691	71,606,398
Non-current assets				
Restricted cash and cash equivalents	*6*	**4,244,632**	3,994,990	3,935,272
Property, plant and equipment	*7*	**227,919,564**	183,288,327	188,072,780
Total non-current assets		**232,164,196**	187,283,317	192,008,052
Total assets		**313,182,570**	224,899,008	263,614,450
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		**5,859,702**	3,807,742	3,094,360
Current portion of long term debt	*8*	**8,237,115**	44,331	9,627,200
Deferred premium on flow-through shares		**876,689**	467,857	-
Total current liabilities		**14,973,506**	4,319,930	12,721,560
Non-current liabilities				
Deferred taxes	*16*	**7,661,549**	7,081,394	7,116,667
Long term debt	*8*	**112,500**	6,466,737	151,828
Provision for environmental rehabilitation	*9*	**10,119,557**	4,830,502	3,703,380
Total non-current liabilities		**17,893,606**	18,378,633	10,971,875
Total liabilities		**32,867,112**	22,698,563	23,693,435
EQUITY				
Share capital	*10*	**477,146,257**	439,946,165	417,211,022
Reserves	*10*	**55,786,311**	39,660,989	36,743,261
Deficit		**(252,617,110)**	(277,406,709)	(214,033,268)
Total equity		**280,315,458**	202,200,445	239,921,015
Total liabilities and equity		**313,182,570**	224,899,008	263,614,450

Commitments [note 18]
Contingencies [note 21]
Subsequent events [note 22]

See accompanying notes to the consolidated financial statements
Approved by the Board of Directors and authorized for issue on March 28, 2016

"John Seaman" *Director*	*"Ewan Downie"* *Director*

PREMIER Gold Mines Limited

(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF
INCOME / (LOSS) AND COMPREHENSIVE INCOME / (LOSS)

(Stated in Canadian Dollars)

For the years ended December 31,	Note	**2015** $	2014 *(restated - Note 2(e))* $
EXPENSES			
Depreciation and impairment loss on property, plant and equipment	*7*	**265,178**	32,501,775
Share-based payments		**3,717,277**	3,331,875
General and administrative	*13*	**8,090,492**	4,381,438
Exploration, evaluation, and pre-development	*14*	**27,144,627**	26,283,201
Property maintenance		**724,024**	503,140
Long term debt accretion	*8*	**601,521**	617,355
Environmental rehabilitation accretion	*9*	**76,132**	82,760
Loss before the following		**(40,619,251)**	(67,701,544)
Investment and other income		**485,211**	589,253
Unrealized gain on investments		**685,864**	20,015,816
Unrealized foreign exchange gain / (loss)		**268,942**	(51,512)
Realized foreign exchange gain		**1,518,599**	-
Loss on sale of investments		**(1,406,079)**	(15,962,732)
Gain on divestment of mineral property interests	*7*	**45,886,656**	-
Gain attributable to Greenstone Gold development commitment	*7*	**12,643,620**	-
Other income		**60,082,813**	4,590,825
Income / (loss) before income taxes		**19,463,562**	(63,110,719)
Current tax expense	*16*	**-**	(608)
Deferred tax recovery / (expense)	*16*	**5,326,037**	(262,115)
Income / (loss) for the year		**24,789,599**	(63,373,442)
Other comprehensive income / (loss)			
Exchange difference on translation of foreign operations		**18,445,332**	4,281,310
Deferred tax expense	*16*	**(5,346,782)**	(2,188,764)
Total comprehensive income / (loss) for the year		**37,888,149**	(61,280,896)
Basic and diluted income / (loss) per share	*11*	**0.15**	**(0.41)**

See accompanying notes to the consolidated financial statements

PREMIER Gold Mines Limited

(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in Canadian Dollars)

For the years ended December 31,	Note	**2015** $	2014 *(restated - Note 2(e))* $
OPERATING ACTIVITIES			
Income / (loss) for the year		**24,789,599**	(63,373,442)
Items not affecting cash			
Depreciation and impairment loss on property, plant and equipment	*7*	**265,178**	32,501,775
Greenstone Gold non-cash operating expenses	*7*	**12,643,620**	-
Environmental rehabilitation accretion	*9*	**76,132**	82,760
Long term debt accretion	*8*	**601,521**	617,355
Share-based payments		**3,717,277**	3,331,875
Unrealized gain on investments		**(685,864)**	(20,015,816)
Unrealized foreign exchange gain / (loss)		**(268,942)**	51,512
Loss on sale of investments		**1,406,079**	15,962,732
Deferred tax expense / (recovery)	*16*	**(5,326,037)**	262,115
Gain on divestment of mineral property interests	*7*	**(45,886,656)**	-
Gain attributable to Greenstone Gold development commitment	*7*	**(12,643,620)**	-
Change in non-cash working capital balances related to operations			
Accounts receivable		**(273,395)**	391,953
Prepaids and deposits		**(39,164)**	(552,010)
Accounts payable		**2,012,620**	439,740
Cash used in operating activities		**(19,611,652)**	(30,299,451)
INVESTMENT ACTIVITIES			
Proceeds from the sale of investments		**97,016**	17,792,541
Purchase of investments		**(512,809)**	-
Purchase of derivative investments		**(2,367,102)**	-
Net change in restricted cash and cash equivalents		**(29,458)**	41,116
Acquisition and development of property, plant and equipment	*7*	**(64,810,882)**	(16,998,233)
Proceeds from divestment of 50% interest in Greenstone Gold assets	*7*	**96,009,680**	-
Transaction costs on divestment	*7*	**(3,119,688)**	-
Reclamation expenditures charged to asset retirement obligation		**(193,466)**	-
Cash provided by investment activities		**25,073,291**	835,424
FINANCING ACTIVITIES			
Repayment of long term debt		**(63,004)**	(5,054,500)
Proceeds from the exercise of stock options		**889,800**	4,398,370
Share issue costs		**(842,370)**	(377,081)
Shares issued in private placements	*10*	**34,930,401**	9,187,500
Cash provided by financing activities		**34,914,827**	8,154,289
Increase / (decrease) in cash during period		**40,376,466**	(21,309,738)
Cash and cash equivalents, beginning of the period		**32,141,013**	52,552,321
Effect of exchange rate changes on cash held		**539,338**	898,430
Cash and cash equivalents, for the year		**73,056,817**	32,141,013

Supplemental cash flow information [Note 12]
See accompanying notes to the consolidated financial statements

PREMIER
Gold Mines Limited

(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Stated in Canadian Dollars)

		Share Capital		Reserves					
Issued and outstanding:	Note	Number of shares	Share capital	Warrants	Equity settled employee benefits	Contributed surplus	Foreign currency translation	Deficit	Equity attributable to owners of the parent
Balance as at December 31, 2013 *(restated - Note 2 (e))*		151,496,475	417,211,022	750,933	28,463,472	7,539,763	(10,907)	(214,033,268)	239,921,015
Private placements	*10*	3,750,000	9,187,500	-	-	-	-	-	9,187,500
Exercise of stock options	*10*	1,686,390	6,905,063	-	(2,506,693)	-	-	-	4,398,370
Shares issued for Cove debt repayment	*10*	2,204,488	5,000,000	-	-	-	-	-	5,000,000
Deferred tax recovery on share issue costs	-	-	2,544,661	-	-	-	-	-	2,544,661
Share-based payments	-	-	-	-	3,331,875	-	-	-	3,331,875
Share issue costs	-	-	(377,081)	-	-	-	-	-	(377,081)
Deferred flow-through premium	-	-	(525,000)	-	-	-	-	-	(525,000)
Comprehensive loss for the year	-	-	-	-	-	-	2,092,546	(63,373,441)	(61,280,895)
Balance as at December 31, 2014 *(restated - Note 2 (e))*		159,137,353	439,946,165	750,933	29,288,654	7,539,763	2,081,639	(277,406,709)	202,200,445
Private placement	*10*	14,234,529	34,930,401	-	-	-	-	-	34,930,401
Exercise of stock options	*10*	410,000	1,369,533	-	(479,733)	-	-	-	889,800
Shares issued for mineral property	*10*	1,001,721	2,500,000	-	-	-	-	-	2,500,000
Restricted share units issued	*10*	84,308	210,770	-	-	-	-	-	210,770
Share issue costs	-	-	(842,370)	-	-	-	-	-	(842,370)
Share-based payments	-	-	-	-	3,506,505	-	-	-	3,506,505
Deferred flow-through premium	-	-	(968,242)	-	-	-	-	-	(968,242)
Comprehensive income for the year		-	-	-	-	-	13,098,550	24,789,599	37,888,149
Balance as at December 31, 2015		**174,867,911**	**477,146,257**	**750,933**	**32,315,426**	**7,539,763**	**15,180,189**	**(252,617,110)**	**280,315,458**

See accompanying notes to the consolidated financial statements

PREMIER Gold Mines Limited

(Incorporated under the laws of Ontario)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

For the years ended December 31, 2015 and 2014

1. NATURE OF BUSINESS

Premier Gold Mines Limited (the "Corporation"), a Canadian based mineral exploration company publicly listed on the Toronto Stock Exchange, is focused on exploring for and development of gold deposits in Canada and the United States of America. The Corporation's principal assets in Canada include a 50% interest in the Greenstone Gold property located along the Trans-Canada highway, a 44% interest in Rahill-Bonanza and a 100% interest in the Hasaga properties in the Red Lake mining district within Northwestern Ontario. The Corporation's principal assets in the United States of America include a 40% interest in the South Arturo and a 100% interest in the McCoy-Cove properties located in Nevada.

Premier Gold Mines Limited's head office is located at Suite 200, 1100 Russell Street, Thunder Bay, Ontario, P7B 5N2.

2. SIGNIFICANT ACCOUNT POLICIES

(a) Statement of compliance

The consolidated financial statements of the Corporation have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Accounting policies are consistently applied to all years presented, unless otherwise stated. Certain items within the statement of income have been reclassified in the current year. The prior periods have been restated to reflect the change in presentation.

The consolidated financial statements of the Corporation for the year ended December 31, 2015 were approved and authorized for issue by the Board of Directors on March 28, 2016.

(b) Basis of presentation

The consolidated annual financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. Measurement bases are more fully described in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

(Stated in Canadian Dollars)

(c) Basis of consolidation

The Corporation's audited consolidated financial statements consolidate those of the parent Corporation and all of its subsidiary undertakings drawn up to December 31, 2015. Subsidiaries are all entities over which the Corporation has the power to control the financial and operating policies. The Corporation obtains and exercises control through more than half of the voting rights. All subsidiaries have a year end of December 31. The Corporation's subsidiaries are:

Subsidiary	Percentage of ownership	Jurisdiction	Principal activity
Premier Gold Mines USA Inc.	100%	United States	Mineral exploration
Premier Gold Mines Nevada Inc.	100%	United States	Mineral exploration
Au-reka Gold Corporation	100%	United States	Mineral exploration
Goldcorp Dee LLC	100%	United States	Development
Goldstone Resources Inc.	100%	Canada	Mineral exploration
Premier Gold Mines Hardrock Inc.	100%	Canada	Pre-development
Premier Gold Mines NWO Inc.	100%	Canada	Mineral exploration
Cherbourg Gold Inc.	85.7%	Canada	Mineral exploration
Barraute Gold Inc.	100%	Canada	Mineral exploration
Oro Premier de Mexico S.A. de C.V.	100%	Mexico	Mineral exploration

On February 1, 2015, Premier Gold Mines Brookbank Inc. was amalgamated with and is continuing as Premier Gold Mines Hardrock Inc.

All transactions and balances between the Corporation and its subsidiaries are eliminated on consolidation, including unrealized gains and losses on transactions between the companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Corporation.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

On March 9, 2015, Centerra Gold Inc. ("Centerra") and the Corporation announced the formation of a 50/50 partnership (TCP GP Corporation and TCP Limited Partnership) for the purpose of the joint ownership, exploration and development of the Trans-Canada Property including the Hardrock Gold Project located in the Geraldton-Beardmore Greenstone belt in Ontario, Canada. On July 20, 2015, the Board of the general managing partner ((TCP GP Corporation) approved a name change of the corporation and the partnership (TCP Limited Partnership) to Greenstone Gold Mines GP Inc. and Greenstone Gold Mines LP respectively, collectively to be referred to as Greenstone Gold Mines ("Greenstone Gold").

On June 2, 2015, the Corporation acquired 100% of the limited liability company membership interest in Goldcorp Dee LLC, a Nevada limited liability company ("Dee LLC"), which holds a 40% interest in respect of the South Arturo Project between Barrick Gold Exploration Inc., an indirect wholly owned subsidiary of Barrick Gold Corporation, and Dee LLC.

(d) Joint and co-ownership arrangements

A joint arrangement is defined as one over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. There are two types of joint arrangements, joint operations (“JO”) and joint ventures (“JV”).

A JO is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. In relation to our interests in joint operations, we recognize our share of any assets, liabilities, revenues and expenses of the JO.

(Stated in Canadian Dollars)

A JV is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Our investments in JVs are accounted for using the equity method.

The Corporation also participates in co-ownership agreements with other parties which are labelled joint venture agreements. These agreements do not constitute joint arrangements for purposes of applying IFRS 11 in that the percentage ownership in the jointly held property is such that control resides with the majority ownership interest. In that case, the Corporation records their share of the assets, liabilities, income and the expenses related to the venture.

Amounts reported in the financial statements for joint operations have been adjusted where necessary to ensure consistency with the accounting policies of the Corporation.

Outlined below is information related to our joint arrangements and entities other than 100% owned subsidiaries of the Corporation at December 31, 2015:

Property	Entity type	Economic interest (i)	Method (ii)
Rahill-Bonanza, Ontario (iii)	Co-ownership	44% (2014 - 49%)	Our share
Greenstone Gold, Ontario (iv)	Joint operation	50%	Our share
South Arturo, Nevada	Co-ownership	40%	Our share

(i) Unless otherwise noted, all of our joint arrangements are funded by contributions made by their partners in proportion to their economic interest.
(ii) For our JOs, we recognize our share of any assets, liabilities, revenues and expenses of the JO.
(iii) The Corporation divested 5% of our interest during the year as discussed in note 7.
(iv) The Corporation has joint control given that decisions about relevant activities require unanimous consent of the parties to the joint operation.

(e) Change in accounting policy

The financial statements have been prepared on the basis of a retrospective application of a voluntary change in accounting policy relating to property, plant and equipment including exploration and evaluation assets. The new policy covers the following areas within property, plant and equipment.

General
Exploration, evaluation and pre-development expenditure
Development properties (underground and open pit)
Mine properties
Deferred stripping costs
Depreciation and depletion

Property, plant and equipment

General

The general policy for property, plant and equipment states that all direct costs related to the acquisition of mineral property interests are capitalized at the date of acquisition and are included in property, plant and equipment on the financial statements.

The general policy is that management annually reviews the estimated useful lives, residual values and depreciation methods of the Corporation's property, plant and equipment and also when circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such a review are accounted for prospectively. The methods are more fully described in the section under "Depreciation and depletion" and include the change from recognizing depreciation on certain assets using the declining balance method to the straight line method.

The new accounting policy for depreciation of general property, plant and equipment other than mineral property interests, was adopted January 1, 2015 and has not been applied retroactively as the amounts reported would change by a minimal amount only.

(Stated in Canadian Dollars)

Exploration, evaluation and pre-development expenditure

The new exploration, evaluation and pre-development expenditure policy is to charge exploration and evaluation expenditures within an area of interest as expense until management concludes that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and that future economic benefits are probable. In making this determination, the extent of exploration, as well as the degree of confidence in the mineral resource is considered. Once a project has been established as commercially viable and technically feasible, further expenditures are capitalized and classified as development properties.

The previous accounting policy was to capitalize all costs related to the acquisition of, exploration for and evaluation of mineral claims.

The new accounting policy was adopted on January 1, 2015 and has been applied retrospectively. The Corporation believes the change in accounting policy results in the financial statements providing more relevant information and are more comparable to its peer companies and strategic partners.

The impact of the change in accounting policy on the Corporation's consolidated statements of financial position, and the statements of income / (loss) and comprehensive income / (loss) and statements of cash flows for the year ended December 31, 2014 and January 1, 2014 are as follows:

Consolidated statements of financial position

	Reported at December 31, 2014	Cumulative adjustment to December 31, 2013	2014 Adjustment	Restated balance December 31, 2014
ASSETS				
Non-current assets				
Property, plant and equipment	779,378	184,825,234	(2,316,285)	183,288,327
Exploration and evaluation assets	341,824,780	(329,703,082)	(12,121,698)	-
Total assets	384,214,839	(144,877,848)	(14,437,983)	224,899,008
LIABILITIES				
Non-current liabilities				
Deferred taxes	30,713,770	(26,997,096)	3,364,720	7,081,394
EQUITY				
Deficit	(144,819,560)	(116,687,692)	(15,899,457)	(277,406,709)
Exchange difference on translation of foreign operations	5,177,945	(1,193,060)	(1,903,246)	2,081,639
Total liabilities and equity	384,214,839	(144,877,848)	(14,437,983)	224,899,008

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

For the years ended December 31, 2015 and 2014

	Reported at December 31, 2013	Cumulative adjustment to December 31, 2013	Restated balance January 1, 2014
ASSETS			
Non-current assets			
Property, plant and equipment	3,247,546	184,825,234	188,072,780
Exploration and evaluation assets	329,703,082	(329,703,082)	-
Total assets	408,492,298	(144,877,848)	263,614,450
LIABILITIES			
Non-current liabilities			
Deferred taxes	34,113,763	(26,997,096)	7,116,667
EQUITY			
Deficit	(97,345,576)	(116,687,692)	(214,033,268)
Exchange difference on translation of foreign operations	1,182,153	(1,193,060)	(10,907)
Total liabilities and equity	408,492,298	(144,877,848)	263,614,450

Consolidated statement of loss and comprehensive loss

For the year ended December 31,	As reported	2014 Adjustments	As restated
Expenses			
Depreciation and impairment loss on property, plant and equipment	45,990,011	(13,488,236)	32,501,775
Exploration and development expenses	260,228	26,022,973	26,283,201
Loss before income taxes	(50,575,981)	(12,534,737)	(63,110,718)
Deferred income taxes (recovery) / expense	(3,102,605)	3,364,720	262,115
Loss for the year	(47,473,984)	(15,899,457)	(63,373,441)
Exchange loss through comprehensive income	6,184,556	(1,903,246)	4,281,310
Loss and comprehensive loss for the year	(43,478,192)	(17,802,703)	(61,280,895)

Consolidated statement of cash flows

For the year ended December 31,	As reported	2014 Adjustments	As restated
Loss for the year from operations	(47,473,984)	(15,899,457)	(63,373,441)
Cash used in operating activities	(4,276,478)	(26,022,972)	(30,299,450)
Investing activities			
Additions to exploration and evaluation assets	(43,001,908)	26,003,675	(16,998,233)

Development properties (underground and open pit)

A property, either open pit or underground, is classified as a development property when a mine plan has been prepared, a permit has been obtained and a decision is made to commercially develop the property. Development expenditure is accumulated separately for each area of interest for which economically recoverable mineral reserves and resources have been identified.

All expenditures incurred prior to the commencement of commercial levels of production from each development property are capitalized. In addition, capitalized costs are assessed for impairment when there is an indicator of impairment.

Development properties are not amortized until they are reclassified as mine property assets following the achievement of commercial levels of production.

As the Corporation previously had no development properties that fell under this category, this change in accounting policy did not result in a restatement.

Mine properties

After a mine property has been brought into commercial production, costs of any additional mining, in-pit drilling and related work on that property are expensed as incurred. Mine development costs incurred to expand operating capacity, develop new ore bodies or develop mine areas in advance of current production, including the stripping of waste material, are deferred and then amortized on a unit-of-production basis.

As the Corporation previously had no mine properties that fell under this category, this change in accounting policy did not result in a restatement.

Deferred stripping costs

Stripping costs incurred in the production phase of a mining operation are accounted for as variable production costs and are included in the costs of inventory produced. Stripping activity that improves access to ore in a future period is accounted for as an addition to or enhancement of an existing asset. The Corporation recognizes stripping activity assets when it is probable that the future economic benefit associated with the stripping activity will flow to the Corporation; the component of the ore body for which access has been improved can be identified; and the costs relating to the stripping activity associated with that component can be measured reliably.

Stripping activity assets are amortized on a unit of production basis in subsequent periods over the proven and probable reserves to which they relate.

As the Corporation previously had no deferred stripping costs, this change in accounting policy did not result in a restatement.

Depreciation and depletion

The carrying amounts of mine properties, plant and equipment are depreciated or depleted to their estimated residual value over the estimated economic life of the specific assets to which they relate, using the depreciation methods or depletion rates as indicated below. Estimates of residual values or useful lives and depreciation methods are reassessed annually and any change in estimate is taken into account in the determination of the remaining depreciation or depletion rate. Depreciation or depletion commences on the date the asset is available for its use as intended by management.

Depreciation or depletion is computed using the following rates:

Item	Methods	Rates
Mine properties	Units of production	Estimated proven and probable mineral reserves
Equipment, facilities under finance leases, leasehold improvements	Straight line	Lesser of lease term and estimated useful life
Furniture, office equipment and software	Straight line	2 – 5 years
Plant and equipment	Straight line, units of production	4 – 10 years, Estimated proven and probable mineral reserves
Deferred stripping costs	Units of production	Estimated proven and probable mineral reserves accessible due to stripping activity

(f) Business combinations

The consideration transferred by the Corporation to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Corporation, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Corporation recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized as profit immediately.

(g) Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Canadian dollars ("CAD"), which is also the functional currency of the parent Corporation.

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of the respective Corporation, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at period-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Foreign currency translations

The functional currency of the Corporation, each subsidiary and joint arrangement of the Corporation is determined after consideration of the primary economic environment in which it operates.

In the Corporation's consolidated financial statements, all assets, liabilities and transactions of the Corporation's subsidiaries with a functional currency other than CAD (the Corporation's presentation currency) are translated into CAD upon consolidation. Entities with a functional currency other than CAD are:

Entity	Functional Currency
Premier Gold Mines USA Inc.	US Dollars
Premier Gold Mines Nevada Inc.	US Dollars
Au-reka Gold Corporation	US Dollars
Goldcorp Dee LLC	US Dollars
Oro Premier de Mexico S.A. de C.V.	Mexican Pesos

On consolidation, assets and liabilities have been translated into CAD at the closing rate at the reporting date. Income and expenses have been translated into the Corporation's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into CAD at the closing rate.

(h) Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value adjusted by transactions costs, and subsequently accounted for at amortized cost, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

(i) Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss
- derivative Instruments
- held-to-maturity investments
- available-for-sale financial assets

The category determines subsequent measurement and whether any resulting income and expense is recognized in profit or loss or in other comprehensive income. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that the recoverable amount of a financial asset or a group of financial assets exceeds its carrying amount. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognized in profit or loss are presented within 'investment income' or 'other income'.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Corporation's cash and cash equivalents, accounts receivables and restricted cash and cash equivalents fall into this category of financial instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply. The Corporation's investments fall into this category of financial instruments.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Derivative instruments

Derivatives arising from gold contracts are intended to manage the Company's risk management objectives associated with changing market values, but they do not meet the strict hedge effectiveness criteria designated in a hedge accounting relationship. Accordingly, these derivatives have been classified as "non-hedge derivatives." Changes in the fair value of the gold contracts are recognized at fair value through profit or loss.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Corporation has the intention and ability to hold them until maturity. The Corporation currently does not hold any investments designated into this category.

Held-to-maturity investments are measured subsequently at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All other available-for-sale financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognized in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within 'finance income'. The corporation currently does not hold any investments designated into this category.

Reversals of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(j) Financial liabilities

The Corporation's financial liabilities include borrowings and accounts payable and accrued liabilities.

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognized in profit or loss.

All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at fair value through profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'general and administrative costs'.

(k) Impairment of non-financial assets

At each financial position reporting date the carrying amounts of the Corporation's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less that its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(l) Share capital

Share capital represents the fair value of consideration received. Equity instruments are contracts that give a residual interest in the net assets of the Corporation. Financial instruments issued by the Corporation are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Corporation's common shares, stock options, and share warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares, options or warrants are also shown in equity as a deduction.

The Corporation periodically issues units to investors consisting of common shares and warrants in non-brokered private placements. Each whole warrant issued entitles the holder to acquire a common share of the Corporation, at a fixed Canadian dollar price over a specified term. These warrants are not transferable from the original investor to a new investor. The Corporation's investor warrants are equity instruments and not financial liabilities or financial derivatives. Accordingly, gross investor proceeds received from the issuance of units are accounted for as an increase in share capital. No separate valuation (i.e. "bifurcation") of investor warrants is made for accounting purposes at the time of issuance or at any time thereafter.

When investor or other warrants are exercised, the proceeds received are added to share capital. When investor or other warrants expire unexercised, no accounting entry is recorded.

(m) Share-based compensation

The Corporation has three share-based compensation plans: The Share option plan, Deferred share unit plan and Restricted share unit plan, which are all described in note 10.

Share Option Plan

Stock options are equity-settled share-based compensation awards. The fair value of stock options at the grant date is estimated using the Black-Scholes option pricing model. Compensation expense is recognized over the stock option vesting period based on the number of units estimated to vest. This expense is recognized as share-based compensation expense with a corresponding increase in contributed surplus. When options are exercised, the proceeds received by the Corporation, together with the amount in contributed surplus, are credited to common shares.

Deferred Share Unit Plan

Deferred share units ("DSU") granted to eligible members of the Board of Directors are settled in cash or shares at the discretion of the Corporation, and are accounted for under the liability method. The DSUs are subject on grant to terms and conditions set out in a Deferred Share Unit Grant letter that will determine the vesting conditions. DSUs are paid in full in the form of a lump sum payment no later than December 31 of the calendar year immediately following the calendar year of termination of service. The Corporation may issue shares in lieu of a cash payment.

Restricted Share Unit Plan

Restricted share units ("RSU") are granted to eligible members of the Board of Directors, eligible employees and eligible contractors. The RSUs are settled in cash or equity at the option of the Corporation. The RSUs vest subject to a RSU award letter but no later than December 31, of the third calendar year following the service year determined based on date of grant. The RSUs granted are accounted for under the equity method where the RSU grant letter specifies settlement in shares, and the liability method where the settlement can be in cash or shares. Under the equity method, the restricted share units are recorded in equity at fair value on the grant date over the period of vesting. Under the liability method, a liability is recorded at grant date equal to the fair value of the RSU. The liability is adjusted to fair value at each reporting period and any resulting adjustment to the accrued obligation is recognized as an expense or, if negative, a recovery.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is determined at the grant date.

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to 'reserves'.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are fewer than that estimated on vesting.

(n) Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit or other current tax activities, which differs from profit or loss in the financial statements. Calculation of current tax expense is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and co-ownership is not provided if reversal of these temporary differences can be controlled by the Corporation and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilised against future taxable income. To the extent that the Corporation does not consider it probable that a future tax asset will be recovered, it is not recognized in the financial statements.

Deferred tax assets and liabilities are offset only when the Corporation has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of taxable income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(o) Provisions

Environmental rehabilitation

Provisions for environmental rehabilitation are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate, and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates. The provision is reviewed each reporting period for changes in cost estimates, discount rates and operating lives. Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the carrying value, that portion of the increase is charged directly to expenses. For closed sites, changes to estimated costs are recognized immediately in profit and loss.

(p) Income / (loss) per share

The Corporation presents basic income / (loss) per share data for its common shares, calculated by dividing the income / (loss) attributable to common shareholders of the Corporation by the weighted average number of common shares outstanding during the period. Diluted income per share is determined by adjusting the profit attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(q) Segment reporting

An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity's management, and (iii) for which discrete financial information is available. The Corporation has identified its reportable segments on the basis of their geographic location. As a result the Corporation discloses information geographically based on the location of each of its operations.

(r) Interest

Interest income and expenses are reported on an accrual basis using the effective interest method.

(s) Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin.

(t) Flow-through shares

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Corporation allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A deferred flow-through premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recorded in deferred tax expense. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

(u) Significant accounting judgements and estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities, disclosure of commitments and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions. Actual results could differ from these estimates.

Management's estimates and underlying assumptions are reviewed on an ongoing basis. The impact of such estimates are pervasive throughout the consolidated financial statements and may require accounting judgements based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

The significant judgements and estimates used in the preparation of these consolidated financial statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities and earnings within the next financial year include:

Significant judgements in applying the Corporation's accounting policies

Functional currency of foreign subsidiaries

A significant judgement that members of management have made in the process of applying the Corporation's accounting policies and that have a significant effect on the amounts recognized in the consolidated financial statements is the policy on functional currency of foreign subsidiaries.

Management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to indicators like the currency that mainly influences costs and the currency in which those costs will be settled and the currency in which funds from financing activities are generated. Management also assesses the degree of autonomy the foreign operation has with respect to operating activities.

Significant estimates

Impairment and reversal of impairment for non-current assets

Non-current assets are tested for impairment at the end of each reporting period if in management's judgement there is an indicator of impairment. If there are indicators, management performs an impairment test on the major assets within this balance.

In the case of mineral property assets, recoverability is dependent on a number of factors common to the natural resource sector. These include the extent to which the Corporation can continue to renew its exploration and future development licenses with local or other authorities, establish economically recoverable reserves on its properties, the availability of the Corporation to obtain necessary financing to complete the development of such reserves and future profitable production or proceeds from the disposition thereof. The Corporation will use the evaluation work of professional geologists, geophysicists and engineers for estimates in determining whether to commence or continue mining and processing. These estimates generally rely on scientific and economic assumptions, which in some instances may not be correct, and could result in the expenditure of substantial amounts of money on a deposit before it can be determined whether or not the deposit contains economically recoverable mineralisation.

Asset retirement obligations

Management assesses the asset retirement obligations on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs required based on the existing laws and regulations in each jurisdiction the Corporation operates in, the timing of these expenditures, and the impact of changes in the discount rate. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and / or regulatory requirements in the future.

Deferred income taxes

The Corporation operates in several tax jurisdictions and is required to estimate the income tax provision in each of these jurisdictions in preparing its financial statements. The provision for income taxes which is included in the consolidated statements of income (loss) and comprehensive income (loss) and composition of deferred income tax liabilities included in the consolidated statements of financial position is based on factors such as tax rates in the different jurisdictions, changes in tax law and management's assessment of future results and have not yet been confirmed by the taxation authorities. The Corporation does not recognize deferred tax assets where management does not expect such assets to be realized based on current forecasts.

In the event that actual results differ from these estimates, adjustments are made in future periods and changes in the amount of amount of deferred tax assets recognized may be required. These adjustments could materially impact the financial position and income or loss for the period.

Other estimates

Other significant estimates which could materially impact the financial statements include:

- the inputs used in accounting for share purchase option expense in the consolidated statements of income / (loss)
- the estimated useful lives of property, plant and equipment which are included in the consolidated statements of financial position and the related depreciation included in the consolidated statements of loss and comprehensive loss
- the discount rate used to determine the carrying value of long term debt

3. RECENT ACCOUNTING PRONOUNCEMENTS

Accounting standards issued and effective January 1, 2016

The Corporation is currently assessing the impact that the changes to the following standards may have on the consolidated financial statements:

- amendment to IFRS 11, Joint Arrangements which requires an acquirer of a joint operation in which the activity constitutes a business to apply all of the business combinations accounting principles and disclosures in IFRS 3 and IFRSs, except for those principles that conflict with the guidance in IFRS 11, to be applied prospectively
- amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets prohibiting entities from using a revenue-based depreciation method for items of property, plant and equipment as well as intangible assets except in limited circumstances, to be applied prospectively
- amendment to IAS 27, Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- amendments to IFRS 10, Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture

At present, the Corporation does not anticipate that the application of these amendments would have a significant impact on the consolidated financial statements.

Accounting standards issued and effective January 1, 2018

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. As the Corporation is presently in the exploration and development stage of operations and currently has no revenue producing properties, the application of IFRS 15 would not have a material impact on the amounts reported and disclosures made in the consolidated financial statements at this time. The Corporation will reassess the application of this standard when circumstances dictate.

The Corporation continues to assess the impact that the changes to IFRS 9, Financial Instruments may have on the consolidated financial statements. The changes to IFRS 9 introduce new requirements for the classification and measurement of financial assets and liabilities. The IASB has tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018 although early adoption is permitted.

(Stated in Canadian Dollars)

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and in banks including money market savings accounts and short term deposits that have a one year maturity but that are cashable after 30 days or less into a known amount of cash.

	2015	2014
	$	$
Cash	**30,741,147**	17,698,585
Short-term money market investments	**42,315,670**	14,442,428
	73,056,817	32,141,013

5. OTHER ASSETS

	2015	2014
	$	$
Canadian equity investments (i)	**3,582,182**	3,777,233
Derivative investments (ii)	**2,350,630**	-
	5,932,812	3,777,233

(i) The Corporation's investments consist of common shares held in Canadian publicly traded corporations. Fair values of equities are determined as the closing price at December 31, 2015. Investments that are held for short term trading are classified as held for trading.

(ii) During the year ended December 31, 2015, the Corporation hedged a total of 30,000 ounces of gold sales expiring between July 1, 2016 and December 31, 2016. The derivative instruments entered into were in the form of puts with a floor price ranging from $1,000USD per ounce of gold to $1,100USD per ounce of gold.

These derivative instruments have not been designated as accounting hedges by the Corporation and are therefore marked to their market values at each reporting date. An adjustment of $135,034 for a loss on mark to market is included in unrealized gain on investments and a $118,562 gain on currency is included in unrealized foreign exchange gain / (loss) in the consolidated statements of income / (loss) and comprehensive income / (loss).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

For the years ended December 31, 2015 and 2014

6. RESTRICTED CASH AND CASH EQUIVALENTS

Property	**2015** **$**	2014 $
Hardrock, Ontario (i)	**316,544**	633,089
Northern Empire Mill, Ontario (ii)	**2,230,488**	2,228,973
McCoy-Cove, Nevada (iii)	**1,697,600**	1,132,928
	4,244,632	3,994,990

(i) The Corporation has a $633,089 standby letter of credit outstanding in favour of the Ontario Ministry of Northern Development and Mines relating to potential reclamation obligations of the Greenstone Gold property in Ontario. Security, in the form of a guaranteed investment certificate, for the standby letter of credit is held with the Royal Bank of Canada. As a result of the 50% divestment of the interest in the Greenstone Gold properties only $316,544 is recorded on the books of the Corporation. Upon discharge of all reclamation related obligations 100% of the funds held as security will be returned to the Corporation.

(ii) The Corporation has a total of $2,230,488 in restricted cash and cash equivalents relating to reclamation obligations associated with the Northern Empire mill in Ontario including:

- a $150,000 standby letter of credit with the Toronto Dominion Bank in the name of the Corporations' wholly owned subsidiary, Goldstone Resources Inc., and payable in favour of the Ontario Ministry of Northern Development and Mines (MNDM)
- a $1,678,494 standby letter of credit with the Royal Bank of Canada and payable in favour of the MNDM
- $401,994 in financial assurance held directly by the MNDM

(iii) The Corporation's wholly owned subsidiary, Au-reka Gold Corporation has a total of $1,226,584USD ($1,697,600CAD) in restricted cash related to reclamation obligations associated with the McCoy-Cove property in Nevada including:

- $976,584USD ($1,351,599CAD) held in trust with the United States Department of the Interior, Bureau of Land Management
- $250,000USD ($346,001CAD) held in trust with Lexon Surety Group as security for the surety bond described in Note 18.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

For the years ended December 31, 2015 and 2014

7. PROPERTY, PLANT AND EQUIPMENT

	Building and equipment	Mill and mining equipment	Mineral properties (non-depletable)	Total
Costs	$	$	$	$
Balance, December 31, 2013 *(restated - Note 2 (e))*	1,151,024	4,762,947	187,258,322	193,172,293
Additions	49,558	-	23,695,165	23,744,723
Disposals	-	-	(29,973,463)	(29,973,463)
Foreign currency adjustment	13,464	-	4,445,012	4,458,476
Balance, December 31, 2014 *(restated - Note 2 (e))*	1,214,046	4,762,947	185,425,036	191,402,029
Additions	172,181	-	87,248,406	87,420,587
Disposals	(328,587)	-	(59,786,374)	(60,114,961)
Foreign currency adjustment	37,581	-	17,271,926	17,309,507
Balance, December 31, 2015	**1,095,221**	**4,762,947**	**230,158,994**	**236,017,162**
Accumulated depreciation and impairment	$	$	$	$
Balance, December 31, 2013 *(restated - Note 2 (e))*	312,649	2,353,776	2,433,086	5,099,511
Depreciation for the year	119,141	-	-	119,141
Impairment	-	2,409,171	29,973,463	32,382,634
Disposals	-	-	(29,473,463)	(29,473,463)
Foreign currency adjustment	2,878	-	(16,999)	(14,121)
Balance, December 31, 2014 *(restated - Note 2 (e))*	434,668	4,762,947	2,916,087	8,113,702
Depreciation for the period	265,178	-	-	265,178
Disposals	(238,069)	-	-	(238,069)
Foreign currency adjustment	(43,213)	-	-	(43,213)
Balance, December 31, 2015	**418,564**	**4,762,947**	**2,916,087**	**8,097,598**
Carrying amounts	$	$	$	$
Balance, December 31, 2014 *(restated - Note 2 (e))*	779,378	-	182,508,949	183,288,327
Balance, December 31, 2015	**676,657**	**-**	**227,242,907**	**227,919,564**

Building and equipment

During the year ended December 31, 2015 the Corporation disposed of 50% of buildings and leasehold improvements related to the Greenstone Gold property with a net book value of $81,511, the Corporation also wrote off a fully depreciated mining camp held by Goldstone Resources which had a net book $106,402 and other buildings and equipment assets with a net book value of $9,007.

Mill and mining equipment

The Corporation had previously assessed the carrying value of the mill and mining equipment based on facts and circumstances existing at the time which resulted in an impairment charge in 2013 of $2,353,776. An additional impairment of $2,409,171 was taken in 2014 as a potential sale of these assets did not materialize resulting in a revaluation of the recoverable amount of the assets.

(Stated in Canadian Dollars)

Mineral properties

Property	December 31, 2014 *(restated - Note 2 (e))* $	Additions $	Transfers / Disposal $	Currency Adjustment $	**December 31, 2015** **$**
Rahill-Bonanza, Ontario	19,898,612	129,771	(2,030,471)	-	**17,997,912**
East Bay, Ontario	6,308,379	-	(6,308,379)	-	**-**
PQ North, Ontario	1,589,473	-	(1,589,473)	-	**-**
Hasaga, Ontario	-	12,644,362	-	-	**12,644,362**
Hardrock, Ontario	84,719,118	-	(84,719,118)	-	**-**
Brookbank, Ontario	14,996,984	-	(14,996,984)	-	**-**
Greenstone Gold, Ontario	-	-	49,858,051	-	**49,858,051**
McCoy-Cove, Nevada	54,996,383	187,214	-	10,616,020	**65,799,617**
South Arturo, Nevada	-	74,287,059	-	6,655,906	**80,942,965**
	182,508,949	87,248,406	(59,786,374)	17,271,926	**227,242,907**

Property	December 31, 2013 *(restated - Note 2 (e))* $	Additions *(restated - Note 2 (e))* $	Disposal / Impairment *(restated - Note 2 (e))* $	Currency Adjustment *(restated - Note 2 (e))* $	December 31, 2014 *(restated - Note 2 (e))* $
Rahill-Bonanza, Ontario	19,898,612	-	-	-	19,898,612
East Bay, Ontario	6,308,134	245	-	-	6,308,379
PQ North, Ontario	1,589,473	-	-	-	1,589,473
Hardrock, Ontario	84,715,656	3,462	-	-	84,719,118
Brookbank, Ontario	14,996,984	-	-	-	14,996,984
McCoy-Cove, Nevada	27,764,965	23,691,460	-	3,539,958	54,996,383
Saddle, Nevada	26,897,423	-	(26,819,476)	(77,947)	-
Other areas	2,653,987	-	(2,653,987)	-	-
	184,825,234	23,695,167	(29,473,463)	3,462,011	182,508,949

All mineral properties are in the exploration, evaluation, pre-development or development stage and are not subject to depletion at this time.

Impairment and disposal on mineral properties

The Corporation regularly reviews the carrying amount if its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. Mineral property interests are tested for impairment when facts and circumstances suggest that the carrying amount of the mineral property interests exceed their recoverable amount. In the absence of other factors, a mineral property that has not been actively explored within the past three years and for which no future exploration plans exist will be considered to be impaired.

2014

Saddle

As a result of the transfer of the Saddle property in Nevada in the acquisition discussed below, the Corporation recognized an impairment loss of $26,819,476 as adjusted per Note 2 (e).

Other areas

As a result of the transfer of the Blue Sage property in Nevada in the acquisition discussed below, the Corporation recognized an impairment loss of $2,153,463 as adjusted per Note 2 (e) on the related mineral properties. An additional impairment of $500,000 as adjusted per Note 2 (e) was taken in September, 2014 on non-core assets.

(Stated in Canadian Dollars)

Acquisitions and disposals

2015

Acquisition of Red Lake land package for Hasaga

On December 30, 2015 the Corporation acquired 26 patented claims known as the Buffalo Claims and the Newman Madsen Claims from Pure Gold Mining Inc. The claims are subject to a 1% to 3.5% Net Smelter Royalty ("NSR"). The property is located immediately west of and contiguous with the Hasaga property. The Corporation acquired the land for $4,500,000 of which $2,500,000 was paid in cash with the remainder in shares. The Corporation has an additional agreement in place with Pure Gold Mining Inc. to purchase an additional 2 mining claims for an additional $500,000 in 2016.

Acquisition of Grandview Gold mining claims for Rahill-Bonanza

On August 5, 2015 the Corporation acquired Grandview Gold claims from 1544230 Ontario Inc. The claims are located in the Dome Township of the Red Lake Mining District. The Corporation acquired the Grandview Gold claims for a payment of $120,000 cash. Goldcorp Inc. ("Goldcorp") has exercised its right to acquire a 56% interest in the Grandview Gold claims by funding 56% of the acquisition costs under the terms of the Rahill-Bonanza agreement.

Acquisition of 40% interest in South Arturo Mine

On June 2, 2015 the Corporation acquired Goldcorp Dee LLC from Goldcorp which owns a 40% interest in the South Arturo Mine project, located 8 kilometres northwest and along strike from Barrick Goldstrike Operations, within the Carlin Trend in Nevada. Pursuant to the terms of the transaction, the Corporation paid Goldcorp $20,000,000USD ($24,846,000CAD) at closing and transferred 5% of a 49% interest in the Rahill-Bonanza partnership in Red Lake. Concurrent with the acquisition, Goldcorp completed a private placement with the Corporation in the amount of $12,500,000.

As the South Arturo acquisition did not meet the definition of a business under IFRS, the acquisition has been accounted for as an asset acquisition whereby the assets acquired and liabilities assumed are recorded at fair value based on the 40% interest. The following table summarizes the net assets acquired:

Purchase Price	USD	CAD
Cash	20,000,000	24,846,000
Fair value of 5% interest in Rahill-Bonanza	4,000,000	4,969,200
Transaction costs	188,464	241,001
	24,188,464	30,056,201

Purchase Price Allocation		
Cash and cash equivalents	2,268,171	2,817,749
Prepaids	23,982	29,793
Construction in progress	7,042,900	8,749,394
Mineral interest	15,969,348	19,845,594
Advanced royalty payments	80,000	99,384
Accounts payable and accrued liabilities	(1,195,937)	(1,485,713)
	24,188,464	30,056,201

The Corporation has determined that the arrangement is a joint operation not structured through a separate entity and for which we do not have control. As a result we are accounting for our share of the assets, liabilities, revenues and expenses related to the operation.

South Arturo is considered a development property as a mine plan has been prepared, a permit has been obtained and the decision to commercially develop the property has been made.

Divestment of 5% interest in Rahill-Bonanza

As a result of the transaction described in the acquisition of the 40% interest in the South Arturo Mine project, the Corporation divested 5% of a 49% interest in Rahill-Bonanza valued at $4,000,000USD ($4,969,200CAD). A gain of $2,938,729 was recorded on the divestment and is included in the gain on divestment of mineral property interests.

Divestment of 50% interest in Greenstone Gold

On March 9, 2015, the Corporation formed a general partnership, Greenstone Gold, through its wholly owned subsidiary Premier Gold Mines Hardrock Inc. to facilitate the joint ownership and development of the Corporation's Greenstone Gold property including the Hardrock and Brookbank projects located in the Geraldton-Beardmore Greenstone Belt in Ontario. Centerra acquired a 50% interest in the new company for cash consideration of $85,000,000. Further details of the agreement include the following:

- The Corporation, through its wholly owned subsidiary, contributed all property, assets and rights it held in respect of the Greenstone Gold property in consideration for its 50% interest in the partnership, while Centerra made an initial cash contribution of $85,000,000 for its 50% limited partner interest.
- The Corporation, in accordance with the contractual arrangements with Centerra, subsequently withdrew $85,000,000 from the partnership in recognition of the property contribution
- Centerra has also agreed to make capital contributions to the partnership in the aggregate amount of $185,000,000 half of which is on behalf of the Corporation. A portion of these funds will initially be used to complete a comprehensive technical and economic feasibility study including an updated mineral resource calculation for the Hardrock project at the Greenstone Gold property. Subject to the satisfaction of certain feasibility and project advancement criteria the remainder of the funds will be used towards the construction and development of the Hardrock project.
- The Corporation will not be required to make any contributions to the partnership until Centerra has provided the full amount of the capital contributions, following which cash calls will be satisfied by each of Centerra and the Corporation on a 50/50 basis pursuant to approved annual programs and budgets. The partnership agreement contains customary dilution mechanisms for failures to meet cash calls and certain other events.
- Centerra has agreed to make an additional contingent capital contribution to the partnership not to exceed $30,000,000 based on the results of the updated mineral resource calculation in respect of the Greenstone gold property which was settled on September 17, 2015 for $11,009,681 and which was distributed to the Corporation in accordance with the agreement.
- Following completion of the formation of Greenstone Gold, the Corporation and Centerra have formed a joint board of directors to oversee future exploration, development and operations by the partnership.

The joint arrangement was determined to be a joint operation under IFRS 11 Joint Arrangements. The factors the Corporation considered in making this determination include the terms and conditions of the partnership agreement, the purpose and design of the joint arrangement including the legal form of the entity which holds the assets and liabilities. As the joint arrangement is structured though a separate entity, Greenstone Gold, of which Premier Gold Mines Hardrock Inc., a 100% fully owned subsidiary of the Corporation, is a 50% shareholder and of which confers rights to assets and obligations for the liabilities relating to the operation and does not confer separation between the parties and the separate vehicle, the arrangement is classified as a joint operation.

The Corporation recognized its interest in the assets, liabilities, revenues and expenses of the partnership in accordance with the Corporation's rights and obligations prescribed by the terms of the partnership agreement.

(Stated in Canadian Dollars)

The gain on divestiture of the 50% interest in the Greenstone Gold property has been recorded as follows and is included in the gain on divestment of mineral property interests:

	$
Proceeds on divestment of 50% interest	85,000,000
Additional contingent capital contribution	11,009,681
Total proceeds	96,009,681
Costs:	
Mineral properties	(49,858,051)
Property, plant, and equipment	(84,015)
Transaction costs	(3,119,688)
	42,947,927

For the year ended December 31, 2015, the Greenstone Gold partnership incurred a total of $25,287,240 for expenditures from the agreed date of February 5, 2015. The Corporation's share is 50% of these expenditures and is included in the income / (loss) for the period. As 100% of expenditures are funded by Centerra (joint operator) under the terms of the agreement, the recovery of $12,643,620 for the year ended December 31, 2015 is shown as a gain attributable to the Greenstone Gold development commitment.

Red Lake property transfer agreement related to Hasaga, East Bay and PQ North

On February 11, 2015, the Corporation entered into an agreement to obtain a 100% interest in the past-producing Hasaga property, located in Red Lake, Ontario, from Goldcorp. In exchange, the Corporation assigned to Goldcorp its 35% participating interest in the East Bay property in Red Lake, Ontario and its 100% interest in the PQ North property located near Goldcorp's Musselwhite Mine in Ontario. Given the nature of the assets involved in the agreement, there is no gain or loss recognized on the exchange of properties. As a result of the transfer, the Hasaga property will be recorded with an acquisition cost of $7,897,852 which was the combined acquisition cost of the East Bay property, $6,308,379, and the PQ North property, $1,589,473, exchanged in the deal. The Corporation will retain a 2% NSR in the PQ North property.

2014

Nevada property transfer and acquisition

McCoy-Cove and Saddle

On September 11, 2014, the Corporation acquired a 100% ownership interest in the McCoy gold property adjacent to the Cove property and located along the Eureka-Battle Mountain Trend in Nevada from Newmont Mining Corporation ("Newmont") for a total of $21,153,088USD ($23,691,459CAD). The Corporation paid $15,000,000USD on closing, will pay an additional $6,000,000USD within 18 months or on publishing a resource and transferred all land sections that comprise its South Carlin project, including the Saddle and Blue Sage properties as discussed below. In addition, the Corporation assumed existing reclamation and environmental liabilities associated with the property of $877,272USD ($1,017,717CAD) and replaced the existing financial surety with the United States Bureau of Land Management in the amount of $4,417,691USD.

The acquisition includes the following:

- 100% interest in the consolidated McCoy-Cove property package (now totaling 31,000 acres or 48 square miles)
- elimination of "back-in" rights previously held by Newmont as well as a revision of the royalty terms held by Newmont from a "potential" 5.0% NSR to a 1.5% NSR
- the potential to define near-surface heap leachable mineralization at McCoy that could be prioritized towards development
- existing infrastructure, including lined heap leach pads that could potentially be utilized under a renewed development scenario
- a "good faith efforts" processing arrangement with Newmont over a 10-year period within a 12-year window for ores mined at McCoy-Cove

(Stated in Canadian Dollars)

– the Corporation will retain a 1.5% NSR in the South Carlin property interests

As a result of the transfer of the Saddle property in Nevada in the acquisition, the Corporation recognized an impairment loss of $29,473,463 as adjusted per Note 2 (e).

Summary of Mineral Property NSRs (at December 31, 2015)

Property	Status	NSR
Rahill Bonanza, Ontario	Active	2% NSR Marathon Canada Ltd. 3% NSR William, Michael and the estate of Steve Kostynuk 3% NSR Dave Meunier 0.5% NSR Cypress/Skyharbour 2% underlying NSR owed to a third party
Hasaga, Ontario	Active	3% NSR Lac Properties 1% NSR Pure Gold Mining Inc. 3% NSR Camp McMann Red Lake Gold Mine Ltd. 0.5% NSR Sandstorm Gold Ltd.
Greenstone Gold Mines, Ontario	Active	3% NSR Argonaut Gold Inc. 2% NSR Algoma Steel Inc. 1% NSR on the first 350,000 tons of production from the property payable to Griffin Mining Limited (formerly European Mining Limited) 3% NSR Franco-Nevada Corporation. 5% NSR Algoma Steel Inc. 1% NSR Metalore Resources
McCoy-Cove, Nevada	Active	1.5% NSR Newmont
Other areas		
Northern Empire, Ontario	Inactive	3% NSR Shirley Lafontaine, Amede Lafontaine, Stewart Robertson, Geneva Nichols
Sand River Leitch, Ontario	Inactive	1-2% NSR Osisko Gold Royalties 3% NSR Franco-Nevada Corporation
Nortoba-Tyson, Ontario	Inactive	1% NSR Wayne Gorrie
Faymar, Ontario	Inactive	0.2% NSR Marion Howes
Santa Teresa, Mexico	Inactive	1.5-3% NSR Grupo Alamo S.A. de C.V.

8. LONG TERM DEBT

	2015 **$**	2014 $
Promissory note payable (i)	**207,600**	232,020
Newmont payable (ii)	**8,304,000**	6,960,557
Total obligation	**8,511,600**	7,192,577
Less interest to be accreted	**(161,985)**	(681,509)
Present value of the obligation	**8,349,615**	6,511,068
Less current portion of long term debt	**8,237,115**	44,331
Long term debt	**112,500**	6,466,737

(Stated in Canadian Dollars)

The estimated future minimum payment obligations are as follows

	$
2016	8,373,200
2017	69,200
2018	69,200
	8,511,600

(i) The Corporation, through its wholly owned subsidiary, Premier Gold Mines Nevada Inc. holds a non-interest bearing promissory note secured by a deed of trust on the Blue Sage property.

The outstanding principal of the promissory note at December 31, 2015 is $150,000USD ($207,600CAD) and at December 31, 2014 $200,000USD ($232,020CAD) repayable at $50,000USD annually on July 19th until 2018. The note is discounted at a rate of 15% for a discounted balance of $121,859USD ($168,653CAD) at December 31, 2015 and $152,375USD ($203,344CAD) at December 31, 2014. The current portion of the discounted note is $56,154CAD ($44,331CAD at December 31, 2014) with a remaining long term balance of $112,500CAD ($132,437CAD at December 31, 2014).

The value of the debt is being accreted to the face value of the promissory note at its maturity date, with the charge to the statement of income / (loss) and comprehensive income / (loss) as a form of interest expense over the term of the note.

(ii) As a result of the 2014 acquisition of the McCoy-Cove Property described in Note 7, the Corporation agreed to an additional payable in favour of Newmont, through its wholly owned subsidiary, Au-reka Gold Corporation in the amount of $6,000,000USD. The payable is due within 30 days of the earlier of: a published one million ounce mineral resource estimate or the completion of a positive feasibility study. In accordance with the purchase agreement the Corporation shall make reasonable effort to complete a mineral resource estimate within 18 months of September 11, 2014 and as such, the present value of the debt over the eighteen months and using a discount rate of 8%, is $8,180,960CAD ($6,334,300CAD at December 31, 2014).

At December 31, 2015 and December 31, 2014, the outstanding principal of the payable is $6,000,000USD. At December 31, 2015 the current portion of the payable is $6,000,000USD discounted at a rate of 8%, $8,304,000CAD and the long term portion is nil. At December 31, 2014 the current portion of the payable was nil and the long term portion was $6,000,000USD ($6,960,557CAD). The value of the debt is being accreted to the face value of the payable at its maturity date, with the charge to the statement of income / (loss) and comprehensive income / (loss) as a form of interest expense over the term of the debt.

9. PROVISION FOR ENVIRONMENTAL REHABILITATION

The Corporation's provision for environmental rehabilitation results from an ownership interest in a mill, mining equipment and previously mined property interests. The provision consists primarily of costs associated with mine reclamation and closure activities. These activities, which tend to be site specific, generally include costs for decommissioning the mill complex and related infrastructure, physical and chemical stability of the tailings area and post-closure site security and monitoring costs. In determining the estimated costs, the Corporation considers such factors as changes in laws and regulations and requirements under existing permits. Such analysis is performed on an ongoing basis.

(Stated in Canadian Dollars)

The Corporation estimates that the future value of the cash flows required to settle the provision is $4,093,509 for the Northern Empire Mill and the Faymar Deloro property in Canada and $9,425,746USD ($13,045,293CAD) for the McCoy-Cove property and South Arturo Mine project in the United States. In calculating the best estimate of the Corporation's provision, management used risk free interest rates ranging from 1.295% to 7.5%. A reconciliation of the discounted provision is provided below:

	2015				
	Northern Empire Mill	**Faymar Deloro property**	**McCoy-Cove property**	**South Arturo property**	**Total**
	$	**$**	**$**	**$**	**$**
Balance, January 1, 2015	**2,430,402**	**1,388,561**	**1,011,539**	**-**	**4,830,502**
New obligation	**-**	**-**	**-**	**5,031,380**	**5,031,380**
Change in estimate	**11,562**	**5,846**	**176,690**	**-**	**194,098**
Accretion expense	**31,626**	**25,040**	**19,466**	**-**	**76,132**
Reclamation expenditures	**-**	**-**	**(193,478)**	**-**	**(193,478)**
Currency adjustment	**-**	**-**	**180,923**	**-**	**180,923**
Balance, December 31, 2015	**2,473,590**	**1,419,447**	**1,195,140**	**5,031,380**	**10,119,557**

	2014			
	Northern Empire Mill	Faymar Deloro property	McCoy-Cove property	Total
	$	$	$	$
Balance, January 1, 2014	2,351,185	1,352,195	-	3,703,380
New obligation	-	-	1,017,717	1,017,717
Accretion expense	47,615	30,061	5,084	82,760
Adjustment due to change in interest rate	31,602	6,305	-	37,907
Reclamation expenditures	-	-	(10,967)	(10,967)
Currency adjustment	-	-	(295)	(295)
Balance, December 31, 2014	2,430,402	1,388,561	1,011,539	4,830,502

The additional obligation accounted for in 2014 is related to the McCoy-Cove mineral property interest acquired on September 11, 2014 as described in Note 7.

The additional obligation accounted for in 2015 is related to the South Arturo Mine project interest acquired on April 6, 2015 as described in Note 7.

10. CAPITAL

Authorized

The Corporation is authorized to issue an unlimited number of common shares.

Details of share issuances

2015

Shares issued as payment

On December 30, 2015, the Corporation issued 1,001,721 common shares, valued at $2,500,000 for a 513 hectare land package located west of the Hasaga property. Purchase details are described in Note 7.

Issuance of Restricted Share Units

On December 22, 2015 the Corporation granted 84,308 RSU's that vested and settled immediately in shares only, valued at $210,770.

Private Placements

On December 4, 2015 the Corporation issued 2,689,560 flow-through common shares, on a "bought deal" basis, at a price of $2.90 per common share for gross proceeds of $7,799,724. In consideration of the agents' services in connection with the offering, the agents were paid an aggregate cash fee totalling $398,712, equal to approximately 5 per cent of the gross proceeds raised in the offering.

On June 3, 2015 the Corporation issued 11,544,969 common shares, on a "bought deal" basis, at a price of $2.35 per common share for gross proceeds of $27,130,677. In consideration of the agents' services in connection with a portion of the offering, the agents were paid an aggregate cash fee totalling $413,269, representing between 3 and 5 per cent of the gross proceeds they raised in the offering.

2014

Private Placement

On November 25, 2014 the Corporation issued 3,750,000 flow-through common shares, on a "bought deal" basis, at a price of $2.45 per common share for gross proceeds of $9,187,500. In consideration of the agents' services in connection with the offering, the agents were paid an aggregate cash fee totalling $377,081, equal to approximately 5 per cent of the gross proceeds raised in the offering.

Shares issued as payment

On June 13, 2014, the Corporation issued 2,204,488 common shares, valued at $5,000,000 on behalf of it's wholly owned subsidiary Au-reka Gold Corporation for partial repayment of the promissory note pursuant to the Cove property acquisition completed in 2012.

Share option plan

The Corporation has a share purchase compensation plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 1% with respect to any one optionee of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

For the years ended December 31, 2015 and 2014

The following table reflects the stock options outstanding as at December 31, 2015:

Expiry date	Exercise price $	2015 Opening balance #	Granted #	Exercised #	Expired / cancelled #	2015 Closing balance #
April 13, 2015 (i)	4.20	2,648,000	-	-	(2,648,000)	-
September 17, 2015 (i)	3.44	48,003	-	-	(48,003)	-
October 5, 2015 (i)	3.69	22,401	-	-	(22,401)	-
October 16, 2015 (i)	4.25	20,001	-	-	(20,001)	-
December 8, 2015 (i)	7.45	60,000	-	-	(60,000)	-
June 24, 2016	5.25	16,001	-	-	-	16,001
July 28, 2016	6.01	1,327,000	-	-	-	1,327,000
August 10, 2016	6.05	630,000	-	-	-	630,000
August 25, 2016	6.20	431,666	-	-	-	431,666
October 19, 2016	5.27	220,000	-	-	-	220,000
December 20, 2016	4.43	35,000	-	-	-	35,000
March 5, 2017	5.20	125,000	-	-	-	125,000
May 2, 2017	4.78	150,000	-	-	-	150,000
May 8, 2017	4.50	550,000	-	-	-	550,000
June 13, 2017	4.69	300,000	-	-	-	300,000
August 13, 2017	4.45	715,000	-	-	-	715,000
October 24, 2017	5.40	60,000	-	-	-	60,000
January 28, 2018	3.65	250,000	-	-	-	250,000
February 22, 2018	2.95	150,000	-	-	-	150,000
March 6, 2018	2.75	685,000	-	-	-	685,000
March 18, 2018	3.11	125,000	-	-	-	125,000
April 8, 2018	2.60	150,000	-	-	-	150,000
April 15, 2018	2.23	15,000	-	-	-	15,000
August 8, 2018	1.79	1,280,250	-	(95,000)	-	1,185,250
August 13, 2018	2.27	150,000	-	(150,000)	-	-
September 20, 2018	2.41	150,000	-	(100,000)	-	50,000
September 24, 2018	2.03	4,000	-	-	-	4,000
October 22, 2018	2.14	150,000	-	-	-	150,000
December 18, 2018	1.40	250,000	-	-	-	250,000
March 7, 2019	2.51	100,000	-	-	-	100,000
May 2, 2019	2.01	150,000	-	(45,000)	-	105,000
August 29, 2019 (ii)	2.83	1,682,500	-	-	(45,000)	1,637,500
September 22, 2019	2.85	25,000	-	-	-	25,000
March 9, 2020	2.41	-	125,000	-	-	125,000
April 10, 2020 (ii)	2.39	-	250,000	(20,000)	(40,000)	190,000
July 15, 2020	2.19	-	2,740,000	-	-	2,740,000
		12,674,822	3,115,000	(410,000)	(2,883,405)	12,496,417
		3.92	2.21	2.17	4.20	3.48

(i) Expired options
(ii) Cancelled options

(Stated in Canadian Dollars)

Total vested stock options at December 31, 2015 were 11,901,417 with a weighted average exercise price of $3.54 (12,239,822 at December 31, 2014 with a weighted average exercise price of $3.96).

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, $3,506,505 was recorded for options and shares issued as compensation during the year December 31, 2015 ($3,331,875 at December 31, 2014). As of December 31, 2015 there were 595,000 unvested stock options (435,000 at December 31, 2014).

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

	2015	2014
Risk-free interest rate	0.75% - 1.35%	1.58% - 1.99%
Annualized volatility based on historical volatility	64%	61% - 66%
Expected dividend	Nil	Nil
Expected option life	5 years	3.75 - 5 years

Deferred Share Unit Plan

Effective June 25, 2015, the Corporation introduced a DSU plan for eligible directors. The DSUs are paid in full in the form of a lump sum payment no later than December 31 of the calendar year immediately following the calendar year of termination of service. The Corporation may issue shares in lieu of cash payment. The aggregate maximum number of shares available for issuance from treasury under this plan is 500,000 shares and are subject to the maximums of 10% in total and 1% per optionee.

During the year the Corporation did not issue any DSUs.

Restricted Share Unit Plan

Effective June 25, 2015, the Corporation introduced a RSU plan for eligible members of the Board of Directors, eligible employees and eligible contractors. The aggregate maximum number of shares available for issuance from treasury under this plan is 1,100,000 shares and are subject to the maximums of 10% in total and 1% per optionee. The restricted share units can be settled in cash or equity at the option of the Corporation. The RSUs vest subject to a RSU award letter but no later than December 31 of the third calendar year following the service year determined based on date of grant.

The RSU share plan transactions during the year were as follows:

	2015	**2015**	2014	2014
	#	**$**	#	$
Balance, January 1	**-**	**-**	-	-
Granted	**84,308**	**210,770**	-	-
Redeemed	**(84,308)**	**(210,770)**	-	-
Balance, December 31	**-**	**-**	-	-

PREMIER Gold Mines Limited

(Incorporated under the laws of Ontario)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

For the years ended December 31, 2015 and 2014

11. INCOME / (LOSS) PER SHARE

Basic income / (loss) per share is calculated based on the weighted average number of common shares and common share equivalents outstanding during the year ended December 31, 2015 and 2014. Diluted income per share is based on the assumption that stock options that have an exercise price less than the average market price of the Corporation's common shares during the period have been exercised on the later of the beginning of the year and the date granted. Net income / (loss) and basic weighted average shares outstanding are reconciled to diluted net income / (loss) and diluted weighted average shares outstanding, respectively, as follows:

For the year ended December 31,	**2015** **$**	2014 *(restated - Note 2 (e))* $
Net income / (loss) for the period	**24,789,599**	(63,373,442)
Basic weighted average shares outstanding	**165,482,310**	153,727,702
Dilution adjustment for stock options	**1,265,949**	-
Diluted weighted average shares outstanding	**166,748,259**	153,727,702
Basic and diluted income / (loss) per share	**0.15**	(0.41)

12. SUPPLEMENTAL CASH FLOW INFORMATION

The significant non-cash activities during the period are as follows:

For the year ended December 31,	Note	**2015** **$**	2014 $
Fair value of mineral property interest exchanged in property acquisition	*7*	**4,969,200**	-
Fair value of debt issued for the purchase of mineral properties	*7*	**-**	5,987,367
Fair value of stock options allocated to share capital upon exercise		**479,733**	2,506,693
Fair value of shares issued for the purchase of mineral property interest		**2,500,000**	-
Fair value of shares issued for repayment of promissory note	*10*	**-**	5,000,000

13. GENERAL AND ADMINISTRATIVE

For the year ended December 31,	**2015** **$**	2014 $
Corporate administration	**1,534,463**	1,627,417
Flow-through interest penalty	**36,309**	(139,364)
Corporate salaries and benefits	**2,871,958**	2,365,731
Professional fees	**1,520,125**	527,654
Project administration (i)	**2,127,637**	-
	8,090,492	4,381,438

(i) Management fees and other administrative costs related to the projects included in the joint arrangement and co-ownerships.

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14. EXPLORATION, EVALUATION AND PRE-DEVELOPMENT

For the year ended December 31,	**2015**	2014 *(restated - Note 2 (e))*
	$	$
Rahill-Bonanza, Ontario	**921,601**	856,466
East Bay, Ontario	**19,765**	217,354
PQ North, Ontario	**-**	156
Hasaga, Ontario	**6,995,050**	-
Brookbank, Ontario (i)	**-**	27,219
Hardrock, Ontario (i)	**-**	18,034,985
Greenstone Gold, Ontario (i)	**13,657,426**	-
McCoy-Cove, Nevada	**4,809,160**	7,080,994
Saddle, Nevada	**-**	13,164
South Arturo	**727,042**	-
Other areas	**14,583**	52,863
	27,144,627	26,283,201

(i) In 2015 Greenstone Gold includes the Hardrock, Brookbank, and Key Lake projects.

15. SEGMENTED INFORMATION

The Corporation's significant segments, that are represented by its separately identifiable mineral properties as described in Note 7, operate in three distinct geographic areas. The Canadian operations, which are located in Ontario, are managed from the Corporation's head office in Thunder Bay. The United States of America (U.S.A.) operations are managed from an office in Nevada. The Mexican operations are managed from an office in Mexico City.

For the year ended December 31, 2015

	Canada	U.S.A.	Mexico	**Total**
	$	$	$	**$**
Depreciation and impairment loss on property, plant and equipment	(178,369)	(86,809)	-	**(265,178)**
Long term debt accretion	-	(601,521)	-	**(601,521)**
Overhead costs	(9,692,933)	(407,885)	(26,873)	**(10,127,691)**
Exploration, maintenance and rehabilitation	(22,209,022)	(7,389,911)	(25,928)	**(29,624,861)**
Other income	60,082,813	-	-	**60,082,813**
Income / (loss) before income taxes	28,002,489	(8,486,126)	(52,801)	**19,463,562**
Current tax	-	-	-	**-**
Deferred tax	(20,745)	5,346,782	-	**5,326,037**
Income / (loss) for the year	27,981,744	(3,139,344)	(52,801)	**24,789,599**

(Stated in Canadian Dollars)

For the year ended December 31, 2014

	Canada *(restated - Note 2 (e))* $	U.S.A. *(restated - Note 2 (e))* $	Mexico *(restated - Note 2 (e))* $	Total *(restated - Note 2 (e))* $
Depreciation and impairment loss on property, plant and equipment	(28,064,837)	(4,436,938)	-	(32,501,775)
Long term debt accretion	-	(617,355)	-	(617,355)
Overhead costs	(7,652,374)	(40,051)	(20,887)	(7,713,312)
Exploration, maintenance and rehabilitation	(19,694,820)	(7,134,035)	(40,244)	(26,869,099)
Other income	4,580,252	10,571	-	4,590,823
Income / (loss) before income taxes	(50,831,779)	(12,217,808)	(61,131)	(63,110,718)
Current tax	(582)	(26)	-	(608)
Deferred tax	(2,487,518)	2,225,403	-	(262,115)
Income / (loss) for the year	(53,319,879)	(9,992,431)	(61,131)	(63,373,441)

As at December 31, 2015

	Canada $	U.S.A. $	Mexico $	**Total $**
Mineral properties	80,500,323	146,742,584	-	**227,242,907**
Total assets	151,422,202	161,752,564	7,804	**313,182,570**
Total liabilities	18,096,804	14,769,404	903	**32,867,111**

As at December 31, 2014

	Canada *(restated - Note 2 (e))* $	U.S.A. *(restated - Note 2 (e))* $	Mexico *(restated - Note 2 (e))* $	Total *(restated - Note 2 (e))* $
Mineral properties	127,512,567	54,996,382	-	182,508,949
Total assets	167,687,130	57,185,186	26,692	224,899,008
Total liabilities	14,883,163	7,808,610	6,790	22,698,563

16. INCOME TAXES

(a) The major components of income tax (recovery) / expense are as follows:

	2015 $	2014 $
Current income tax	**-**	608
Origination and reversal of temporary differences	**(100,874)**	4,783,456
Effect of change in tax rates	**38,768**	611
Deferred tax liability incurred on renouncement expenses	**265,000**	265,000
Reversal of deferred flow-through premium	**(559,410)**	(57,143)
Recognition of previously unrecognized tax assets from the renouncement of flow-through expenditures	**(3,453,204)**	-
Recognition of previously unrecognized tax assets from the use of loss carryforwards	**-**	(4,761,710)
Impact of the use of loss carryforwards related to share issue costs charged to equity	**-**	2,544,661
Other	**(1,516,317)**	(2,512,760)
Income tax (recovery) / expense	**(5,326,037)**	262,723

(Stated in Canadian Dollars)

(b) The Corporation's income tax expense (benefit) differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to loss before income taxes as a result of the following:

	2015	2014
	$	$
Income / (loss) for the year	**19,463,562**	(63,110,719)
Statutory rates (i)	**26.50%**	26.50%
Income tax recovery computed at statutory rates	**5,157,844**	(16,724,340)
Difference in foreign tax rates	**1,698,465**	(1,027,836)
Increase in deferred tax assets not recognized	**4,531,891**	14,054,045
Non-taxable items	**(11,489,073)**	8,481,588
Effect of change in tax rates	**38,768**	611
Impact of attributes renounced to shareholders (flow-through shares)	**265,000**	265,000
Impact of flow-through share premium	**(559,410)**	(57,143)
Recognition of previously unrecognized tax assets from the use of loss carryforwards	**(3,453,204)**	(4,761,710)
Impact of the use of loss carryforwards related to share issue costs charged to equity	**-**	2,544,661
Other	**(1,516,318)**	(2,512,153)
Deferred tax (recovery) / expense	**(5,326,037)**	262,723

	2015	2014
	$	$
Exchange difference on translation of foreign operations through other comprehensive income (ii)	**18,445,332**	4,281,310
Statutory tax rates	**35%**	35%
Income tax expense computed at statutory rates	**6,455,866**	1,498,459
Exchange difference not subject to income tax	**(1,109,084)**	690,305
Other comprehensive income deferred tax expense	**5,346,782**	2,188,764

(i) The Corporation operates in multiple industries and jurisdictions, and the related income is subject to varying rates of taxation. The combined Canadian federal and provincial tax rate reflects the tax rate of 26.5% in effect in Ontario, Canada for each applicable tax year. The corporation operates in Mexico, which reflects a 30% tax rate for the current year. As well, the corporation operates in Nevada, USA and reflects a 35% tax rate for each applicable tax year.

(ii) A tax rate of 35% is applicable to the exchange difference on translation of foreign operations as it relates to timing differences originating from the subsidiaries' operations in Nevada, USA.

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(c) The deferred income tax liabilities reported on the balance sheet are comprised of temporary differences as presented below:

As at December 31,	**2015** **$**	2014 $
Deferred income tax assets		
Non-capital losses	**9,682,790**	3,267,631
Deferred tax assets set off against deferred tax liabilities	**(9,682,790)**	(3,267,631)
Deferred tax asset	**-**	-
Deferred income tax liabilities		
Exploration and evaluation	**(7,661,549)**	(7,159,558)
Investments	**(9,682,790)**	(3,265,468)
Other	**-**	76,001
Gross deferred tax liabilities	**(17,344,339)**	(10,349,025)
Deferred tax assets set off against deferred tax liabilities	**9,682,790**	3,267,631
Deferred tax liabilities per balance sheet	**(7,661,549)**	(7,081,394)
Balance at the beginning of the year	**(7,081,394)**	(7,116,667)
Recognized in loss	**5,326,037**	(262,115)
Deferred premium on flow-through shares	**(559,410)**	(57,143)
Deferred tax recovery recognized on share issue costs charged to equity	**-**	2,544,661
Deferred tax liability recognized on exchange difference on translation of foreign operations	**(5,346,782)**	(2,188,764)
Other	**-**	(1,366)
Balance at the end of the year	**(7,661,549)**	(7,081,394)

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(Stated in Canadian Dollars)

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(d) Deferred tax assets not recognized

Management believes that it is not probable that sufficient taxable profits will be available in future years to allow the benefit of the following deferred tax assets to be utilized:

	2015 **$**	2014 $
Deferred tax assets not recognized		
Non-capital losses	**14,635,788**	14,825,388
Common share issue costs	**602,016**	908,744
Exploration and evaluation	**29,602,023**	22,715,286
Investments	**1,164,046**	1,272,815
Pre-production ITC	**1,045,718**	1,073,473
Other	**-**	6,360
	47,049,591	40,802,066
Unused operating tax losses (i)		
Canada	**28,410,454**	22,195,733
U.S.A	**47,970,878**	36,879,656
Mexico	**-**	121,904
	76,381,332	59,197,293
Total unused operating tax losses not recognized		
Potential tax benefit at tax rate between 26.5% and 35%	**24,318,578**	18,093,019
Operating tax losses set off against deferred tax liabilities	**(9,682,790)**	(3,267,631)
Total unused operating tax losses not recognized	**14,635,788**	14,825,388

(i) Unused operating tax losses totaled $76,381,332 as of December 31, 2015. Canadian tax losses will expire between 2023 and 2035; U.S. losses will expire between 2028 and 2035; and Mexican losses will expire between 2021 and 2025.

17. RELATED PARTY TRANSACTIONS

The Corporation's related parties include key management personnel and entities over which they have control or significant influence as described in Note 2 (c) and below.

	Nature of transactions
DSA Filing Services	Filing services
DRAX Services Limited	Corporate secretarial services
The Alyris Group	Corporate accounting and IT services
Alyris Leasing Inc.	Facilities rental
Mega Precious Metals Inc.	Facilities rental
Wolfden Resources Corp	Facilities rental
Alyris Vineyards Limited	Special events

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

The following are the related party transactions, recorded at the exchange amount as agreed to by the parties.

(a) Included in general and administrative expenses are amounts totalling $44,000 (2014 - $84,271) for corporate secretarial and filing services provided by DSA Filing Services and DRAX Services Limited, all of which are or have been related to the Corporation through Shaun Drake, Corporate Secretary of the Corporation.

(Stated in Canadian Dollars)

(b) Included in general and administrative expenditures are amounts totalling $92,546 (2014 - $108,394) for IT consulting, and accounting services provided by 1752466 Ontario Inc., O/A The Alyris Group, a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation, and Steve Filipovic, Chief Financial Officer of the Corporation.

(c) Included in general and administrative expenditures are amounts totalling $152,511 (2014 - $160,949) for rental charges paid to Alyris Leasing Inc., a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation, and Steve Filipovic, Chief Financial Officer of the Corporation.

(d) Included in other income are amounts totaling $nil (2014 - $2,650) for rental of a core shack paid by Mega Precious Metals Inc., a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation, who is also a director of Mega Precious Metals Inc.

(e) Included in general and administrative are amounts totaling $7,200 (2014 - $7,200) for rental of office space paid by Wolfden Resources Corporation, a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation, who is also a Director of Wolfden Resources Corporation.

(f) Included in general and administrative expenditures are amounts totaling $17,895 (2014 - $nil) for marketing and investor relations events held at Alyris Vineyards Limited, a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation.

Transactions with key management personnel

Key management personnel remuneration includes the following amounts:

For the year ended December 31,	**2015** **$**	2014 $
Salary, wages and benefits	**1,895,957**	1,494,382
Share-based payments	**2,004,300**	884,170
	3,900,257	2,378,552

18. COMMITMENTS

(a) Contractual obligations

The Corporation has commitments relating to facilities and other operating leases extending to 2018. The minimum annual contractual and lease payments for the three years are as follows:

	$
2016	345,978
2017	193,669
2018	64,715
	604,362

(b) Flow-through commitments

The Corporation has $7,062,214 in remaining flow-through obligations to be spent by December 31, 2016.

(c) Surety Bonds

At December 31, 2015, the Corporation has outstanding surety bonds in the amount of $4,417,691USD ($6,114,084CAD) in favour of the United States Department of the Interior, Bureau of Land Management (BLM) as financial support for environmental reclamation and exploration permitting. The surety bonds are secured by a $250,000USD ($346,001CAD) deposit and are subject to fees competitively determined in the market place. The obligations associated with these instruments are generally related to performance requirements that the Corporation addresses through its ongoing operations. As specific requirements are met, the BLM as beneficiary of the instrument will return the instrument to the issuing entity. As these instruments are associated with operating sites with long-lived assets, they will remain outstanding until closure.

(Stated in Canadian Dollars)

19. FINANCIAL INSTRUMENTS AND RELATED RISKS

The Corporation's operations include the acquisition and exploration of mineral properties in Canada, the United States of America and Mexico. The Corporation examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Credit Risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Corporation by those counterparties, less any amounts owed to the counterparty by the Corporation where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

(i) Trade credit risk
The Corporation is in the exploration and development stage and has not yet commenced commercial production or sales. Therefore, the Corporation is not exposed to significant credit risk and overall the Corporation's credit risk has not changed significantly from the prior period.

(ii) Cash and cash equivalents
In order to manage credit and liquidity risk the Corporation invests only in highly rated investment grade instruments that have maturities of 90 days or less and which are cashable after 30 days or less into a known amount of cash. Limits are also established based on the type of investment, the counterparty and the credit rate. The credit risk on cash and cash equivalents is therefore negligible.

(iii) Derivative financial instruments
As a way of managing commodity risk, the Corporation has invested in derivative financial instruments. The derivative financial instruments are with highly rated investment grade counterparties. These derivatives have allowed the Corporation to reduce the down side risk on commodity markets. Given the nature of the derivatives the Corporation is not exposed to significant credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure.

As at December 31, 2015 the Corporation's liabilities that have contractual maturities are as follows:

	2015 $	2016 $	2017 $	2018 $	Total $
Accounts payable and accrued liabilities	5,859,702	-	-	-	5,859,702
Long term debt	-	8,373,200	69,200	69,200	8,511,600
	5,859,702	8,373,200	69,200	69,200	14,371,302

(c) Market risk

(i) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Corporation will realize a significant loss as a result of a decline in the fair market value of investments and other items held within cash and cash equivalents is limited given that the majority of investments have a relatively short maturity. The Corporation manages its interest rate risk with investments by investing the majority of funds in short

term investments and therefore is not exposed to significant fluctuations in interest rates.

(ii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Corporation's functional currency. The Corporation's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The functional currency and presentation currency of the Corporation is the Canadian dollar. The Corporation's capitalized mineral properties and expenses also include amounts incurred in U.S. dollars and to a lesser extent, the Mexican peso which are the functional currencies of these operations. The Corporation's exchange risk is therefore related to movement between these currencies. Changes in the currency exchange rates between the Canadian dollar relative to the U.S. dollar and the Mexican peso have an effect on the Corporation's results of operations through comprehensive income (loss), financial position or cash flows.

The Corporation has mitigated this risk by diversifying its cash resources in the U.S. dollar and Mexican peso roughly in proportion to expected future expenditure over the following twelve months. The carrying amounts of the Company's U.S. dollar denominated monetary assets and monetary liabilities in Canadian dollars at the end of the reporting period are as follows:

	2015	2014
	$	$
Cash and cash equivalents	**16,880,819**	2,794,550
Restricted cash and cash equivalents	**1,697,592**	1,132,935
Accounts receivable & prepaids	**328,950**	97,103
Accounts payable and accrued liabilities	**263,525**	286,004
Promissory note	**8,349,576**	6,511,109

There are no significant financial instruments in Mexican pesos.

For the year ended December 31, 2015, the Corporation recognized an unrealized foreign exchange gain of $268,942 (2014 - $51,512) and an exchange gain on the translation of foreign operations in comprehensive income of $18,445,332 (2014 - $6,184,556) respectively. As of December 31, 2015, if the Canadian dollar to the U.S. dollar exchange rate increases or decreases by 10%, the Corporation's net income or loss will increase or decrease by $1,621,933 (2014 - $198,375) and the Corporation's other comprehensive income (loss) will increase or decrease by $592,507 (2014 - $535,918).

(iii) Security price risk

Security price risk is the risk that the fair value or future cash flow of the Corporation's financial instruments will fluctuate because of the changes in the market price. The Corporation only takes a position in the securities of another entity where it has a strategic objective; or as a result of a purchase or sale transaction. In situations where the Corporation has taken a position in the securities of another entity, the Corporation manages its exposure to price risk by monitoring the market(s) where the entity's securities trade and planning the divestiture accordingly. The fair value of available for sale securities at December 31, 2015 and 2014 was $3,582,182 and $3,777,233 respectively, representing the maximum potential losses from changes in prices of equity investments.

(iv) Commodity price risk

Commodity price risk is the risk that the fair value or future cash flow of the Corporation's derivative financial instruments will fluctuate because of the changes in the commodity price. The Corporation has entered into put options in order to reduce the down side risk on the gold commodity market. The fair value of derivative financial instruments at December 31, 2015 and 2014 was $2,350,630 and nil respectively, representing the maximum potential losses from changes in the related commodity price.

(Stated in Canadian Dollars)

(d) Fair value

IFRS 13 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Corporation's financial assets measured at fair value by level within the fair value hierarchy:

	Level 1		Level 2		Total	
	2015	2014	**2015**	2014	**2015**	2014
	$	$	**$**	$	**$**	$
Investments	**3,582,182**	3,777,233	**-**	-	**3,582,182**	3,777,233
Derivative investments	**-**	-	**2,350,630**	-	**2,350,630**	-
	3,582,182	3,777,233	**2,350,630**	-	**5,932,812**	3,777,233

Set out below are the Corporation's financial assets by category:

	Fair value through profit or loss		Loans and receivables		Total	
	2015	2014	**2015**	2014	**2015**	2014
	$	$	**$**	$	**$**	$
Cash and cash equivalents	**-**	-	**73,056,817**	52,552,321	**73,056,817**	52,552,321
Accounts receivable	**-**	-	**1,167,199**	1,285,757	**1,167,199**	1,285,757
Investments held for sale	**5,932,812**	17,516,690	**-**	-	**5,932,812**	17,516,690
Derivative investments	**2,350,630**	-	**-**	-	**2,350,630**	-
Restricted cash and cash equivalents	**-**	-	**4,244,632**	3,935,272	**4,244,632**	3,935,272
Investments	**-**	-	**-**	-	**-**	-
	8,283,442	17,516,690	**78,468,648**	57,773,350	**86,752,090**	75,290,040

Set out below are the Corporation's financial liabilities by category:

	Fair value through profit or loss		Other financial liabilities		Total	
	2015	2014	**2015**	2014	**2015**	2014
	$	$	**$**	$	**$**	$
Accounts payable and accrued liabilities	**-**	-	**5,859,702**	3,094,360	**5,859,702**	3,094,360
Long term debt	**-**	-	**8,349,615**	9,779,028	**8,349,615**	9,779,028
	-	-	**14,209,317**	12,873,388	**14,209,317**	12,873,388

The fair value of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying value due to their short term nature. The fair value of the Corporation's long term debt is approximated by its carrying value.

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20. MANAGEMENT OF CAPITAL RISK

The Corporation manages its share capital, equity settled employee benefits reserve, warrant reserve and contributed surplus as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going-concern in order to pursue the exploration and development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares, acquire or dispose of assets or acquire new debt.

In order to maximize ongoing exploration efforts, the Corporation does not pay out dividends. The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short-term maturities, selected with regard to the expected timing of expenditures from continuing operations.

To effectively manage its capital requirements, the Corporation has in place a planning and budgeting process to help determine the funds required to ensure the Corporation has the appropriate liquidity to meet its operating and growth objectives. The Corporation expects its current capital resources will be sufficient to carry out its exploration and evaluation plans through 2016.

21. CONTINGENCIES

Legal claims:

In October 2010, prior to the Goldstone Arrangement, Patrick Sheridan, the former President and Chief Executive Officer and a director of Goldstone, and Gary Conn, a former senior officer and director of Goldstone, together with their respective management companies, commenced legal actions against Goldstone. Mr. Sheridan alleged breach of contract and sought damages of up to $1,400,000, including punitive damages, plus costs and interest (the “Sheridan Action”). Mr. Conn alleged breach of a consulting agreement or, alternatively, wrongful dismissal and other causes of action and is seeking damages of up to approximately $3,400,000, plus costs and interest (the “Conn Action”).

With respect to the Sheridan Action, the parties have agreed to a settlement. Pursuant to such settlement, Goldstone paid a sum to Mr. Sheridan, which was included in general and administrative expenses in 2012. Goldstone had also commenced third party claims against Mr. Conn and three former directors in order to seek contribution and indemnity for any amounts that it may be found liable to pay Mr. Sheridan and his management company in the Sheridan Action - which third party claims have been dismissed.

Goldstone dismissed Mr. Conn for cause on October 1, 2010. The allegations forming the basis for Goldstone’s just cause termination were also the basis for the initiation of a proceeding (the “Conn Counterclaim”) in which Goldstone sought damages, plus costs and interest.

In January 2011, Mr. Conn commenced a legal action (the “Defamation Claim”) against Goldstone, four of its directors, and other individuals, seeking damages of $2,500,000 based on alleged conspiracy, libel, defamation and intentional infliction of mental suffering arising from alleged improper publication of certain allegations contained in the Conn Counterclaim. On May 24, 2011, the Superior Court of Justice (Ontario) granted Goldstone’s motion for summary judgment. The summary judgment concluded that the allegations in the Conn Counterclaim which, in Goldstone’s view justified Mr. Conn’s termination for cause, but which according to Mr. Conn were allegedly defamatory, were true. Mr. Conn sought to appeal the judgment, but the Ontario Court of Appeal dismissed his appeal on November 18, 2011.

With respect to the Conn Action, Goldstone launched a summary judgment motion on the basis that certain allegations which were relied upon to justify cause for Mr. Conn’s dismissal have already been proven in a related proceeding, being the Defamation Claim. Goldstone’s motion for summary judgment was unsuccessful and the parties therefore continued with the Conn Action and related Conn Counterclaim. In February 2014, Mr. Conn first informed Goldstone that he would seek advancement of expenses and indemnification from Goldstone relating to his defence of the Conn Counterclaim, and commenced an application for such relief. Goldstone and Mr. Conn have agreed to the terms of an order that provide for the advancement of expenses by Goldstone with respect to the Conn Counterclaim. Goldstone has sought to discontinue the Conn Counterclaim, in part, because of the terms of that agreement. A judge has refused to discontinue the Conn Counterclaim, although Goldstone is seeking leave to appeal that decision. A judge has determined that remaining indemnity amounts related to the Conn Counterclaim should be decided by the judge at trial.

Goldstone expects that the Conn Action will be tried in or after April 2016.

22. SUBSEQUENT EVENTS

Granting of Stock Options

On March 21, 2016, the Corporation granted options to purchase up to 1,625,800 common shares of the Corporation at an exercise price of $3.18 per share and expiring on March 21, 2021.