Condensed Consolidated Interim Financial Statements

March 31, 2017

(Unaudited)

(Stated in Canadian Dollars)

PREMIER

Gold Mines Limited

NOTICE TO SHAREHOLDERS

FOR THE THREE MONTHS ENDED MARCH 31, 2017

PREMIER GOLD MINES LIMITED

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed consolidated interim financial statements of Premier Gold Mines Limited were prepared by management in accordance with International Financial Reporting Standards ("IFRS"). Only changes in accounting policies have been disclosed in these unaudited condensed consolidated interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited condensed consolidated interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited condensed consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements and (ii) the unaudited condensed consolidated interim financial statements fairly present in all material respects the financial position, results of operations and cash flows of the Corporation, as of the date of and for the periods presented by the unaudited condensed consolidated interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed consolidated interim financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

PREMIER
Gold Mines Limited

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Stated in Canadian Dollars)
(Unaudited)

	Note	**March 31, 2017 $**	December 31, 2016 $
ASSETS			
Current assets			
Cash and cash equivalents	*4*	**147,291,698**	119,704,386
Receivables	*5*	**9,683,641**	11,922,271
Inventory	*6*	**68,755,690**	89,204,574
Prepaids and deposits		**2,315,712**	1,948,931
Other assets	*7*	**3,244,518**	5,358,855
Total current assets		**231,291,259**	228,139,017
Non-current assets			
Restricted cash and cash equivalents	*8*	**4,758,916**	4,307,417
Property, plant and equipment	*9*	**348,258,218**	351,155,152
Total non-current assets		**353,017,134**	355,462,569
Total assets		**584,308,393**	583,601,586
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**22,975,969**	29,195,179
Taxes payable		**7,044,169**	4,978,806
Deferred premium on flow-through shares		**865,516**	1,295,452
Current portion of deferred revenue	*10*	**18,345,935**	18,507,784
Current portion of long term debt	*11*	**61,630**	2,743,479
Current provision for environmental rehabilitation	*12*	**996,554**	946,969
Current portion of other liabilities	*13*	**2,838,097**	2,578,387
Total current liabilities		**53,127,870**	60,246,056
Non-current liabilities			
Deferred taxes		**25,631,538**	21,096,206
Deferred revenue	*10*	**43,315,983**	48,001,149
Long term debt	*11*	**53,814,443**	53,065,312
Provision for environmental rehabilitation	*12*	**21,202,917**	19,886,135
Other liabilities	*13*	**6,453,471**	7,797,785
Total non-current liabilities		**150,418,352**	149,846,587
Total liabilities		**203,546,222**	210,092,643
EQUITY			
Share capital	*14*	**576,976,473**	576,763,422
Reserves	*14*	**50,406,285**	50,090,078
Deficit		**(246,620,587)**	(253,344,557)
Total equity		**380,762,171**	373,508,943
Total liabilities and equity		**584,308,393**	583,601,586

Commitments [note 21]
Contingencies [note 24]
Subsequent events [note 25]

See accompanying notes to the consolidated financial statements
Approved by the Board of Directors and authorized for issue on May 10, 2017

"John Seaman"
Director

"Ewan Downie"
Director

PREMIER
Gold Mines Limited

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

(Stated in Canadian Dollars)
(Unaudited)

	Note	Three months ended March 31, 2017 $	2016 $
Revenue		**85,291,436**	-
Cost of sales		**(27,084,412)**	-
Depletion, depreciation and amortization	*9*	**(29,789,579)**	
Mine operating income		**28,417,445**	-
Expenses			
Exploration, evaluation, and pre-development	*17*	**9,225,872**	4,829,124
Property maintenance		**100,696**	248,446
General and administrative	*18*	**2,178,645**	2,679,196
Share based payments		**2,744,558**	2,874,479
Remeasurement of environmental rehabilitation	*12*	**(160,039)**	-
Income / (loss) before the following		**14,327,713**	(10,631,245)
Investment and other income		**19,420**	115,371
Unrealized gain / (loss) on derivatives	*13*	**519,955**	(185,241)
Unrealized net gain on investments	*7*	**349,292**	3,918,147
Unrealized foreign exchange loss		**(997,223)**	(1,164,345)
Realized foreign exchange gain / (loss)		**569,089**	(52,190)
Realized loss on derivatives	*7*	**(1,766,109)**	(2,154,623)
Realized net gain / (loss) on sale of investments	*7*	**113,490**	(3,136,676)
Gain on disposal of equipment		**11,316**	-
Transaction costs on the acquisition of Mercedes Mine		**(52,607)**	-
Gain attributable to Greenstone Gold development commitment		**1,707,442**	1,985,015
Other income / (expense)		**474,065**	(674,542)
Environmental rehabilitation accretion	*12*	**200,255**	52,758
Interest paid		**1,731,511**	-
Amortization of finance costs		**1,345,941**	-
Amortization of gold prepay interest		**(711,770)**	-
Amortization of discount		**4,035**	128,149
Finance expense		**2,569,972**	180,907
Income / (loss) before income taxes		**12,231,806**	(11,486,694)
Current tax expense		**(2,134,061)**	-
Deferred tax expense		**(3,373,775)**	(1,767,726)
Income / (loss) for the period		**6,723,970**	(13,254,420)
Other comprehensive loss			
Exchange difference on translation of foreign operations		**(2,275,904)**	(11,472,910)
Deferred tax recovery		**-**	2,052,723
Total comprehensive income / (loss) for the period		**4,448,066**	(22,674,607)
Basic and diluted income / (loss) per share	*15*	**0.03**	**(0.08)**

See accompanying notes to the consolidated financial statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Stated in Canadian Dollars)
(Unaudited)

	Note	Three months ended March 31, 2017 $	2016 $
OPERATING ACTIVITIES			
Income / (loss) for the period		**6,723,970**	(13,254,420)
Items not affecting cash			
Depletion, depreciation and amortization	*9*	**29,852,237**	61,987
Greenstone Gold non-cash operating expenses		**1,707,442**	1,985,015
Share-based payments		**2,744,558**	2,874,479
Remeasurement of environmental rehabilitation provision	*12*	**(160,039)**	-
Unrealized (gain) / loss on derivatives	*7*	**(519,955)**	185,241
Unrealized net gain on investments	*7*	**(349,292)**	(3,918,147)
Unrealized foreign exchange loss		**997,223**	1,164,345
Realized loss on derivatives		**1,766,109**	2,154,623
Realized net (gain) / loss on sale of investments	*7*	**(113,490)**	3,136,676
Gain on disposal of equipment		**(11,316)**	-
Gain attributable to Greenstone Gold development commitment		**(1,707,442)**	(1,985,015)
Finance expense		**2,569,972**	180,907
Deferred tax expense		**3,373,775**	1,767,726
Deferred revenue on metal agreements		**(4,397,228)**	-
Change in non-cash working capital balances related to operations			
Receivables		**2,238,630**	329,732
Prepaids and deposits		**(366,781)**	(1,199,219)
Inventory		**(2,333,416)**	-
Accounts payable and accrued liabilities		**(6,219,210)**	2,534,133
Taxes payable		**2,065,363**	-
Cash provided by / (used in) operating activities		**37,861,110**	(3,981,937)
INVESTMENT ACTIVITIES			
Proceeds from the sale of investments	*7*	**281,642**	2,167,215
Purchase / settlement of derivative investments		**489,787**	(2,440,601)
Capital expenditures on property, plant and equipment	*9*	**(6,020,729)**	(19,794,704)
Surety bond security placed		**(463,320)**	-
Proceeds on disposal of property, plant and equipment		**11,316**	-
Reclamation expenditures charged to the provision for environmental rehabilitation		**(100,267)**	(193,466)
Cash used in investment activities		**(5,801,571)**	(20,261,556)
FINANCING ACTIVITIES			
Interest paid	*13*	**(1,731,511)**	-
Proceeds from the exercise of stock options		**139,325**	1,553,516
Repayment of long term debt	*14*	**(2,647,540)**	-
Cash provided by / (used in) financing activities		**(4,239,726)**	1,553,516
Change in cash during the period		**27,819,813**	(22,689,977)
Cash and cash equivalents, beginning of the period		**119,704,386**	73,056,817
Effect of exchange rate changes on cash held		**(232,501)**	(1,617,332)
Cash and cash equivalents, end of period		**147,291,698**	48,749,508

Supplemental cash flow information [Note 16]
See accompanying notes to the consolidated financial statements

PREMIER Gold Mines Limited

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Stated in Canadian Dollars)
(Unaudited)

		Share Capital		Reserves				
Issued and outstanding:	Note	Number of shares	Share capital	Equity settled employee benefits	Contributed surplus	Foreign currency translation	Deficit	Total equity
Balance as at December 31, 2015		174,867,911	477,146,257	32,315,426	8,290,696	15,180,189	(252,617,110)	280,315,458
Exercise of stock options	*14*	721,250	2,375,966	(820,626)	-	-	-	1,555,340
Share issue costs		-	(1,824)	-	-	-	-	(1,824)
Share-based payments		-	-	2,874,479	-	-	-	2,874,479
Comprehensive loss for the period		-	-	-	-	(9,420,187)	(13,254,420)	(22,674,607)
Balance as at March 31, 2016		175,589,161	479,520,399	34,369,279	8,290,696	5,760,002	(265,871,530)	262,068,846
Private placements	*14*	18,258,626	66,801,787	-	-	-	-	66,801,787
Exercise of stock options	*14*	1,625,400	6,232,500	(2,146,801)	-	-	-	4,085,699
Shares & warrants issued for Mercedes mine acquisition		6,000,000	27,340,410	-	-	-	-	27,340,410
Share-based payments		-	-	1,071,237	-	-	-	1,071,237
Share issue costs		-	(1,773,557)	-	-	-	-	(1,773,557)
Deferred flow-through premium		-	(1,358,117)	-	-	-	-	(1,358,117)
Comprehensive income for the period		-	-	-	-	2,745,665	12,526,973	15,272,638
Balance as at December 31, 2016		201,473,187	576,763,422	33,293,715	8,290,696	8,505,667	(253,344,557)	373,508,943
Exercise of stock options	*14*	57,500	213,051	(73,726)	-	-	-	139,325
Share-based payments		-	-	2,665,837	-	-	-	2,665,837
Comprehensive income for the period		-	-	-	-	(2,275,904)	6,723,970	4,448,066
Balance as at March 31, 2017		**201,530,687**	**576,976,473**	**35,885,826**	**8,290,696**	**6,229,763**	**(246,620,587)**	**380,762,171**

See accompanying notes to the consolidated financial statements

PREMIER Gold Mines Limited

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

1. NATURE OF BUSINESS

Premier Gold Mines Limited (the "Corporation") is a Canadian based, growth oriented gold and silver producer engaged in the exploration, development and production of gold and silver deposits in Canada, the United States and Mexico.

The Corporation's principal assets include the Mercedes Mine in Sonora, Mexico, a 40% interest in the South Arturo Mine in Nevada, USA and a 50% interest in the Hardrock Gold Project (Greenstone Gold Mines Partnership) located along the TransCanada highway in Ontario, Canada. Other key property interests include a 44% interest in Rahill Bonanza and a 100% interest in the Hasaga gold properties located in the Red Lake mining district of Northwestern Ontario, Canada and the McCoy Cove gold property located in Nevada, USA.

The Corporation's common shares are listed on the Toronto Stock Exchange under the symbol PG and its head office is located at Suite 200, 1100 Russell Street, Thunder Bay, Ontario, P7B 5N2.

2. SIGNIFICANT ACCOUNT POLICIES

(a) Basis of presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2016.

The unaudited condensed consolidated interim financial statements of the Corporation for the period March 31, 2017 were approved and authorized by the Board of Directors on May 10, 2017.

Certain items within the statements of income and the statements of changes in equity have been reclassified in the current period. The prior periods have been restated to reflect the change in presentation.

The accounting policies applied in the preparation of these consolidated financial statements are consistent with those applied and disclosed in the Corporation's audited consolidated financial statements for the year ended December 31, 2016, with the exception of certain amendments to accounting standards issued by the IASB, which were effective January 1, 2017. The amendments to accounting standards issued by the IASB did not have a significant impact on the Corporation's unaudited condensed consolidated interim financial statements as discussed in note 3.

The preparation of financial statements in conformity with IFRS requires management to make judgements, 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 as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Corporation's assets and liabilities are accounted for prospectively. The critical judgements and estimates applied in the preparation of the Corporation's unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in note 2 of the Corporation's audited consolidated financial statements for the year ended December 31, 2016 and discussed below.

(Stated in Canadian Dollars)

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and entities controlled by the Corporation. Control is achieved when the Corporation is exposed to variable returns and has the ability to affect those returns through power to direct the relevant activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation. Subsidiaries will be deconsolidated from the date that control ceases.

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
Premier Goldbanks LLC	100%	United States	Mineral exploration
Goldcorp Dee LLC	100%	United States	Production
Goldstone Resources Inc.	100%	Canada	Mineral exploration
Premier Gold Mines Hardrock Inc.	100%	Canada	Pre-development
Greenstone Gold Mines GP Inc.	50%	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
Minera Meridian Minerales S.de R.L. de C.V.	100%	Mexico	Production
Meridian Gold Holdings Mexico S.A. de C.V.	100%	Mexico	Production
Minera Meridian Mexico S.de R.L. de C.V.	100%	Mexico	Production
Premier Gold Mines Cayman Ltd.	100%	Cayman Islands	Holding
2536062 Ontario Inc.	100%	Netherlands	Holding
Premier Gold Mines Netherlands Cooperative U.A.	100%	Netherlands	Holding
Premier Gold Mines Netherlands B.V.	100%	Netherlands	Holding

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.

3. RECENT ACCOUNTING PRONOUNCEMENTS

Accounting standards issued and effective January 1, 2017 or later

Amendments to IAS 7 – Statement of Cash Flows require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments apply prospectively for annual periods beginning on or after January 1, 2017, with earlier application permitted. The Corporation has adopted the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017 and has disclosed the required information.

On January 19, 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount. The Corporation has adopted the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017 with no resulting adjustments.

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 requires an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018 although early adoption is permitted.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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In May 2014, IFRS 15, Revenue from Contracts with Customers 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 and is effective for annual reporting periods beginning on or after January 1, 2018 with early adoption permitted. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance. The Corporation is assessing the impact of this standard.

IFRS 16, Leases is effective for annual reporting periods beginning January 1, 2019 although early application is permitted for companies that also apply IFRS 15, Revenue from Contracts with Customers. The Corporation is assessing the impact of this standard.

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 within 30 days or less into a known amount of cash.

	March 31, 2017 $	December 31, 2016 $
Cash	**146,638,017**	119,052,332
Short-term money market investments	**653,681**	652,054
	147,291,698	119,704,386

5. RECEIVABLES

	March 31, 2017 $	December 31, 2016 $
Recoverable taxes (i)	**9,534,882**	11,658,358
Metal receivables	**133,668**	-
Other receivable	**15,091**	263,913
	9,683,641	11,922,271

(i) Recoverable taxes include Canadian harmonized sales tax recoverable, Quebec sales tax recoverable, income tax recoverable and Mexico value added tax recoverable.

6. INVENTORY

	March 31, 2017 $	December 31, 2016 $
Finished goods	**24,451,890**	25,298,328
Work-in-process	**306,604**	260,184
Ore stockpiles	**24,725,198**	44,759,030
Materials and supplies	**19,271,998**	18,887,032
	68,755,690	89,204,574

The amount of inventory recognized as an expense during the period ended March 31, 2017 was $27,084,412 (nil for period ended March 31, 2016) and is included in cost of sales, excluding depletion, depreciation and amortization. Depletion, depreciation and amortization included in inventory and then expensed during the period ended March 31, 2017 was $29,789,579 (nil for the period ended March 31, 2016).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

7. OTHER ASSETS

	March 31, 2017 $	December 31, 2016 $
Canadian equity investments (i)	**3,244,518**	3,063,345
Derivative investments (ii)	**-**	490,012
Forward contracts (iii)	**-**	1,805,498
	3,244,518	5,358,855

(i) The Corporation's investments consist of common shares and warrants held in Canadian publicly traded corporations. Fair values of shares are determined at the closing price on March 31, 2017 unless the shares have a hold period in which case the initial fair market value difference from the cost is deferred until the hold period has expired. In the event of a hold period, the value of the shares are determined using the Black Scholes option pricing model taking the restriction into account. Warrants are also valued using the Black Scholes option pricing model taking any restriction into account and are revalued at each reporting period until exercise or expiry.

During the three months ended March 31, 2017 the Corporation received proceeds from the sale of investments of $281,642 ($2,167,215 for the three months ended March 31, 2016) and recorded a realized gain of $113,490 ($3,136,676 loss for the three months ended March 31, 2016) offset by the reversal of unrealized net losses of $349,292 (included in unrealized net gain on investments) ($3,918,147 for the three months ended March 31, 2016).

(ii) At December 31, 2016, the Corporation had 7,500 ounces of gold sales hedged with derivatives expiring after the close on December 31, 2016. These derivative instruments were in the form of puts with a floor price of $1,200USD per ounce of gold. The instruments have not been designated as accounting hedges by the Corporation and are therefore marked to their market values at each reporting date. The puts were settled on January 4, 2017 for proceeds of $489,787.

(iii) At December 31, 2016 the Corporation had one refined gold forward contract with Orion. The Corporation remeasured the contract at fair value at each balance sheet date with changes in fair value being recorded in profit or loss. For the year ended December 31, 2016, the unrealized gain in fair value of the derivative was $1,805,498 and is netted against the unrealized gain / (loss) on derivatives, this reversed in the three months ended March 31, 2017 and is included in the unrealized loss on derivatives.

8. RESTRICTED CASH AND CASH EQUIVALENTS

Property	**March 31, 2017 $**	December 31, 2016 $
Hardrock, Ontario (i)	**316,544**	316,544
Northern Empire Mill, Ontario (ii)	**2,232,003**	2,232,003
McCoy-Cove, Nevada (iii)	**2,098,433**	1,646,934
Hasaga, Ontario (iv)	**111,936**	111,936
	4,758,916	4,307,417

(i) The Corporation has a $633,089 standby letter of credit outstanding in favour of the Ontario Ministry of Northern Development and Mines ("MNDM") 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.

PREMIER Gold Mines Limited

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
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(ii) The Corporation has a total of $2,232,003 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 MNDM
- a $1,678,494 standby letter of credit with the Royal Bank of Canada and payable in favour of the MNDM
- $403,509 in financial assurance held directly by the MNDM

(iii) The Corporation's wholly owned subsidiary, Au-reka Gold Corporation has a total of $1,576,584USD ($2,098,433CAD) in restricted cash related to reclamation obligations associated with the McCoy-Cove property in Nevada including:
- $976,584USD ($1,299,833CAD) held in trust with the United States Department of the Interior, Bureau of Land Management
- $600,000USD ($798,600CAD) held in trust with Lexon Surety Group as security for the surety bonds described in Note 21.

(iv) The Corporation has a $111,936 standby letter of credit outstanding in favour of the MNDM relating to reclamation obligations for a workshop located on the Hasaga 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.

9. PROPERTY, PLANT AND EQUIPMENT

	Building and equipment	Mill and mining equipment	Mineral properties not subject to depletion	Mineral properties subject to depletion	Total
Costs	$	$	$	$	$
Balance, January 1, 2016	1,095,221	4,762,947	230,158,994	-	236,017,162
Transfer	-	-	(80,942,965)	80,942,965	-
Additions	51,826,021	68,989,902	2,939,077	123,800,095	247,555,095
Disposals	(76,659)	-	(69,482)	-	(146,141)
Foreign currency adjustment	1,209,109	1,598,441	(2,052,728)	(1,085,318)	(330,496)
Balance, December 31, 2016	54,053,692	75,351,290	150,032,896	203,657,742	483,095,620
Transfer	(2,639,968)	2,677,093	-	(37,125)	-
Additions	1,297,246	681,013	(113,474)	5,464,860	7,329,645
Foreign currency adjustment	(908,778)	(956,533)	(402,617)	(2,485,984)	(4,753,912)
Balance, March 31, 2017	**51,802,192**	**77,752,863**	**149,516,805**	**206,599,493**	**485,671,353**
Accumulated depreciation and impairment	$	$	$	$	$
Balance, January 1, 2016	418,564	4,762,947	2,916,087	-	8,097,598
Depreciation for the year	1,566,707	3,309,732	-	118,953,888	123,830,327
Disposals	(56,599)	-	-	-	(56,599)
Foreign currency adjustment	24,422	44,720	-	-	69,142
Balance, December 31, 2016	1,953,094	8,117,399	2,916,087	118,953,888	131,940,468
Depreciation and depletion for the year (i)(ii)	1,127,546	1,952,189	-	4,955,241	8,034,976
Disposals	-	-	-	-	-
Foreign currency adjustment	(477,410)	(336,683)	-	(1,748,216)	(2,562,309)
Balance, March 31, 2017	**2,603,230**	**9,732,905**	**2,916,087**	**122,160,913**	**137,413,135**
Carrying amounts	$	$	$	$	$
Balance, December 31, 2016	52,100,598	67,233,891	147,116,809	84,703,854	351,155,152
Balance, March 31, 2017	**49,198,962**	**68,019,958**	**146,600,718**	**84,438,580**	**348,258,218**

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(i) Depletion, depreciation and amortization on property, plant and equipment during the period ended March 31, 2017 and 2016 include amounts allocated to:

	Three months ended March 31,	
	2017	2016
	$	$
Stockpile inventory	**7,972,318**	1,773,375
Exploration, evaluation and pre-development	**23,907**	9,826
Property maintenance	**1,364**	1,364
General and administration	**37,387**	33,745
Total depletion, depreciation and amortization	**8,034,976**	1,818,310

(ii) Depletion, depreciation and amortization on property, plant and equipment expensed during the period ended March 31, 2017 and 2016 include:

	Three months ended March 31,	
	2017	2016
	$	$
Change in metal inventory included in cost of sales	**29,789,579**	-
Exploration, evaluation and pre-development	**23,907**	26,878
Property maintenance	**1,364**	1,364
General and administration	**37,387**	33,745
Total depletion, depreciation and amortization	**29,852,237**	61,987

Mineral properties not subject to depletion

Property	January 1, 2017 $	Additions $	Capitalized Development $	Disposals $	Currency Adjustment $	**March 31, 2017 $**
Rahill-Bonanza, Ontario	17,946,149	808	-	-	-	**17,946,957**
Hasaga, Ontario	13,358,615	(38,771)	-	-	-	**13,319,844**
Greenstone Gold, Ontario	49,858,051	-	-	-	-	**49,858,051**
McCoy-Cove, Nevada	64,200,003	(75,914)	-	-	(559,425)	**63,564,664**
Cristina, Mexico	1,753,991	403	-	-	156,808	**1,911,202**
	147,116,809	(113,474)	-	-	(402,617)	**146,600,718**

Property	January 1, 2016 $	Additions $	Capitalized Development $	Disposals $	Currency Adjustment $	December 31, 2016 **$**
Rahill-Bonanza, Ontario	17,997,912	17,719	-	(69,482)	-	17,946,149
Hasaga, Ontario	12,644,362	714,253	-	-	-	13,358,615
Greenstone Gold, Ontario	49,858,051	-	-	-	-	49,858,051
McCoy-Cove, Nevada	65,799,617	364,209	-	-	(1,963,823)	64,200,003
Cristina, Mexico	-	1,842,896	-	-	(88,905)	1,753,991
	146,299,942	2,939,077	-	(69,482)	(2,052,728)	147,116,809

(Stated in Canadian Dollars)

Mineral properties subject to depletion

Property	January 1, 2017 $	Additions $	Capitalized Development $	Depletion $	Currency Adjustment $	**March 31, 2017 $**
South Arturo, Nevada	8,056,710	782,190	(30,299)	(2,043,616)	(69,881)	**6,695,104**
Mercedes, Mexico	76,647,144	641,413	4,034,431	(2,911,625)	(667,887)	**77,743,476**
	84,703,854	1,423,603	4,004,132	(4,955,241)	(737,768)	**84,438,580**

Property	January 1, 2016 $	Additions $	Capitalized Development $	Depletion $	Currency Adjustment $	December 31, 2016 $
South Arturo, Nevada	80,942,965	-	45,240,533	(115,711,001)	(2,415,787)	8,056,710
Mercedes, Mexico	-	72,866,046	5,693,516	(3,242,887)	1,330,469	76,647,144
	80,942,965	72,866,046	50,934,049	(118,953,888)	(1,085,318)	84,703,854

10. DEFERRED REVENUE

	March 31, 2017 $	December 31, 2016 $
Gold prepay (i)	**47,959,366**	52,047,828
Silver stream agreement (ii)	**13,702,552**	14,461,105
Total deferred revenue	**61,661,918**	66,508,933
Less total current portion	**18,345,935**	18,507,784
Total long term portion	**43,315,983**	48,001,149

(i) As part of the financing arrangement discussed in note 4 of the audited consolidated financial statements for the year ended December 31, 2016, the Corporation entered into a gold prepay agreement. In exchange for $42,187,500USD, the Corporation will deliver to Orion 2,450 troy ounces of gold per quarter for a period of 15 consecutive quarters commencing December 31, 2016. The gold prepay has an annual interest rate of 6.5% payable on the principal balance quarterly which has been recorded as a liability based on the present value of the future interest payments. Subject to certain exceptions, the Corporation has the option to satisfy four interest payments in common shares issued at the then 10 day volume weighted average closing price. As of March 31, 2017, the Corporation has delivered 4,900 troy ounces of gold towards the gold prepay agreement with Orion .

	March 31, 2017 $	December 31, 2016 $
Opening balance	**52,047,828**	**-**
Deferred revenue proceeds	**-**	**55,337,344**
Less: expenses	**-**	**(916,607)**
Net proceeds	**-**	**54,420,737**
Recognition of revenue during the period	**(3,723,103)**	**(3,726,000)**
Amortization of costs	**107,922**	**115,720**
Currency adjustment	**(473,281)**	**1,237,371**
	47,959,366	**52,047,828**

(Stated in Canadian Dollars)

(ii) For the silver streaming agreement, in exchange for $11,500,000USD the Corporation will deliver to Orion 50% of the silver production from the Mercedes Mine for the first year following closing, 60% for the subsequent year, and 70% thereafter until the delivery of 1.25 million ounces of silver, after which the delivery will be reduced to 25% of the silver production until the delivery of 2.0 million ounces, and reduced further to 12.5% thereafter. Orion will pay an ongoing cash purchase price equal to 20% of the prevailing silver price. As of March 31, 2017, the Corporation has delivered 69,606 ounces of silver towards the silver streaming agreement with Orion.

	March 31, 2017 $	December 31, 2016 $
Opening balance	**14,461,105**	**-**
Deferred revenue proceeds	**-**	**15,084,550**
Less: expenses	**-**	**(415,701)**
Net proceeds	**-**	**14,668,849**
Recognition of revenue during the period	**(674,125)**	**(594,523)**
Amortization of costs	**45,017**	**47,495**
Currency adjustment	**(129,445)**	**339,284**
	13,702,552	**14,461,105**

11. LONG TERM DEBT

	March 31, 2017 $	December 31, 2016 $
Promissory note payable	**119,499**	134,270
Newmont payable (i)	**-**	2,685,400
Credit facility (ii)	**59,895,000**	60,421,500
Total obligation	**60,014,499**	63,241,170
Less interest and debt agreement costs to be accreted	**6,138,426**	7,432,379
Present value of the obligation	**53,876,073**	55,808,791
Less current portion	**61,630**	2,743,479
Long term portion	**53,814,443**	53,065,312

Scheduled debt principal repayments

	2017 $	2018 $	**Total $**
Promissory note payable	61,630	57,869	**119,499**
Long term debt	-	59,895,000	**59,895,000**
Total	**61,630**	**59,952,869**	**60,014,499**

(i) Newmont payable

As a result of the 2014 acquisition of the McCoy-Cove Property, the Corporation agreed to an additional $6,000,000USD payable in favour of Newmont. The value of the debt was accreted to the face value of the payable at the maturity date, with the discounted payable rate of 8% accretion charged to the statement of income / (loss) and comprehensive income / (loss) as a form of interest expense over the term of the debt. The final instalment of $2,000,000USD was paid on March 1, 2017.

(ii) Credit facility

In conjunction with the financing arrangement related to the aquisition of the Mercedes mine in 2016, the Corporation drew $45,000,000USD on the senior unsecured term facility ("credit facility") with Orion. The credit facility bears interest at the rate of 6.0% annually, payable only on the amount drawn and will be paid quarterly. The credit facility principal is due upon maturity on June 30, 2018.

There is no stand-by interest payable under the credit facility, but loan commitment and other fees that were paid upon closing were $3,655,316.

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12. PROVISION FOR ENVIRONMENTAL REHABILITATION

The Corporation estimates that the undiscounted future value of the cash flows required to settle the provision is $4,027,107 for the Hasaga, Northern Empire Mill and the Faymar Deloro property in Canada, $1,241,223USD ($1,652,068CAD) for the McCoy-Cove property, $18,703,362USD ($24,894,041CAD for the South Arturo Mine project in the United States and $10,395,000USD ($13,835,745CAD) for the Mercedes Mine project in Mexico. In calculating the best estimate of the Corporation's provision, management used risk free interest rates ranging from 1.60% to 5.14%. A reconciliation of the discounted provision is provided below:

	2017						
	Northern Empire Mill	Faymar Deloro property	Hasaga property	McCoy-Cove property	South Arturo property	Mercedes Mine	Total
	$	$	$	$	$	$	$
Balance, January 1, 2017	2,131,965	772,525	284,642	1,186,328	8,767,395	7,690,249	20,833,104
Change in estimate expensed	(102,874)	(57,165)	-	-	-	-	(160,039)
Change in estimate capitalized	-	-	(38,771)	(75,914)	896,337	-	781,652
Accretion expense	8,109	3,088	1,061	6,566	66,751	114,680	200,255
Reclamation expenditures	-	-	-	(63,976)	-	-	(63,976)
Currency adjustment	-	-	-	(10,302)	(76,033)	694,810	608,475
Balance, March 31, 2017	2,037,200	718,448	246,932	1,042,702	9,654,450	8,499,739	22,199,471
Less current portion	110,436	313,169	4,319	438,368	130,262	-	996,554
Long term portion	1,926,764	405,279	242,613	604,334	9,524,188	8,499,739	21,202,917

	2016						
	Northern Empire Mill	Faymar Deloro property	Hasaga property	McCoy-Cove property	South Arturo property	Mercedes Mine	Total
	$	$	$	$	$	$	$
Balance, January 1, 2016	2,473,590	1,419,447	-	1,195,140	5,031,380	-	10,119,557
New obligation	-	-	279,383	-	-	7,849,109	8,128,492
Change in estimate expensed	(173,975)	(547,725)	-	39,475	-	-	(682,225)
Change in estimate capitalized	-	-	2,138	-	3,736,817	111,222	3,850,177
Accretion expense	22,342	9,455	3,121	18,473	136,864	-	190,255
Reclamation expenditures	(189,992)	(108,652)	-	(388,138)	-	-	(686,782)
Currency adjustment	-	-	-	321,378	(137,666)	(270,082)	(86,370)
Balance, December 31, 2016	2,131,965	772,525	284,642	1,186,328	8,767,395	7,690,249	20,833,104
Less current portion	89,722	304,790	3,155	427,992	121,310	-	946,969
Long term portion	2,042,243	467,735	281,487	758,336	8,646,085	7,690,249	19,886,135

13. OTHER LIABILITIES

	March 31, 2017 $	December 31, 2016 $
Financial liability (i)	**4,651,778**	5,414,617
Offtake obligation (ii)	**2,787,105**	3,347,041
Share based payment liability (iii)	**78,721**	-
Severance obligation	**1,773,964**	1,614,514
Total other liabilities	**9,291,568**	10,376,172
Less current portion	**2,838,097**	2,578,387
Long term portion	**6,453,471**	7,797,785

(i) Financial liability

The financial liability represents the present value of the interest component of the gold prepay agreement discussed in note 10. $2,838,097 of the liability represents the amount of interest to be amortized within the next year and is shown as current portion of other liabilities.

(ii) Offtake obligation

The Corporation originally entered into an agreement to sell up to 20,000 ounces of gold annually for a period of 90 months from the date of the first outturn from the South Arturo mine, subsequently amended to an additional 20,000 ounces for the Mercedes gold production as described in Note 4(b) to the December 31, 2016 audited consolidated financial statements, limited to an annual aggregate maximum of 35,000 ounces of gold from all properties. The final purchase price to be paid by Orion will be, at Orion's option, a market referenced gold price in US dollars per ounce during a defined pricing period before and after the date of each sale. In the event that the Corporation does not produce 35,000 ounces in any given year, the obligation is limited to those ounces actually produced.

The Corporation has determined the offtake obligation represents a derivative liability for the gold price option feature included in the agreement and as such is remeasured at fair value at each balance sheet date with changes in fair value being recorded in profit or loss. The offtake obligation had an unrealized gain of $559,936 for three months ended March 31, 2017 ($nil for the three months ended March 31, 2016) included in the unrealized gain on derivatives.

(iii) Share based payment liability

A share based payment liability of $78,721 included in share based payment expense was recognized during the three months ended March 31, 2017 (nil for the year ended March 31, 2016) under the Corporation's restricted share plan as discussed in Note 14.

14. CAPITAL

Details of share issuances

2016

Private Placements

On October 14, 2016, the Corporation issued 906,850 flow-through common shares, at a price of $5.00 per common share for gross proceeds of $4,534,250. In consideration of the agents' services in connection with the offering, the agents were paid an aggregate cash fee totalling $173,472, which is up to 5 per cent of the gross proceeds they raised in the offering.

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Shares and warrants issued for Mercedes

On September 30, 2016, the Corporation issued 6,000,000 common shares, at the price of $4.05 per common share, and 3,000,000 common share warrants to Yamana pursuant to the acquisition of Mercedes as discussed in note . Each warrant issued to Yamana entitles Yamana to purchase one Common share of the Corporation at a price of $4.75 per share for two years.

Private Placement

In conjunction with the financing arrangement in 2016, the Corporation issued 6,393,443 common shares at a price of $3.05 per common share for gross proceeds of $19,620,000. 2,000,000 common share warrants were also issued in the arrangement. Each warrant is exercisable into one common share each of the Corporation until June 30, 2018 at an exercise price of $3.97. Costs associated with the closing of the subscription agreement totaled $499,987.

On September 30, 2016, the Corporation also issued 10,958,333 common shares for gross proceeds of $35,000,000USD and 1,000,000 common share warrants to Orion in conjunction with the financing arrangement for Mercedes. Each warrant issued to Orion entitles Orion to purchase one Common share of the Corporation at a price of $5.46 per share until June 30, 2018. Costs associated with the closing of the subscription agreement totaled $700,000USD. In conjunction with the financing package discussed in Note 4(b), the shares have been attributed with the remaining fair value of $41,729,347 after valuing the package as a whole and then assigning to the various components.

Stock options

The continuity of stock options issued and outstanding are as follows:

	Options outstanding #	Weighted average exercise price $
Outstanding at January 1, 2016	12,496,417	3.48
Granted	2,213,800	3.37
Exercised	(2,346,650)	2.40
Expired	(2,659,667)	5.96
Forfeited	(110,000)	2.53
Outstanding at December 31, 2016	9,593,900	3.04
Granted	1,991,000	3.07
Exercised	(57,500)	2.42
Expired	(125,000)	5.20
Forfeited	(30,000)	2.39
Outstanding at March 31, 2017	**11,372,400**	**3.03**

The weighted average share price at the date of exercise in 2017 was $3.22 (2016 $3.63).

At March 31, 2017 the following options were outstanding and outstanding and exercisable:

	Outstanding			**Outstanding and Exercisable**		
Exercise price $	Options #	Weighted average exercise price $	Weighted average remaining life years	Options #	Weighted average exercise price $	Weighted average remaining life years
1.40 - 1.79	833,500	1.67	1.46	833,500	1.67	1.46
2.01 - 2.95	4,321,500	2.45	2.71	4,211,500	2.45	2.71
3.11 - 3.65	4,212,400	3.16	4.33	4,062,400	3.16	4.33
4.28 - 4.78	1,945,000	4.56	0.72	1,835,000	4.56	0.50
5.20 - 5.40	60,000	5.40	0.57	60,000	5.40	0.57
	11,372,400	**3.03**	**2.87**	**11,002,400**	**3.01**	**2.83**

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Total vested stock options at March 31, 2017 were 11,002,400 with a weighted average exercise price of $3.01 (9,288,900 at December 31, 2016 with a weighted average exercise price of $3.04).

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, $2,665,837 ($2,874,479) was recorded for options issued as compensation during the three months ended March 31, 2017 and 2016 respectively. The options had a weighted average grant date fair value of $1.35 (2016 $1.81). As of March 31, 2017, there were 350,000 unvested stock options (305,000 at December 31, 2016).

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:

	March 31, 2017	December 31, 2016
Risk-free interest rate	0.97% - 1.02%	0.56% - 0.81%
Annualized volatility based on historical volatility	57%	65% - 66%
Expected dividend	Nil	Nil
Expected option life	4 years	5 years
Expected forfeiture rate	Nil	Nil

Restricted Share Unit Plan

During the three months ended March 31, 2017, 302,000 RSUs were issued under the restricted share unit plan of the Corporation. Each RSU has the same value as one Premier Gold Mines Limited common share. The RSUs vest equally over a three year period, vesting on August 31, 2017, 2018 and 2019. The RSUs are expected to be settled in cash.

The fair value of the RSUs at March 31, 2017 was $969,420 (nil at December 31, 2016). A share based payment liability and related share based payment expense of $78,721 was recognized during the three months ended March 31, 2017 (nil for the three months ended March 31, 2016).

15. 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 three months ended March 31, 2017 and 2016. 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 and diluted weighted average shares outstanding, respectively, as follows:

	For the three months ended March 31,	
	2017	2016
	$	$
Net income / (loss) for the period	**6,723,970**	(13,254,420)
Basic weighted average shares outstanding	**201,530,687**	175,589,161
Dilution adjustment for stock options	**4,110,485**	-
Diluted weighted average shares outstanding	**205,641,172**	175,589,161
Basic and diluted income / (loss) per share	**0.03**	(0.08)

6,217,400 stock options were excluded from the calculation of the dilution adjustment for 2017.

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16. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended March 31,	
	2017	2016
	$	$
Fair value of stock options allocated to share capital upon exercise	**73,726**	820,626
Fair value gain / (loss) on forward contract	**(1,805,498)**	-
Fair value allocated to share capital on the financing arrangement	**-**	3,261,963

17. EXPLORATION, EVALUATION AND PRE-DEVELOPMENT

	Three month ended March 31,	
	2017	2016
	$	$
Rahill-Bonanza, Ontario	**68,985**	174,353
Hasaga, Ontario	**1,454,287**	2,120,940
Greenstone Gold, Ontario	**1,529,945**	1,863,484
McCoy-Cove, Nevada	**5,039,254**	613,463
Goldbank, Nevada (i)	**134,559**	-
South Arturo, Nevada	**-**	56,884
Cristina, Mexico	**645,200**	-
Mercedes, Mexico	**353,642**	-
	9,225,872	4,829,124

(i) On July 26, 2016, the Corporation entered into an agreement with Kinross Gold USA Inc. ("Kinross") to explore the Goldbanks project, the Corporation will have the right to earn up to a 50% interest in the project if they meet the spending requirements of $20,000,000USD by December 31, 2021. The Corporation has a minimum spending requirement of $3,500,000USD as discussed in note 21.

18. GENERAL AND ADMINISTRATION

	Three months eneded March 31,	
	2017	2016
	$	$
Corporate administration	**1,215,288**	618,696
Corporate salaries and benefits	**564,976**	454,404
Professional fees	**371,697**	356,745
Project administration (i)	**26,684**	1,249,351
	2,178,645	2,679,196

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

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19. SEGMENTED INFORMATION

Results of the Corporation's operating segments are reviewed by the Corporation's chief operating decision makers ("CODM") to make decisions about resources to be allocated to the segments and to assess their performance. The CODM are comprised of the senior management team, who rely on a management team with its members positioned in the geographical regions where the Corporation's key operations are located.

Operating mine properties and exploration projects

The Corporation's operating segments are reported by operating mine properties and exploration projects. The results from operations for these reportable segments are summarized in the following tables:

Three months ended March 31, 2017

	Mercedes	South Arturo	Exploration	Corporate and other	**Total**
	$	$	$	$	**$**
Mine operating revenue	11,389,802	17,027,643	-	-	**28,417,445**
Exploration, maintenance and rehabilitation	(468,324)	(66,751)	(8,831,709)	-	**(9,366,784)**
Long term debt accretion	-	-	(4,035)	(2,365,682)	**(2,369,717)**
Overhead costs	190,999	(20,391)	(273,357)	(4,820,454)	**(4,923,203)**
Other income	198,167	-	529,197	(253,299)	**474,065**
Income / (loss) before income taxes	11,310,644	16,940,501	(8,579,904)	(7,439,435)	**12,231,806**
Current tax	-	(1,704,090)	-	(429,971)	**(2,134,061)**
Deferred tax recovery / (expense)	(3,803,712)	-	-	429,937	**(3,373,775)**
Income / (loss) for the perod	7,506,932	15,236,411	(8,579,904)	(7,439,469)	**6,723,970**

Three months ended March 31, 2016

	Mercedes	South Arturo	Exploration	Corporate and other	Total
	$	$	$	$	$
Exploration, maintenance and rehabilitation	-	(91,032)	(5,039,296)	-	(5,130,328)
Long term debt accretion	-	-	(5,886)	(122,263)	(128,149)
Overhead costs	-	(1,021,324)	(255,331)	(4,277,020)	(5,553,675)
Other income	-	-	2,029,118	(2,703,660)	(674,542)
Income / (loss) before income taxes	-	(1,112,356)	(3,271,395)	(7,102,943)	(11,486,694)
Deferred tax recovery	-	-	-	(1,767,726)	(1,767,726)
Income / (loss) for the period	-	(1,112,356)	(3,271,395)	(8,870,669)	(13,254,420)

As at March 31, 2017

	Mercedes	South Arturo	Exploration	Corporate and Other	**Total**
	$	$	$	$	**$**
Capital expenditures	4,868,428	41,589	73,731	1,036,981	**6,020,729**
Mineral properties	77,743,476	6,695,104	146,600,718	-	**231,039,298**
Total assets	236,626,694	53,277,351	153,958,440	140,445,908	**584,308,393**
Total liabilities	48,267,686	14,815,617	14,987,369	125,475,550	**203,546,222**

As at December 31, 2016

	Mercedes	South Arturo	Exploration	Corporate and Other	Total
	$	$	$	$	$
Capital expenditures	7,107,128	42,288,039	365,687	7,966	49,768,820
Mineral properties	76,647,144	8,056,710	147,116,809	-	231,820,663
Total assets	238,371,732	92,384,248	148,952,902	103,892,704	583,601,586
Total liabilities	43,174,422	14,828,085	16,383,297	135,706,839	210,092,643

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Geographical segments

The Corporation operates in three principal geographical areas - Canada (country of domicile), the United States, and Mexico. The Corporation's revenue by location of operations and information about the Corporation's assets by location are detailed below:

Three months ended March 31, 2017

	Canada	U.S.A.	Mexico	Corporate and other	**Total**
	$	$	$	$	**$**
Mine operating revenue	-	17,027,643	11,389,802	-	**28,417,445**
Exploration, maintenance and rehabilitation	(2,997,892)	(5,247,834)	(1,121,058)	-	**(9,366,784)**
Long term debt accretion	-	(4,035)	-	(2,365,682)	**(2,369,717)**
Overhead costs	(252,574)	(22,304)	172,129	(4,820,454)	**(4,923,203)**
Other income	517,881	11,316	198,167	(253,299)	**474,065**
Income / (loss) before income taxes	(2,732,585)	11,764,786	10,639,040	(7,439,435)	**12,231,806**
Current tax	-	(1,704,090)	-	(429,971)	**(2,134,061)**
Deferred tax recovery / (expense)	-	-	(3,803,712)	429,937	**(3,373,775)**
Income / (loss) for the year	(2,732,585)	10,060,696	6,835,328	(7,439,469)	**6,723,970**

Three months ended March 31, 2016

	Canada	U.S.A.	Mexico	Corporate and other	Total
	$	$	$	$	$
Exploration, maintenance and rehabilitation	(4,313,810)	(805,579)	(10,939)	-	(5,130,328)
Depreciation on property, plant and equipment	-	-	-	-	-
Long term debt accretion	-	(5,886)	-	(122,263)	(128,149)
Overhead costs	(250,958)	(1,022,898)	(2,799)	(4,277,020)	(5,553,675)
Other income	2,029,118	-	-	(2,703,660)	(674,542)
Income / (loss) before income taxes	(2,535,650)	(1,834,363)	(13,738)	(7,102,943)	(11,486,694)
Deferred tax recovery	-	-	-	(1,767,726)	(1,767,726)
Income / (loss) for the period	(2,535,650)	(1,834,363)	(13,738)	(8,870,669)	(13,254,420)

As at December 31, 2016

	Canada	U.S.A.	Mexico	Corporate and Other	**Total**
	$	$	$	$	**$**
Capital expenditures	(27,712)	142,661	4,868,799	1,036,981	**6,020,729**
Mineral properties	81,124,852	70,259,768	79,654,678	-	**231,039,298**
Total assets	83,900,900	121,192,635	238,768,949	140,445,909	**584,308,393**
Total liabilities	11,519,156	17,968,241	48,583,275	125,475,550	**203,546,222**

As at December 31, 2016

	Canada	U.S.A.	Mexico	Corporate and Other	Total
	$	$	$	$	$
Capital expenditures	260,341	42,393,385	7,107,128	7,966	49,768,820
Mineral properties	81,162,816	72,256,713	78,401,134	-	231,820,663
Total assets	80,463,346	159,108,465	240,137,071	103,892,704	583,601,586
Total liabilities	11,827,602	19,375,971	43,182,231	135,706,839	210,092,643

(Stated in Canadian Dollars)

For the three months ended March 31, 2017 100% of metal sales were to Orion under the offtake and deferred revenue arrangements entered into during 2016.

The Corporation is not economically dependent on a limited number of customers for the sale of its product because gold and other metals can be sold through numerous commodity market traders worldwide.

20. 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(b) and below:

	Nature of transactions
DRAX Services Limited	Corporate secretarial services
The Alyris Group	IT support services
Alyris Leasing Inc.	Facilities rental

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.

The figures noted below are for the three months ended March 31, 2017 with comparative figures for the three months ended March 31, 2016.

(a) Included in general and administrative expenses are amounts totaling $13,175 (2016 - $12,750) for corporate secretarial services by DRAX Services Limited related to the Corporation through Shaun Drake, Corporate Secretary of the Corporation.

(b) Included in general and administrative expenditures are amounts totaling $26,900 (2016 - $25,428) for IT support services provided by 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 totaling $39,437 (2016 - $39,382) 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.

Transactions with key management personnel

Key management personnel remuneration includes the following amounts:

	Three months ended March 31,	
	2017	2016
	$	$
Salary, wages and benefits	**565,203**	297,326
Share-based payments	**1,610,550**	954,993
	2,175,753	1,252,319

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

21. COMMITMENTS

(a) Contractual obligations

The Corporation has commitments relating to facilities and other operating leases extending to 2019. The minimum annual contractual and lease payments for the three years are as follows:

	$
2017	277,591
2018	212,877
2019	25,649
	516,117

(b) Gold forward contracts

At March 31, 2017, the Corporation held forward contracts requiring the delivery of 2,250 ounces of gold per month at a price of $1,625 per ounce and 1,600 ounces of gold per month at a price of $1,650 per ounce from April until December 2017.

The contracts required no cash or other consideration. If the contracted ounces are not delivered on the delivery date, as per the terms of the agreement, the Corporation will compensate the counterparty for the difference between the contract price and the market price per ounce on the delivery date.

(c) Flow-through commitments

The Corporation has $2,841,891 in remaining flow-through obligations to be spent by December 31, 2017.

(d) Surety Bonds

At March 31, 2017, the Corporation has outstanding surety bonds in the amount of $4,566,905USD ($6,078,551) 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 ($332,750) 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.

At March 31, 2017 the Corporation placed additonal security of $350,000USD ($465,850) in anticipation of an increase to the surety bonds described above and discussed in note 25.

(e) Goldbanks spending commitment

Pursuant to an Option Agreement with Kinross Gold USA, Inc. (“Kinross”), a wholly-owned subsidiary of Kinross Gold Corporation, the Corporation is required to spend $20,000,000USD in exploration over five years on the Goldbanks Project to earn a 50% interest, including a firm commitment of $3,500,000USD between July 26, 2016 and December 31, 2017. The Corporation will be the operator of exploration programs on the property, Kinross may elect to become the operator after the Corporation has earned a 50% interest. The Corporation has spent $866,417USD ($1,147,697) to date on the project.

22. FINANCIAL INSTRUMENTS

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

(Stated in Canadian Dollars)

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 / (liabilities) measured at fair value by level within the fair value hierarchy at March 31, 2017 and December 31, 2016:

	Level 1		Level 2		Level 3		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$	$	**$**	$	**$**	$	**$**	$
Canadian equity investments	**3,244,518**	3,063,345	**-**	-	**-**	-	**3,244,518**	3,063,345
Derivative investments	**-**	-	**-**	490,012	**-**	-	**-**	490,012
Forward contracts	**-**	-	**-**	1,805,498	**-**	-	**-**	1,805,498
Offtake obligation	**-**	-	**-**	-	**2,787,105**	3,347,041	**2,787,105**	3,347,041
	3,244,518	3,063,345	**-**	2,295,510	**2,787,105**	3,347,041	**6,031,623**	8,705,896

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

	Fair value through profit or loss		Loans and receivables		Total	
	2017	2016	**2017**	2016	**2017**	2016
	$	$	**$**	$	**$**	$
Cash and cash equivalents	**-**	-	**147,291,698**	119,704,386	**147,291,698**	119,704,386
Receivables	**-**	-	**9,683,641**	11,922,271	**9,683,641**	11,922,271
Canadian equity investments	**3,244,518**	3,063,345	**-**	-	**3,244,518**	3,063,345
Derivative investments	**-**	490,012	**-**	-	**-**	490,012
Forward contracts	**-**	1,805,498	**-**	-	**-**	1,805,498
Restricted cash and cash equivalents	**-**	-	**4,758,916**	4,307,417	**4,758,916**	4,307,417
	3,244,518	5,358,855	**161,734,255**	135,934,074	**164,978,773**	141,292,929

The offtake obligation entered into during the year has been classified as level 3 as the valuation includes significant unobservable inputs.

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

	Fair value through profit or loss		Other financial liabilities		Total	
	2017	2016	**2017**	2016	**2017**	2016
	$	$	**$**	$	**$**	$
Accounts payable and accrued liabilities	**-**	-	**22,975,969**	29,195,179	**22,975,969**	29,195,179
Long term debt	**-**	-	**53,876,073**	55,808,791	**53,876,073**	55,808,791
Offtake obligation	**2,787,105**	3,347,041	**-**	-	**2,787,105**	3,347,041
Other liability	**-**	-	**6,504,463**	7,029,131	**6,504,463**	7,029,131
	2,787,105	3,347,041	**83,356,505**	92,033,101	**86,143,610**	95,380,142

The fair value of cash and cash equivalents, other receivables and accounts payable and accrued liabilities 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.

The offtake obligation is valued using the a forward strike lookback option valuation model with key inputs that include the Corporation’s assessment of expected gold prices and discount to gold prices during the quotational period, discount rates that are commensurate with the risks associated with the financial liability to reflect the time value of money and the expected production levels.

23. MANAGEMENT OF CAPITAL RISK

The Corporation manages its share capital, equity settled employee benefits reserve, warrant reserve and contributed surplus as capital, the balance of which is $627,382,758 at March 31, 2017 ($626,853,500 at December 31, 2016). 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 2018.

24. 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 sought damages of up to approximately $3,400,000, plus costs and interest (the “Conn Action”).

With respect to the Sheridan Action, the parties agreed to a settlement in 2012. With respect to the Conn Action, the Superior Court of Justice rendered judgment in favour of Goldstone on February 6, 2017 and the Corporation is currently waiting on final settlement of costs.

25. SUBSEQUENT EVENT

Surety Bond

On April 3, 2017, the Corporation increased its surety bond in the amount of $1,490,336USD ($1,983,637CAD) in favour of the BLM as financial support for underground exploration and mine permitting for the McCoy-Cove project. The obligation associated with the instrument is 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.