Consolidated Financial Statements

December 31, 2016

(Stated in Canadian Dollars)

PREMIER

Gold Mines Limited

Independent auditor's report

Grant Thornton LLP
11th Floor
200 King Street West, Box 11
Toronto, ON
M5H 3T4

T +1 416 366 0100
F +1 416 360 4949
www.GrantThornton.ca

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, 2016 and 2015, the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of cash flows and consolidated statements of changes in equity for the years ended December 31, 2016 and December 31, 2015, 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, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and December 31, 2015 in accordance with International Financial Reporting Standards.

Grant Thornton LLP

March 23, 2017
Toronto, Canada

Chartered Professional Accountants
Licensed Public Accountants

PREMIER Gold Mines Limited

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in Canadian Dollars)

	Note	**December 31, 2016 $**	December 31, 2015 $
ASSETS			
Current assets			
Cash and cash equivalents	*5*	**119,704,386**	73,056,817
Other receivables	*6*	**11,922,271**	1,167,199
Inventory	*7*	**89,204,574**	-
Prepaid and deposits		**1,948,931**	861,546
Other assets	*8*	**5,358,855**	5,932,812
Total current assets		**228,139,017**	81,018,374
Non-current assets			
Restricted cash and cash equivalents	*9*	**4,307,417**	4,244,632
Property, plant and equipment	*10*	**351,155,152**	227,919,564
Total non-current assets		**355,462,569**	232,164,196
Total assets		**583,601,586**	313,182,570
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**29,195,179**	5,859,702
Taxes payable		**4,978,806**	-
Deferred premium on flow-through shares		**1,295,452**	876,689
Current portion of deferred revenue	*11*	**18,507,784**	-
Current portion of long term debt	*12*	**2,743,479**	8,237,115
Current provision for environmental rehabilitation	*13*	**946,969**	-
Current portion of other liabilities	*14*	**2,578,387**	-
Total current liabilities		**60,246,056**	14,973,506
Non-current liabilities			
Deferred taxes	*21*	**21,096,206**	7,661,549
Deferred revenue	*11*	**48,001,149**	-
Long term debt	*12*	**53,065,312**	112,500
Provision for environmental rehabilitation	*13*	**19,886,135**	10,119,557
Other liabilities	*14*	**7,797,785**	-
Total non-current liabilities		**149,846,587**	17,893,606
Total liabilities		**210,092,643**	32,867,112
EQUITY			
Share capital	*15*	**576,763,422**	477,146,257
Reserves	*15*	**50,090,078**	55,786,311
Deficit		**(253,344,557)**	(252,617,110)
Total equity		**373,508,943**	280,315,458
Total liabilities and equity		**583,601,586**	313,182,570

Commitments [note 23]
Contingencies [note 26]

See accompanying notes to the consolidated financial statements
Approved by the Board of Directors and authorized for issue on March 23, 2017

"John Seaman"
Director

"Ewan Downie"
Director

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

(Stated in Canadian Dollars)

For the year ended December 31,	Note	2016 $	2015 $
Revenue		**150,510,221**	-
Cost of sales		**(39,106,925)**	-
Depletion, depreciation and amortization		**(67,664,777)**	
Mine operating income		**43,738,519**	-
Expenses			
Exploration, evaluation, and pre-development	*18*	**34,656,916**	27,144,627
Property maintenance		**793,672**	724,024
General and administrative	*19*	**11,422,886**	8,090,492
Share based payments		**3,945,716**	3,717,277
Depreciation	*10*	**195,038**	265,178
Remeasurement of environmental rehabilitation	*13*	**(682,225)**	-
Loss before the following		**(6,593,484)**	(39,941,598)
Investment and other income / (expense)		**(37,690)**	485,211
Unrealized gain / (loss) on derivatives	*14*	**3,251,270**	(135,034)
Unrealized net gain on investments	*8*	**8,451,396**	820,898
Unrealized foreign exchange gain		**715,767**	268,942
Realized foreign exchange gain		**3,767,755**	1,518,599
Realized loss on derivatives	*8*	**(4,366,507)**	-
Realized net loss on sale of investments	*8*	**(6,299,295)**	(1,406,079)
Gain on disposal of equipment	*10*	**17,129**	-
Gain on divestment of mineral property interests	*10*	**-**	45,886,656
Transaction costs on the acquisition of Mercedes Mine	*4*	**(5,179,431)**	-
Gain attributable to Greenstone Gold development commitment	*10*	**15,555,501**	12,643,620
Other income		**15,875,895**	60,082,813
Environmental rehabilitation accretion	*13*	**(190,255)**	(76,132)
Interest paid		**(2,041,652)**	-
Amortization of finance costs		**(1,523,500)**	-
Amortization of gold prepay interest		**763,205**	-
Amortization of discount		**(137,518)**	(601,521)
Finance expense		**(3,129,720)**	(677,653)
Income before income taxes		**6,152,691**	19,463,562
Current tax expense	*21*	**(5,163,149)**	-
Deferred tax (expense)/recovery	*21*	**(1,716,989)**	5,326,037
Income / (loss) for the year		**(727,447)**	24,789,599
Other comprehensive income / (loss)			
Exchange difference on translation of foreign operations		**(7,484,498)**	18,445,332
Current tax recovery / (expense)	*21*	**809,976**	(5,346,782)
Total comprehensive income / (loss) for the year		**(7,401,969)**	37,888,149
Basic and diluted income / (loss) per share	*16*	**-**	**0.15**

See accompanying notes to the consolidated financial statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in Canadian Dollars)

For the year ended December 31,	Note	2016 $	2015 $
OPERATING ACTIVITIES			
Income / (loss) for the year		**(727,447)**	24,789,599
Items not affecting cash			
Depletion, depreciation and amortization	*10*	**67,859,815**	265,178
Greenstone Gold non-cash operating expenses	*10*	**15,555,501**	12,643,620
Share-based payments		**3,945,716**	3,717,277
Remeasurement of environmental rehabilitation provision	*13*	**(682,225)**	-
Unrealized gain / (loss) on derivatives	*8*	**(3,251,270)**	135,034
Unrealized net gain on investments	*8*	**(8,451,396)**	(820,898)
Unrealized foreign exchange gain / (loss)		**(715,767)**	(268,942)
Realized loss on derivatives		**4,366,507**	-
Realized net loss on sale of investments	*8*	**6,299,295**	1,406,079
Gain on disposal of equipment	*10*	**(17,129)**	-
Gain on divestment of mineral property interests	*10*	**-**	(45,886,656)
Gain attributable to Greenstone Gold development commitment	*10*	**(15,555,501)**	(12,643,620)
Finance expense	*13*	**3,129,720**	677,653
Deferred tax expense / (recovery)		**1,716,989**	(5,326,037)
Deferred revenue on metal agreements		**(4,320,519)**	-
Change in non-cash working capital balances related to operations			
Other receivables		**941,446**	(273,395)
Prepaids and deposits		**285,417**	(39,164)
Inventory		**(21,738,213)**	-
Accounts payable and accrued liabilities		**5,871,959**	2,012,620
Taxes payable		**3,353,725**	-
Cash provided by / (used in) operating activities		**57,866,623**	(19,611,652)
INVESTMENT ACTIVITIES			
Proceeds from the sale of investments		**4,987,228**	97,016
Purchase of derivative investments		**(2,440,601)**	(2,367,102)
Acquisition of mineral property rights	*10*	**(2,578,139)**	(11,419,334)
Capital expenditures on property, plant and equipment	*10*	**(49,795,396)**	(53,391,548)
Purchase of investments		**(2,316,291)**	(512,809)
Proceeds from divestment of 50% interest in Greenstone Gold assets	*10*	**-**	96,009,680
Net cash on acquisition of Mercedes Mine	*4*	**(152,924,651)**	-
Transaction costs on divestment	*10*	**-**	(3,119,688)
Net change in restricted cash		**(113,451)**	(29,458)
Proceeds on disposal of property, plant and equipment		**37,703**	-
Reclamation expenditures charged to the provision for environmental rehabilitation		**(214,072)**	(193,466)
Cash provided by / (used in) investment activities		**(205,357,670)**	25,073,291
FINANCING ACTIVITIES			
Net proceeds from the issuance of debt	*12*	**57,770,270**	-
Interest paid	*14*	**(2,041,652)**	-
Net proceeds from deferred revenue	*14*	**69,089,584**	-
Proceeds from the exercise of stock options		**5,641,039**	889,800
Share issue costs		**(1,775,381)**	(842,370)
Shares issued in private placements	*15*	**70,063,750**	34,930,401
Repayment of long term debt	*15*	**(5,365,440)**	(63,004)
Cash provided by financing activities		**193,382,170**	34,914,827
Increase in cash during the year		**45,891,123**	40,376,466
Cash and cash equivalents, beginning of the year		**73,056,817**	32,141,013
Effect of exchange rate changes on cash held		**756,446**	539,338
Cash and cash equivalents, end of year		**119,704,386**	73,056,817

Supplemental cash flow information [Note 17]
See accompanying notes to the consolidated financial statements

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Stated in Canadian Dollars)

		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 January 1, 2015		159,137,353	439,946,165	29,288,654	8,290,696	2,081,639	(277,406,709)	202,200,445
Private placements	*15*	14,234,529	34,930,401	-	-	-	-	34,930,401
Exercise of stock options	*15*	410,000	1,369,533	(479,733)	-	-	-	889,800
Shares issued for mineral property	*15*	1,001,721	2,500,000	-	-	-	-	2,500,000
Restricted share units issued	*15*	84,308	210,770	-	-	-	-	210,770
Share-based payments		-	-	3,506,505	-	-	-	3,506,505
Share issue costs		-	(842,370)	-	-	-	-	(842,370)
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	32,315,426	8,290,696	15,180,189	(252,617,110)	280,315,458
Private placements	*15*	18,258,626	66,801,787	-	-	-	-	66,801,787
Exercise of stock options	*15*	2,346,650	8,608,466	(2,967,427)	-	-	-	5,641,039
Shares & warrants issued for Mercedes mine acquisition	*15*	6,000,000	27,340,410	-	-	-	-	27,340,410
Share issue costs		-	(1,775,381)	-	-	-	-	(1,775,381)
Share-based payments		-	-	3,945,716	-	-	-	3,945,716
Deferred flow-through premium		-	(1,358,117)	-	-	-	-	(1,358,117)
Comprehensive loss for the year		-	-	-	-	(6,674,522)	(727,447)	(7,401,969)
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**

See accompanying notes to the consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

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) 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, 2016 were approved and authorized for issue by the Board of Directors on March 23, 2017.

(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 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.

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.

(d) Joint and co-ownership arrangements

Operations that are jointly controlled by the Corporation and other venturers independent of the Corporation (joint ventures) are accounted for by recognizing the Corporation's share of the assets, liabilities, income and expenses included line by line in the consolidated financial statements.

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.

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. These types of 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, 2016:

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

(i) Our joint arrangements are funded by contributions made by the partners in proportion to their economic interest other than for Greenstone Gold as discussed in note 10.
(ii) For our JO's, we recognize our share of any assets, liabilities, revenues and expenses of the JO.
(iii) The Corporation has joint control given that decisions about relevant activities require unanimous consent of the parties to the joint operation.

(e) 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 relative 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.

(f) 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 each 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
Premier Goldbanks LLC	US Dollars
Minera Meridian Minerales S.de R.L. de C.V.	US Dollars
Meridian Gold Holdings Mexico S.A. de C.V.	US Dollars
Minera Meridian Mexico S.de R.L. de C.V.	US Dollars
Premier Gold Mines Cayman Ltd.	US Dollars
2536062 Ontario Inc.	Mexican Pesos
Premier Gold Mines Netherlands Cooperative U.A.	Mexican Pesos
Premier Gold Mines Netherlands B.V.	Mexican Pesos
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.

(g) 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.

(h) 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, other 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 Corporation’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.

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.

(i) 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'.

Financial instruments – debt

Debt is recognized initially at fair value, net of financing costs incurred, and subsequently measured at amortized cost. Any difference between the initial fair value less financing costs and the redemption value of the debt is recognized in the consolidated statements of income over the period to maturity using the effective interest method.

Financial instruments – derivative financial liabilities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into, and are subsequently remeasured at their fair value at the end of each reporting period. Any changes in fair value are recognized in the consolidated statements of income during each reporting period.

(j) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Inventory

Material extracted from our mines is classified as either ore or waste. Ore represents material that, at the time of extraction, is expected to be processed into a saleable form and sold at a profit. Raw materials are comprised of both ore in stockpiles and ore on leach pads as processing is required to extract benefit from the ore. Ore is accumulated in stockpiles that are subsequently processed into gold in a saleable form. The recovery of gold from certain oxide ores is achieved through the heap leaching process. Work in process represents gold in the processing circuit that has not completed the production process, and is not yet in a saleable form. Finished goods inventory represents gold in saleable form. Mine operating supplies represent commodity consumables and other raw materials used in the production process, as well as spare parts and other maintenance supplies that are not classified as capital items.

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes all costs incurred, based on a normal production capacity, in bringing each product to its present location and condition. Cost of inventories comprises direct labor, materials and contractor expenses, including non-capitalized stripping costs; depreciation on property, plant and equipment including capitalized stripping costs; and an allocation of general and administrative costs. As ore is removed for processing, costs are removed based on the average cost per ounce/pound in the stockpile.

Provisions to reduce inventory to net realizable value are recorded to reflect changes in economic factors that impact inventory value and to reflect present intentions for the use of slow moving and obsolete supplies inventory. Net realizable value is determined with reference to relevant market prices less applicable variable selling expenses. Provisions recorded also reflect an estimate of the remaining costs of completion to bring the inventory into its saleable form. Provisions are also recorded to reduce mine operating supplies to net realizable value, which is generally calculated by reference to its salvage or scrap value, when it is determined that the supplies are obsolete. Provisions are reversed to reflect subsequent recoveries in net realizable value where the inventory is still on hand.

(l) Property, plant and equipment

General

Property, plant and equipment are recorded at cost less accumulated depreciation, depletion and impairment charges.

Major overhaul expenditures and the cost of replacement of a component of plant and mobile equipment are capitalized and depreciated over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of mobile equipment are charged to the cost of production.

Directly attributable costs, including capitalized borrowing costs, incurred for major capital projects and site preparation are capitalized until the asset is in a location and condition necessary for operation as intended by management. These costs include dismantling and site restoration costs to the extent these are recognized as a provision. Management annually reviews the estimated useful lives, residual values and depreciation methods of the Corporation's property, plant and equipment and also when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

An item of property, plant and equipment is de-recognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between any proceeds received and the carrying amount of the asset) is included in the statements of income / (loss) and comprehensive income / (loss) in the period the asset is de-recognized.

Exploration, evaluation and pre-development expenditure

The exploration, evaluation and pre-development expenditure policy is to charge exploration and evaluation expenditures within an area of interest as expense until management conclude 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 and has been subject to an impairment analysis, further expenditures are capitalized and classified as development properties.

Exploration, evaluation and pre-development expenditure consist of :

- gathering exploration data through topographical and geotechnical studies;
- exploratory drilling, trenching and sampling;
- determining the volume and grade of the resource;
- test work on geology, metallurgy, mining, geotechnical and environmental; and
- conducting engineering, marketing and financial studies

Exploration and evaluation assets acquired are initially recognized at fair value as exploration rights within tangible assets.

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 and technical feasibility has been established, 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.

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.

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.

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
Mining equipment	Straight line	1 – 10 years based on life of mine
Deferred stripping costs	Units of production	Estimated proven and probable mineral reserves accessible due to stripping activity

(m) Deferred revenue

The Corporation recognizes deferred revenue in the event it receives payments from customers in consideration for future commitments to deliver metals and before such sale meets the criteria for revenue recognition. The Corporation recognizes amounts in revenue as the metals are delivered to the customer.

Specifically, for the metal agreements entered into with OMF Fund II SO LTD. (“Orion”), the Corporation determines the amortization of deferred revenue to the consolidated statement of income (loss) on a per unit basis using the estimated total quantity of metal expected to be delivered to Orion over the term of the contract. The Corporation estimates the current portion of deferred revenue based on quantities anticipated to be delivered over the next twelve months.

(n) 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.

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.

(o) Revenue

Revenue from the sale of precious metals, gold and silver, is recognized

- At the fair value of the consideration received;
- When all significant risks and rewards of ownership pass to the purchaser including delivery of the product;
- There is a fixed or determinable selling price and collectability is reasonably assured; and
- The costs incurred or to be incurred in respect of the sale can be reliably measured.

Gold and silver revenue is recorded at the time of physical delivery and transfer of title. Sale prices are either fixed at the delivery date based on the terms of the contract or at spot prices or are determined based on existing offtake agreements and adjusted to fair value through the related derivative liability.

(p) 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.

(q) Share-based compensation

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. 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.

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 15.

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. Vesting periods range from immediate to five years. 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. 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.

(r) 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 utilized 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.

(s) Provisions

Provisions are recognized when the Corporation or its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. Contingent liabilities are not recognized in the financial statements, if not estimable and probable, and are disclosed in notes to the financial information unless their occurrence is remote. Contingent assets are not recognized in the financial statements, but are disclosed in the notes if their recovery is deemed probable.

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.

(t) 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 using the treasury stock method and the weighted average number of common shares outstanding for the effects of all dilutive stock options.

(u) 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.

(v) Interest

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

(w) Operating expenses

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

(x) 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.

(y) Significant accounting judgements and estimates

The preparation of 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.

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:

Business combinations

Determination of whether a group of assets acquired and liabilities assumed constitute the acquisition of a business or an asset may require the Corporation to make certain judgements as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 - Business Combinations.

Purchase price allocation

Applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition date fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The determination of the acquisition date fair values require management to make assumptions and estimates about future events. The assumptions and estimates relating to determining the fair value of property, plant and equipment acquired generally require a high degree of judgement, and include estimates of mineral reserves acquired, future metal prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could affect the amounts assigned to assets, liabilities and goodwill in the purchase price allocation.

Inventory valuation

Finished goods, work-in-process, heap leach ore and stockpile ore are valued at the lower of cost and net realizable value. The assumptions used in the valuation of work-in process inventories include estimates of gold contained in the ore stacked on leach pads, assumptions of the amount of gold stacked that is expected to be recovered from the leach pads, the amount of gold in the mill circuits and assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove to be inaccurate, the Corporation could be required to write-down the recorded value of its work-in process inventories and heap leach ore, which would reduce earnings and working capital.

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 mineralization.

Recoverable ounces

The carrying amounts of the Corporation's mining property is depleted based on recoverable ounces contained in proven and probable mineral reserves. Changes to estimates of recoverable ounces and depletable costs including changes resulting from revisions to mine plans and changes in metal price forecasts can result in a change in future depletion rates.

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101 Standards of Disclosure for Mineral Projects, issued by the Canadian Securities Administrators. This National Instrument lays out the standards of disclosure for mineral projects including rules relating to the determination of mineral reserves and mineral resources. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Corporation's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. Differences between management's assumptions, and actual events including economic assumptions such as metal prices and market conditions, could have a material effect in the future on the Corporation's financial position and results of operation.

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 amount 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.

Valuation of financial instruments

The fair value of derivative financial liabilities that are not traded in an active market, including the offtake agreement entered into during the period, is determined using valuation techniques. The Corporation uses its judgment to select a variety of methods and make assumptions that are based on market conditions existing at the end of each reporting period as an indication of the expected future market conditions. The Corporation has used a discounted cash flow analysis for the offtake agreement, incorporating key assumptions for the production to be delivered under the offtake agreement, expected metal prices and discount to metal prices during the quotational period, and discount rates that are commensurate with the risks associated with the financial liability to reflect the time value of money.

The Corporation also issued warrants either in connection with a private placement or as purchase consideration in a business combination and are recorded within share capital. Where the warrants are issued in non-brokered private placements, the warrants are equity instruments and not financial liabilities. Where the warrants are issued in conjunction with a business combination, the warrants are fair valued as one of the instruments included in the consideration. As such, in determining fair value, management judgement is required in respect to input variables of the financial model used for estimation purposes. These variables include such inputs as the Corporation's stock price, stock price variability, trading volumes and risk-free rates of return.

Deferred revenue

The Corporation entered into gold prepay and silver streaming agreements on September 30, 2016 in conjunction with the mine acquisition described in Note 4.

The upfront payment for the Gold Prepay Facility discussed in Note 4(b) has been accounted for as deferred revenue as management has determined that the agreement is not a derivative as it will be satisfied through the delivery of non-financial items (i.e. gold commodity from the Corporation's production), rather than cash or financial assets.

The upfront payment for the Silver Stream discussed in Note 4(b) has also been accounted for as deferred revenue, as management has determined that the agreement is not a derivative as it will be satisfied through the delivery of non-financial items (i.e. silver commodity from the Corporation's production), rather than cash or financial assets.

Commercial Production

On August 1, 2016, management determined that the South Arturo mine reached commercial production. The determination of the date on which a mine enters the commercial production stage is a significant judgement since capitalization of certain costs ceases and the recording of revenues and expenses commences upon entering commercial production. As a mine is constructed, certain costs are capitalized and proceeds from sales are offset against the capitalized costs. This continues until the mine is available for use in the manner intended by management, which requires significant judgement.

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.

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 following standards were applied for the period beginning January 1, 2016 and had no effect on the 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

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 intends to adopt the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017.

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 intends to adopt the amendments to IAS 12 in its financial statements for the annual period beginning on January 1, 2017.

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.

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.

(Stated in Canadian Dollars)

4. MINE ACQUISITION AND FINANCING ARRANGEMENT

a) Acquisition of Mercedes mine

On September 30, 2016, pursuant to a share purchase agreement dated July 28, 2016, the Corporation acquired all of the shares of Yamana Gold Inc.'s ("Yamana") indirect wholly-owned Mexican subsidiaries, which own a 100% interest in the Mercedes mine ("Mercedes"), for total consideration of $188,023,660 ($143,343,493USD). The Corporation determined this acquisition to be a business combination in accordance with the definition in IFRS 3, Business Combinations, and as such has accounted for it in accordance with this standard.

Total transaction costs associated with the acquisition of $5,179,431 were expensed.

The following table sets out the allocation of the purchase price to the assets acquired and liabilities assumed, based on management's estimates of fair value:

Total purchase price:	$
Cash paid ($122,500,000USD)	160,683,250
Equity ($20,843,493USD)	27,340,410
Total	188,023,660

Fair value of assets acquired and liabilities assumed:	$
Cash ($5,914,917USD)	7,758,596
Inventory ($16,664,433USD)	21,858,737
Prepaids ($1,037,858USD)	1,361,358
Other receivables($8,715,144USD)	11,431,654
Property, plant and equipment ($141,312,870USD)	185,360,092
Total assets	227,770,437
Accounts payable and accrued liabilities ($10,108,744USD)	13,259,640
Income tax payable ($1,176,559USD)	1,543,293
Other current liabilities ($3,207,739USD)	4,207,591
Provision for environmental rehabilitation ($5,983,921USD)	7,849,109
Deferred income tax ($8,614,733USD)	11,299,945
Other non-current liabilities ($1,210,032USD)	1,587,199
Total liabilities	39,746,777
Net asset total	188,023,660

The cash component of the consideration includes $153,235,141 ($116,821,789USD) raised through a financing package from Orion which includes a prepayment for future commitments to deliver metals as discussed in Note4(b) below.

The equity component of the consideration is recorded as share capital and reflects the fair value of 6,000,000 common shares issued to Yamana based on the published share price at the close of business on September 30, 2016 of $4.05 per share for a total of $24,300,000 and 3,000,000 warrants issued to Yamana to acquire up to 3,000,000 common shares entitling Yamana to purchase one common share upon exercise at the price of $4.75 per common share until September 30, 2018 valued at $3,040,410 using a binomial warrant valuation at September 30, 2016.

Also in connection with the acquisition, Yamana was granted a 1.0% net smelter return royalty on production from the current land package relating to the Mercedes Mine on the earlier of the date on which 450,000 ounces of gold equivalent has been produced by the Mercedes Mine following September 30, 2016; and September 30, 2022. Yamana was also granted a 2.0% net smelter return royalty on the La Silla property in Sinaloa, Mexico and the La Espera property in Sonora, Mexico.

The property, plant and equipment was initially valued at $186,698,563 at September 30, 2016 and has since been adjusted to $185,360,092 based on the final fair value assessment of mine buildings, equipment and mineral interests. Deferred income taxes have adjusted from $12,638,416 reported at September 30, 2016 to $11,299,945 as a result of the change to the final fair value assessment of property, plant and equipment.

Pro forma results of operations for the Corporation assuming the acquisition of Mercedes had occurred as of January 1, 2016 would be revenue of $263,464,877, net income of $30,491,998 and a basic and diluted income per share of $.16 in the consolidated statements of income/(loss) and comprehensive income/(loss) for the year ended December 31, 2016.

b) Financing and related agreements

On June 2, 2016, the Corporation entered into a financing arrangement with Orion comprised of a credit facility for $30,000,000USD, an offtake agreement, a private placement of common shares for $15,000,000USD and the issue of warrants. The Corporation received credit facility proceeds of $5,000,000USD, before an arrangement fee of $450,000USD as well as other related fees, and common share proceeds of $15,000,000USD. An additional $10,000,000USD was drawn on August 31, 2016.

Payment of the Corporation's obligation under the credit facility is guaranteed by each of its subsidiaries. The agreement contains covenants that limit, among other things, the ability of the Corporation to incur additional indebtedness, make distributions in certain circumstances and sell material assets.

In conjunction with the Mercedes acquisition on September 30, 2016 described in note 4(a), the Corporation entered into a further series of transactions with Orion, comprised of the following:

Senior Secured Gold Prepay Facility ("Gold Prepay Facility")

The Corporation entered into the Gold Prepay Facility, whereby Orion made an upfront cash payment of $41,488,707USD, pursuant to which the Corporation will deliver 2,450 troy ounces of gold per quarter for a period of 15 consecutive quarters commencing December 31, 2016 in repayment of principal. The upfront payment for the Gold Prepay Facility has been accounted for as deferred revenue as the agreement will be satisfied through the delivery of non-financial items (i.e. gold commodity from the Corporation's production), rather than cash or financial assets. The drawdown of the deferred revenue will be credited to sales in the corresponding period.

Also included in the Gold Prepay facility is a requirement to make cash interest payments to Orion on a quarterly basis at an interest rate of 6.5%. 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. The cash interest component has been accounted for at fair value on inception and as a financial liability at amortized cost subsequently, which will be recognized as finance expense throughout the term of the facility.

Senior Secured Silver Stream ("Silver Stream")

The Corporation entered into the Silver Stream, whereby Orion made an upfront cash payment of $11,183,082USD, pursuant to which 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 at the time of delivery.

The upfront payment for the Silver Stream has been accounted for as deferred revenue as the agreement will be satisfied through the delivery of non-financial items (i.e. silver commodity from the Corporation's production), rather than cash or financial assets. The drawdown of the deferred revenue will be credited to sales in the corresponding period.

Amendment to unsecured credit facility

The Corporation entered into an agreement to amend the existing unsecured credit facility with Orion to increase the existing unsecured credit facility with Orion by $15,000,000USD to $45,000,000USD, with all other substantive terms including the interest rate on the facility remaining unaltered. The remaining balance of the original credit facility of $15,000,000USD plus the increase of $15,000,000USD was drawn down on September 30, 2016 to fund the acquisition of Mercedes. These drawdowns have been measured at fair value on origination, with the amounts outstanding under the credit facility being accounted for as a financial liability at amortized cost as at September 30, 2016. The amendment was accounted for as a modification to the original agreement.

(Stated in Canadian Dollars)

In the amendment to the unsecured credit facility, the Corporation has the option to extend the term of the loan by a period of one year at any point in time upon notifying Orion, and payment of a fee of 1.5% of the principal balance outstanding to Orion upon exercise of the option. This option has been determined to have nil value as at December 31, 2016.

Amendment to offtake agreement

The Corporation entered into an agreement to amend the existing offtake agreement entered into with Orion in Q2 2016. The impact of the amendment increased the annual quantity to be delivered to Orion to an annual aggregate maximum of 35,000 ounces of gold from all of Premier's producing projects. Of this delivery obligation, no more than 20,000 ounces shall be required to come from the Mercedes Mine, nor shall more than 20,000 ounces be required to be provided from Premier's other producing projects.

The amendment to the offtake agreement resulted in an increase to the existing derivative financial liability that had been previously recorded, with the incremental obligation undertaken on September 30, 2016 being measured at fair value on inception.

Issuance of common shares

The Corporation issued a subscription of 10,958,333 Common Shares to Orion, for contractual gross proceeds of $35,000,000USD. The value of shares issued in connection with the series of transactions entered into with Orion was assigned the residual value after taking account of the contractual values of the deferred revenue from the Gold Prepay Facility and Silver Stream and the fair values of the financial liabilities entered into with Orion.

Issuance of share purchase warrants

The Corporation issued 1,000,000 common share purchase warrants to Orion, entitling Orion to acquire up to 1,000,000 common shares of the Corporation. Each share purchase warrant entitles Orion to acquire one common share upon exercise thereof at a price of $5.46 per common share until June 30, 2018. The common shares and warrants issued pursuant to the acquisition of Mercedes and the financing are subject to a four-month plus one day hold period, pursuant to applicable Canadian securities laws.

The Corporation recorded the following in connection with the series of transactions with Orion on September 30, 2016:

	$
Deferred Revenue (note 11)	
Gold prepay agreement ($41,488,707USD)	54,420,737
Silver stream agreement ($11,183,082USD)	14,668,849
Total	69,089,586
Financial liabilities (note 12 and 14)	
Cash interest within gold prepay ($4,608,723USD)	6,045,262
Amendment to offtake obligation ($1,646,117USD)	2,159,212
Amendment to senior unsecured term facility - fair value of principal drawn on acquisition of Mercedes ($26,081,981USD)	34,211,734
Total	42,416,208
Equity (note 15)	
Residual value assigned to common share purchase warrants issued ($606,414USD)	795,433
Residual value assigned to common shares issued ($31,206,765USD)	40,933,914
Total	41,729,347
Total funds received from Orion	153,235,141

(Stated in Canadian Dollars)

5. 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.

	December 31, 2016 $	December 31, 2015 $
Cash	**119,052,332**	30,741,147
Short-term money market investments	**652,054**	42,315,670
	119,704,386	73,056,817

6. OTHER RECEIVABLES

	December 31, 2016 $	December 31, 2015 $
Recoverable taxes (i)	**11,658,358**	1,142,983
Other receivable	**263,913**	24,216
	11,922,271	1,167,199

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

7. INVENTORY

	December 31, 2016 $	December 31, 2015 $
Finished goods	**25,298,328**	-
Work-in-process	**260,184**	-
Ore stockpiles	**44,759,030**	-
Materials and supplies	**18,887,032**	-
	89,204,574	-

The amount of inventory recognized as an expense during the year ended December 31, 2016 was $39,106,925 and is included in cost of sales, excluding depletion, depreciation and amortization. Depletion, depreciation and amortization expensed during the year ended December 31, 2016 was $67,664,777.

8. OTHER ASSETS

	December 31, 2016 $	December 31, 2015 $
Canadian equity investments (i)	**3,063,345**	3,582,182
Derivative investments (ii)	**490,012**	2,350,630
Forward contracts (iii)	**1,805,498**	-
	5,358,855	5,932,812

(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 December 31, 2016 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.

(Stated in Canadian Dollars)

During 2016, the Corporation received proceeds from the sale of investments of $4,987,228 and recorded $6,299,295 of losses on sale of investments (included in realized net loss on sale of investments) offset by the reversal of unrealized losses of $8,451,396 (included in unrealized net gain on investments). In addition, the Corporation purchased investments of $2,316,291 during the year.

(ii) At December 31, 2016, the Corporation has 7,500 ounces of gold sales hedged with derivatives expiring after the close on December 31, 2016. These derivative instruments are 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. At December 31, 2016 the Corporation had $175,015 included in unrealized gain on derivatives and $4,366,507 included in realized loss on derivatives from expired options. The remaining puts were settled on January 4, 2017 for $489,787.

(iii) During the year ended December 31, 2016 the Corporation has one refined gold forward contract with Orion which is as follows:

Ounces of gold	Delivery date	Contract price
10,000	January 18, 2017	$1,725 per ounce

The Corporation remeasures the contracts 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 net against the unrealized gain / (loss) on derivatives. The contract 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 Orion for the difference between the contract price and the market price per ounce. The ounces of gold for the outstanding contract with Orion were delivered on January 18, 2107 for the specified price.

9. RESTRICTED CASH AND CASH EQUIVALENTS

Property	**December 31, 2016 $**	December 31, 2015 $
Hardrock, Ontario (i)	**316,544**	316,544
Northern Empire Mill, Ontario (ii)	**2,232,003**	2,230,488
McCoy-Cove, Nevada (iii)	**1,646,934**	1,697,600
Hasaga, Ontario (iv)	**111,936**	-
	4,307,417	4,244,632

(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.

(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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

(iii) The Corporation's wholly owned subsidiary, Au-reka Gold Corporation has a total of $1,226,584USD ($1,646,934CAD) in restricted cash related to reclamation obligations associated with the McCoy-Cove property in Nevada including:
- $976,584USD ($1,311,259CAD) held in trust with the United States Department of the Interior, Bureau of Land Management
- $250,000USD ($335,675CAD) held in trust with Lexon Surety Group as security for the surety bond described in Note 23.

(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.

10. 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, 2015	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
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**
Accumulated depreciation and impairment	$	$	$	$	$
Balance, January 1, 2015	434,668	4,762,947	2,916,087	-	8,113,702
Depreciation for the year	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
Depreciation and depletion for the year (i)	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**
Carrying amounts	$	$	$	$	$
Balance, December 31, 2015	676,657	-	227,242,907	-	227,919,564
Balance, December 31, 2016	**52,100,598**	**67,233,891**	**147,116,809**	**84,703,854**	**351,155,152**

(i) The reconciliation of depreciation during the year ended December 31, 2016 for depreciation on property, plant and equipment recognized in the statement of income / (loss) and comprehensive income / (loss):

	December 31, **2016**	2015
	$	$
Total depreciation and depletion	**123,830,327**	265,178
Less: depreciation allocated to capitalized development	**(3,550,982)**	-
Less: amounts allocated to cost of sales	**(67,664,777)**	-
Less: amounts allocated to inventories	**(52,809,606)**	-
	(195,038)	265,178

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

Mineral properties not subject to depletion

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**

Mineral properties subject to depletion

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**
	$	$	$	$	$	**$**
Total	227,242,907	75,805,123	50,934,049	(119,023,370)	(3,138,046)	**231,820,663**

Mineral properties not subject to depletion

Property	January 1, 2015 $	Additions $	Capitalized Development $	Transfers $	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	-	22,101,578	52,185,481	-	6,655,906	80,942,965
	182,508,949	35,062,925	52,185,481	(59,786,374)	17,271,926	227,242,907

Impairment

The Corporation regularly reviews the carrying amount of 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. There were no impairments recorded for the years ended December 31, 2016 and 2015.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

Acquisitions

Acquisition of Mercedes Mine

On September 30, 2016, the Corporation acquired Mercedes mine from Yamana. The Corporation paid $122,500,000USD in cash and issued 6,000,000 common shares with 3,000,000 warrants exercisable for 3,000,000 common shares for two year at a price of $4.75 per common share. Full details on the acquisition are discussed in note 4.

Option Acquisition Agreement for Cristina project

On August 12, 2016, the Corporation signed an option agreement to acquire patented claims known as the Cristina claims from Goldcorp for an initial payment of $1,500,000USD and closing costs of $27,504. The Corporation has one year to explore the property before the option agreement expires. If the Corporation exercises the option to purchase the property within a three year period from the date of the agreement the Corporation will pay an additional $1,500,000USD.

Acquisition of Red Lake land package for Hasaga

On May 20, 2016, the Corporation acquired the two remaining patented claims known as the Buffalo Claims from Pure Gold Mining Inc. for $500,000 and closing costs of $91,077. As part of the acquisition of the Buffalo Claims a shop that was located on the property was capitalized to Buildings and equipment for $160,000.

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 was accounted for as an asset acquisition whereby the assets acquired and liabilities assumed were recorded at relative 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

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.

<u>Disposal</u>

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.

On March 3, 2016, Goldcorp Inc. ("Goldcorp") 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 and it is shown as a disposal in the period.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

- 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 and the purpose and design of the joint arrangement.

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.

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

As a result of the divestment of the 50% interest in Greenstone Gold, the Corporation continues to record a gain attributable to Centerra Gold Inc's ("Centerra") development commitment. For the year ended December 31, 2016, the Greenstone Gold partnership incurred a total of $31,111,002 (year ended December 31, 2015 - $25,287,240) for expenditures. 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 under the terms of the agreement, the recovery of $15,555,501 for the year ended December 31, 2016 respectively (year ended December 31, 2015 - $12,643,620) is shown as a gain attributable to the Greenstone Gold development commitment.

PREMIER
Gold Mines Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

Summary of mineral property Net Smelter Return ("NSR") royalties (at December 31, 2016)

Active properties	**NSR's**
Rahill Bonanza, Ontario	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	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	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	1.5% NSR Newmont
South Arturo, Nevada	4-9% Annual minimum royalty Franco-Nevada Corporation
Mercedes Mine, Mexico	1 % NSR to Yamana (Mercedes Mine Cucurpe) 2 % NSR to Yamana (La Espera) 2 % NSR to Yamana (La Silla)

Inactive properties	**NSR's**
Northern Empire, Ontario	3% NSR Shirley Lafontaine, Amede Lafontaine, Stewart Robertson, Geneva Nichols
Sand River Leitch, Ontario	1-2% NSR Osisko Gold Royalties 3% NSR Franco-Nevada Corporation 0.8925% NSR Afri-Can Marine Minerals
Nortoba-Tyson, Ontario	1% NSR Wayne Gorrie 2% NSR Cote
Faymar, Ontario	0.2% NSR Marion Howes
Santa Teresa, Mexico	1.5-3% NSR Grupo Alamo S.A. de C.V.
Ozone Creek, Ontario	3% NSR Lac Properties
Raingold, Ontario	2% NSR Payable to Robert Geisler

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11. DEFERRED REVENUE

	December 31, 2016 $	December 31, 2015 $
Gold prepay (i)	**52,047,828**	-
Silver stream agreement (ii)	**14,461,105**	-
Total deferred revenue	**66,508,933**	-
Less total current portion	**18,507,784**	-
Total long term portion	**48,001,149**	-

(i) As part of the financing arrangement discussed in note 4, 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 December 31, 2016, the Corporation has delivered 2,450 troy ounces of gold towards the gold prepay agreement with Orion .

	December 31 2016 $
Deferred revenue proceeds ($42,187,500USD)	**55,337,344**
Less: expenses ($698,793USD)	**(916,607)**
Net proceeds	**54,420,737**
Recognition of revenue during the year ($2,812,500USD)	**(3,726,000)**
Amortization of costs ($87,349USD)	**115,720**
Currency adjustment	**1,237,371**
	52,047,828

(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 December 31, 2016, the Corporation has delivered 32,690 ounces of silver towards the silver streaming agreement with Orion.

	December 31 2016 $
Deferred revenue proceeds ($11,500,000USD)	**15,084,550**
Less: expenses ($316,918USD)	**(415,701)**
Net proceeds	**14,668,849**
Recognition of revenue during the year ($448,764USD)	**(594,523)**
Amortization of costs ($35,851USD)	**47,495**
Currency adjustment	**339,284**
	14,461,105

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

12. LONG TERM DEBT

	December 31, 2016 $	December 31, 2015 $
Promissory note payable (i)	**134,270**	207,600
Newmont payable (ii)	**2,685,400**	8,304,000
Credit facility (iii)	**60,421,500**	-
Total obligation	**63,241,170**	8,511,600
Less interest and debt agreement costs to be accreted	**7,432,379**	161,985
Present value of the obligation	**55,808,791**	8,349,615
Less current portion	**2,743,479**	8,237,115
Long term portion	**53,065,312**	112,500

Scheduled debt principal repayments

	2017 $	2018 $	**Total $**
Promissory note payable	67,135	67,135	**134,270**
Newmont payable	2,685,400	-	**2,685,400**
Long term debt	-	60,421,500	**60,421,500**
Total	**2,752,535**	**60,488,635**	**63,241,170**

(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, 2016 is $100,000USD and at December 31, 2015 $150,000USD repayable at $50,000USD annually on July 19 until 2018. The note is discounted at a rate of 15% for a discounted balance of $86,733USD at December 31, 2016 and $121,859USD at December 31, 2015. The current portion of the discounted note is $58,079 ($56,154 at December 31, 2015) with a remaining long term balance of $58,378 ($112,500 at December 31, 2015).

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, the Corporation agreed to an additional $6,000,000USD payable in favour of Newmont. The value of the debt has been accreted to the face value of the payable at its expected 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 expected term of the debt. The final terms of payment have been negotiated and shall be paid in three installments of $2,000,000USD. Installment were paid on September 1, 2016 and December 1, 2016 with the one remaining installment due on March 1, 2017.

(iii) Credit facility

In conjunction with the financing arrangement discussed in note 4, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Stated in Canadian Dollars)

13. PROVISION FOR ENVIRONMENTAL REHABILITATION

The Corporation estimates that the undiscounted future value of the cash flows required to settle the provision is $4,241,482 for the Hasaga, Northern Empire Mill and the Faymar Deloro property in Canada, $8,338,980USD ($11,196,748CAD) for the McCoy-Cove property and South Arturo Mine project in the United States and $6,822,895USD ($8,949,591CAD) 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 0.9716% to 2.8339%. A reconciliation of the discounted provision is provided below:

	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**

	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

The additional obligation accounted for in 2016 is related to the Hasaga mineral property acquired on May 20, 2016 as described in Note 10.

An additional obligation for 2016 is related to the Mercedes Mine project acquired on September 30, 2016 described in Note 4.

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 10 of the audited December 31, 2015 consolidated financial statements.

14. OTHER LIABILITIES

	December 31, 2016 **$**	December 31, 2015 $
Financial liability (i)	**5,414,617**	-
Offtake obligation (ii)	**3,347,041**	-
Severance obligation	**1,614,514**	-
Total other liabilities	**10,376,172**	-
Less current portion	**2,578,387**	-
Long term portion	**7,797,785**	-

(i) Financial liability

The financial liability represents the present value of the interest component of the gold prepay agreement discussed in notes 4 and 11. $2,332,924 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), 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 initial offtake obligation was fair valued at $2,458,687 on June 2, 2016 and an additional offtake obligation that was entered into on September 30, 2016 that was fair valued at $2,159,212. The offtake obligation had an unrealized gain of $1,270,757 recorded for the year ended December 31, 2016 included in the unrealized gain on derivatives.

15. 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.

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 4. 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

On June 2, 2016, in conjunction with the financing arrangement discussed in note 4, 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.

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 10 of the audited December 31, 2015 consolidated financial statements.

Issuance of Restricted Share Units ("RSU")

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, 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, 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.

(Stated in Canadian Dollars)

Stock options

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

	Options outstanding #	Weighted average exercise price $
Outstanding at January 1, 2015	12,674,822	3.92
Granted	3,115,000	2.21
Exercised	(410,000)	2.17
Expired	(2,798,405)	4.25
Forfeited	(85,000)	2.62
Outstanding at December 31, 2015	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**

The weighted average share price at the date of exercise in 2016 was $3.63 (2015 $2.88).

At December 31, 2016 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	856,000	1.68	1.71	856,000	1.68	1.71
2.01 - 2.95	4,386,500	2.45	2.96	4,251,500	2.45	2.95
3.11 - 3.65	2,221,400	3.24	3.93	2,171,400	3.24	3.91
4.28 - 4.78	1,945,000	4.56	0.96	1,825,000	4.56	0.73
5.20 - 5.40	185,000	5.26	0.38	185,000	5.26	0.38
	9,593,900	**3.04**	**2.62**	**9,288,900**	**3.14**	**2.57**

Total vested stock options at December 31, 2016 were 9,288,900 with a weighted average exercise price of $3.04 (11,901,417 at December 31, 2015 with a weighted average exercise price of $3.54).

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, $3,945,7161 was recorded for options and shares issued as compensation during the year ended December 31, 2016 (year ended December 31, 2015 - $3,506,505). The options had a weighted average grant date fair value of $1.81 (2015 $1.15). As of December 31, 2016, there were 305,000 unvested stock options (595,000 at December 31, 2015).

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:

,	**December 31, 2016**	**December 31** 2015
Risk-free interest rate	0.56% - 0.81%	0.75% - 1.35%
Annualized volatility based on historical volatility	65% - 66%	64%
Expected dividend	Nil	Nil
Expected option life	5 years	5 years
Expected forfeiture rate	Nil	Nil

(Stated in Canadian Dollars)

Restricted Share Unit Plan

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

	2016	**2016**	2015	2015
	#	**$**	#	$
Balance, January 1	**-**	**-**	-	-
Granted	**-**	**-**	84,308	210,770
Redeemed	**-**	**-**	(84,308)	(210,770)
Balance, December 31	**-**	**-**	-	-

16. 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, 2016 and 2015. 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 year ended December 31,	**2016**	2015
	$	$
Net income / (loss) for the year	**(727,447)**	24,789,599
Basic weighted average shares outstanding	**184,513,366**	165,482,310
Dilution adjustment for stock options	**-**	1,265,949
Diluted weighted average shares outstanding	**184,513,366**	166,748,259
Basic and diluted income / (loss) per share	**-**	0.15

9,417,167 stock options were excluded from the calculation of the dilution adjustment for 2015.

17. SUPPLEMENTAL CASH FLOW INFORMATION

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

	December 31,	
	2016	2015
	$	$
Fair value of mineral property interest exchanged in property acquisition	**-**	4,969,200
Fair value of shares issued for the purchase of mineral property interests	**-**	2,500,000
Fair value of shares and warrants issued for Mercedes acquisition (note 4(a))	**27,340,410**	-
Fair value of stock options allocated to share capital upon exercise	**2,967,425**	479,733
Fair value of offtake obligation derivative liability	**4,403,413**	-
Fair value gain on forward contract	**1,805,498**	-
Fair value allocated to share capital on the financing arrangement (note 4(b))	**3,261,963**	-

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18. EXPLORATION, EVALUATION AND PRE-DEVELOPMENT

	December 31, 2016 $	2015 $
Rahill-Bonanza, Ontario	**648,356**	921,601
East Bay, Ontario	**-**	19,765
Hasaga, Ontario	**6,721,035**	6,995,049
Greenstone Gold, Ontario (i)	**14,483,094**	13,657,426
McCoy-Cove, Nevada	**10,430,694**	4,809,160
Goldbank, Nevada (ii)	**1,013,138**	-
South Arturo, Nevada	**514,639**	727,043
Cristina, Mexico	**533,702**	-
Mercedes, Mexico	**312,258**	-
Other areas	**-**	14,583
	34,656,916	27,144,627

(i) In 2015, Greenstone Gold includes the Hardrock, Brookbank, and Key Lake projects.
(ii) 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 23.

19. GENERAL AND ADMINISTRATION

	December 31, 2016 $	2015 $
Corporate administration	**2,442,077**	1,720,480
Corporate salaries and benefits	**3,808,788**	2,639,270
Professional fees	**2,216,466**	1,603,106
Project administration (i)	**2,955,555**	2,127,636
	11,422,886	8,090,492

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

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20. 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 Corporation CODM is 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.

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

For the year ended December 31, 2016

	Mercedes	South Arturo	Exploration	Corporate and other	**Total**
	$	$	$	$	**$**
Mine operating revenue	9,495,053	34,243,466	-	-	**43,738,519**
Exploration, maintenance and rehabilitation	(423,482)	(651,503)	(33,883,633)	-	**(34,958,618)**
Depreciation on property, plant and equipment	-	-	(107,896)	(87,142)	**(195,038)**
Long term debt accretion	-	-	(19,705)	(2,919,760)	**(2,939,465)**
Overhead costs	64,264	(2,003,069)	(1,802,598)	(11,627,199)	**(15,368,602)**
Other income	3,739,260	-	15,602,682	(3,466,047)	**15,875,895**
Income / (loss) before income taxes	12,875,095	31,588,894	(20,211,150)	(18,100,148)	**6,152,691**
Current tax	(882,825)	(3,978,587)	-	(301,737)	**(5,163,149)**
Deferred tax recovery / (expense)	(1,575,424)	-	(270,945)	129,380	**(1,716,989)**
Income / (loss) for the year	10,416,846	27,610,307	(20,482,095)	(18,272,505)	**(727,447)**

For the year ended December 31, 2015

	Mercedes	South Arturo	Exploration	Corporate and other	Total
	$	$	$	$	$
Exploration, maintenance and rehabilitation	-	(727,042)	(27,217,741)	-	(27,944,783)
Depreciation on property, plant and equipment	-	-	(191,626)	(73,552)	(265,178)
Long term debt accretion	-	-	(24,916)	(576,605)	(601,521)
Overhead costs	-	(1,727,535)	(1,487,120)	(8,593,114)	(11,807,769)
Other income	-	-	61,662,343	(1,579,530)	60,082,813
Income / (loss) before income taxes	-	(2,454,577)	32,740,940	(10,822,801)	19,463,562
Deferred tax recovery	-	-	(580,155)	5,906,192	5,326,037
Income / (loss) for the year	-	(2,454,577)	32,160,785	(4,916,609)	24,789,599

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**

As at December 31, 2015

	Mercedes	South Arturo	Exploration	Corporate and Other	Total
	$	$	$	$	$
Capital expenditures	-	53,219,366	172,182	-	53,391,548
Mineral properties	-	80,942,965	146,299,942	-	227,242,907
Total assets	-	93,122,153	154,046,938	66,013,479	313,182,570
Total liabilities	-	8,894,472	14,013,399	9,959,241	32,867,112

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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:

For the year ended December 31, 2016

	Canada	U.S.A.	Mexico	Corporate and other	**Total**
	$	$	$	$	**$**
Mine operating revenue	-	34,243,466	9,495,053	-	**43,738,519**
Exploration, maintenance and rehabilitation	(21,595,541)	(12,371,358)	(991,719)	-	**(34,958,618)**
Depreciation on property, plant and equipment	(78,527)	(29,368)	-	(87,143)	**(195,038)**
Long term debt accretion	-	(19,705)	-	(2,919,760)	**(2,939,465)**
Overhead costs	(1,767,577)	(2,008,968)	35,142	(11,627,199)	**(15,368,602)**
Other income	15,602,682	-	3,739,260	(3,466,047)	**15,875,895**
Income / (loss) before income taxes	(7,838,963)	19,814,067	12,277,736	(18,100,149)	**6,152,691**
Current tax	-	(3,978,587)	(882,825)	(301,737)	**(5,163,149)**
Deferred tax recovery / (expense)	(270,945)	-	(1,575,424)	129,380	**(1,716,989)**
Income / (loss) for the year	(8,109,908)	15,835,480	9,819,487	(18,272,506)	**(727,447)**

For the year ended December 31, 2015

	Canada	U.S.A.	Mexico	Corporate and other	Total
	$	$	$	$	$
Exploration, maintenance and rehabilitation	(22,209,021)	(5,709,834)	(25,928)	-	(27,944,783)
Depreciation on property, plant and equipment	(123,138)	(17,596)	(50,892)	(73,552)	(265,178)
Long term debt accretion	-	(24,916)	-	(576,605)	(601,521)
Overhead costs	(1,457,695)	(1,730,087)	(26,873)	(8,593,114)	(11,807,769)
Other income	61,662,343	-	-	(1,579,530)	60,082,813
Income / (loss) before income taxes	37,872,489	(7,482,433)	(103,693)	(10,822,801)	19,463,562
Deferred tax recovery	(580,155)	-	-	5,906,192	5,326,037
Income / (loss) for the period	37,292,334	(7,482,433)	(103,693)	(4,916,609)	24,789,599

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**

As at December 31, 2015

	Canada	U.S.A.	Mexico	Corporate and Other	Total
	$	$	$	$	$
Capital expenditures	167,604	53,223,944	-	-	53,391,548
Mineral properties	80,500,323	146,742,584	-	-	227,242,907
Total assets	85,547,653	161,613,634	7,804	66,013,479	313,182,570
Total liabilities	12,467,705	10,439,262	903	9,959,242	32,867,112

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The following table presents sales to individual customers exceeding 10% of annual sales. The following two customers represent 100% of the Company's concentrate and doré sales revenue which is detailed below:

For the year ended December 31,	2016	2015
Orion	**96,800,814**	-
Scotia Mocatta	**53,709,407**	-
Total	**150,510,221**	-

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. Refer to Note 23(a) for further discussion on the Corporation's exposure to credit risk.

21. INCOME TAXES

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

	2016 $	2015 $
Current income tax	**5,163,149**	-
Origination and reversal of temporary differences	**-**	-
Origination and reversal of temporary differences	**(1,785,676)**	(100,874)
Effect of change in tax rates	**417,328**	38,768
Deferred tax liability incurred on renouncement expenses	**(741,143)**	265,000
Reversal of deferred flow-through premium	**-**	(559,410)
Recognition of previously unrecognized tax assets	**(2,051,669)**	-
Assets transferred to partnership at elected amount of $0	**-**	(3,453,204)
Mining royalty, net proceeds and witholding taxes	**3,996,571**	-
Other	**1,881,578**	(1,516,317)
Income tax expense / (recovery)	**6,880,138**	(5,326,037)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(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:

	2016 **$**	2015 $
Income / (loss) for the year	**3,309,365**	
19,463,562		
Statutory rates (i)	**26.50%**	26.50%
Income tax recovery computed at statutory rates	**876,982**	5,157,844
Difference in foreign tax rates	**(746,778)**	1,698,465
Increase in deferred tax assets not recognized	**3,250,345**	4,531,891
Non-taxable items	**(304,012)**	(11,489,073)
Effect of change in tax rates	**417,328**	38,768
Impact of attributes renounced to shareholders (flow-through shares)	**198,462**	265,000
Impact of flow-through share premium	**(939,605)**	(559,410)
Recognition of previously unrecognized tax assets from the use of loss carryforwards	**(2,051,669)**	(3,453,204)
Mining royalty tax and Mexico withholding tax	**319,722**	-
Nevada net proceeds of mineral tax	**3,978,586**	-
Other	**1,880,777**	(1,516,318)
Income tax (recovery) / expense	**6,880,138**	(5,326,037)

	2016 **$**	2015 $
Exchange difference on translation of foreign operations through other comprehensive income (ii)	**(7,484,498)**	18,445,332
Statutory tax rates	**35%**	35%
Income tax expense computed at statutory rates	**(2,619,574)**	6,455,866
Exchange difference not subject to income tax	**1,809,598**	(1,109,084)
Other comprehensive income deferred tax expense	**(809,976)**	5,346,782

(i) The Corporation operates in multiple 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 in the current year and in Nevada, USA which 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,	**2016** **$**	2015 $
Deferred income tax assets		
Non-capital losses	**18,715,150**	9,682,790
Gross deferred tax assets	**18,715,150**	(9,682,790)
Deferred tax assets set off against deferred tax liabilities	**(18,715,150)**	(9,682,790)
Deferred tax asset	**-**	-
Deferred income tax liabilities		
Non-capital losses	**-**	-
Inventory	**(2,526,071)**	-
Exploration and evaluation	**(17,972,054)**	(7,661,549)
Investments	**(8,572,989)**	(9,682,790)
Mining royalty tax	**(10,740,242)**	-
Gross deferred tax liabilities	**(39,811,356)**	(17,344,339)
Deferred tax assets set off against deferred tax liabilities	**18,715,150**	9,682,790
Deferred tax liabilities per balance sheet	**(21,096,206)**	(7,661,549)
Balance at the beginning of the year	**(7,661,549)**	(7,081,394)
Effect of exchange rate differences	**(705,386)**	-
Recognized in loss	**(6,880,138)**	5,326,037
Deferred premium on flow-through shares	**(939,605)**	(559,410)
Deferred tax liability recognized on acquisition of Mercedes Mine	**(6,147,437)**	-
Deferred tax liability recognized on exchange difference on translation of foreign operations	**809,976**	(5,346,782)
Other	**427,933**	-
Balance at the end of the year	**(21,096,206)**	(7,661,549)

(Stated in Canadian Dollars)

(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:

	2016 **$**	2015 $
Deferred tax assets not recognized		
Deferred revenue	**-**	-
Non-capital losses	**14,112,172**	14,635,788
Common share issue costs	**550,288**	602,016
Exploration and evaluation	**55,004,337**	29,602,023
Investments	**(343,173)**	1,164,046
Pre-production ITC	**1,082,188**	1,045,718
Other	**6,360**	-
	70,412,172	47,049,591
Unused operating tax losses (i)		
Canada	**38,377,730**	28,410,454
U.S.A	**58,209,186**	47,970,878
Mexico	**7,112,910**	-
Other	**380,416**	-
	104,080,242	76,381,332
Total unused operating tax losses not recognized		
Potential tax benefit at tax rate between 26.5% and 35%	**32,827,322**	24,318,578
Operating tax losses set off against deferred tax liabilities	**(18,715,150)**	(9,682,790)
Total unused operating tax losses not recognized	**14,112,172**	14,635,788

(i) Unused operating tax losses totaled $104,080,242 as of December 31, 2016. Canadian tax losses will expire between 2023 and 2036; U.S. losses will expire between 2028 and 2036; and Mexican losses will expire between 2023 and 2036.

22. 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 (d) 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 year ended December 31, 2016 with comparative figures for the year ended December 31, 2015.

(a) Included in general and administrative expenses are amounts totaling $57,851 (2015 - $44,000) for corporate secretarial services by DRAX Services Limited 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 totaling $107,358 (2015 - $92,546) 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 $153,043 (2015 - $152,511) 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:

	December 31,	
	2016	2015
	$	$
Salary, wages and benefits	**2,886,403**	1,895,957
Share-based payments	**1,995,296**	2,004,300
	4,881,699	3,900,257

23. 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	364,932
2018	165,558
2019	12,702
	543,192

(b) Flow-through commitments

The Corporation has $4,220,917 in remaining flow-through obligations to be spent by December 31, 2017.

(c) Surety Bonds

At December 31, 2016, the Corporation has outstanding surety bonds in the amount of $4,566,905USD ($6,131,983) 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 ($335,675) 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.

(d) 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 during the first 18 months. The Corporation will be the operator of exploration programs on the property and Kinross may elect to become the operator after having earned a 50% interest. The Corporation has spent $1,013,138 ($764,748USD) to date on the project.

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24. FINANCIAL INSTRUMENTS

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 closely monitors its financial assets and does not have any significant concentration of trade credit risk. The Corporation sells its products exclusively to large international financial institutions and other organizations with strong credit ratings. The historical level of customer defaults is negligible and, as a result, the credit risk associated with trade receivables is considered to be negligible. There are no trade receivable balances outstanding at December 31, 2016.

(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, 2016, the Corporation's liabilities that have contractual maturities are as follows:

	2017 $	2018 $	Total $
Accounts payable and accrued liabilities	29,195,179	-	29,195,179
Long term debt	2,752,535	60,488,635	63,241,170
	31,947,714	60,488,635	92,436,349

(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. All of the Corporation's debt instruments or deferred revenue arrangements are at a fixed rate and therefore do not expose the Corporation to interest rate risk.

(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 Corporation's U.S. dollar and Mexican Peso denominated monetary assets and monetary liabilities in Canadian dollars at the end of the reporting period are as follows:

	USD		**MXN**	
	December 31, 2016 $	December 31, 2015 $	December 31, 2016 $	December 31, 2015 $
Cash and cash equivalents	**67,108,099**	16,880,819	13,765,777	-
Restricted cash and cash equivalents	**1,646,934**	1,697,592	-	-
Accounts receivable & prepaids	**19,566,776**	328,950	43,870	-
Accounts payable and accrued liabilities	**16,799,510**	263,525	10,503,666	-
Promissory notes	**2,801,856**	8,349,576	-	-
Credit facility	**56,353,974**	-	-	-
Income tax payable	**2,607,971**	-	8,327,943	-

For the year ended December 31, 2016, the Corporation recognized an unrealized foreign exchange loss of $2,127,559 (a gain of $268,942 for the year ended December 31, 2015) and an exchange loss on the translation of foreign operations in comprehensive loss of $8,338,633 (a gain of $18,445,332 for the year ended December 31, 2015). As of December 31, 2016, 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 $6,710,810 (2015 - $1,621,933) and the Corporation's other comprehensive income or (loss) will increase or decrease by $5,734,960 (2015 - $592,507). As of December 31, 2016, if the Canadian dollar to the Mexican Peso exchange rate increases or decreases by 10%, the Corporation's net income or loss will increase or decrease by $1,376,577 and the Corporation's other comprehensive income or (loss) will increase or decrease by $10,206,717.

(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 held for trading securities at December 31, 2016 and December 31, 2015 was $3,063,345 and $3,582,182 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, 2016 and December 31, 2015 was $490,010 and $2,350,630 respectively, representing the maximum potential losses from changes in the related commodity price.

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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 / (liabilities) measured at fair value by level within the fair value hierarchy at December 31, 2016 December 31, 2015:

	Level 1		Level 2		Level 3		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$	$	**$**	$	**$**	$	**$**	$
Canadian equity investments	**3,063,345**	3,582,182	**-**	-	**-**	-	**3,063,345**	3,582,182
Derivative investments	**-**	-	**490,012**	2,350,630	**-**	-	**490,012**	2,350,630
Forward contracts	**-**	-	**1,805,498**	-	**-**	-	**1,805,498**	-
Offtake obligation	**-**	-	**-**	-	**3,347,041**	-	**3,347,041**	-
	3,063,345	3,582,182	**2,295,510**	2,350,630	**3,347,041**	-	**8,705,896**	5,932,812

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

	Fair value through profit or loss		Loans and receivables		Total	
	2016	2015	**2016**	2015	**2016**	2015
	$	$	**$**	$	**$**	$
Cash and cash equivalents	**-**	-	**119,704,386**	73,056,817	**119,704,386**	73,056,817
Other receivables	**-**	-	**11,922,271**	1,167,199	**11,922,271**	1,167,199
Canadian equity investments	**3,063,345**	3,582,182	**-**	-	**3,063,345**	3,582,182
Derivative investments	**490,012**	2,350,630	**-**	-	**490,012**	2,350,630
Forward contracts	**1,805,498**	-	**-**	-	**1,805,498**	-
Restricted cash and cash equivalents	**-**	-	**4,307,417**	4,244,632	**4,307,417**	4,244,632
	5,358,855	5,932,812	**135,934,074**	78,468,648	**141,292,929**	84,401,460

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	
	2016	2015	**2016**	2015	**2016**	2015
	$	$	**$**	$	**$**	$
Accounts payable and accrued liabilities	**-**	-	**29,195,179**	5,859,702	**29,195,179**	5,859,702
Long term debt	**-**	-	**55,808,791**	-	**55,808,791**	-
Offtake obligation	**3,347,041**	-	**-**	-	**3,347,041**	-
Other liability	**-**	-	**7,029,132**	-	**7,029,132**	-
	3,347,041	-	**92,033,102**	5,859,702	**95,380,143**	5,859,702

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.

25. 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 $626,853,500 at December 31, 2016 ($532,932,568 at December 31, 2105). 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.

26. 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. Pursuant to the settlement, Goldstone paid a sum to Mr. Sheridan, which was included in general and administrative expenses in 2012. Goldstone 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. With respect to the Conn Action, the Superior Court of Justice rendered judgment in favour of Goldstone on February 6, 2017.