Condensed Consolidated Interim Financial Statements

September 30, 2016

(Unaudited)

(Stated in Canadian Dollars)

PREMIER

Gold Mines Limited

NOTICE TO SHAREHOLDERS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

PREMIER GOLD MINES LIMITED

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

PREMIER
Gold Mines Limited

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Stated in Canadian Dollars)
(Unaudited)

	Note	**September 30, 2016 $**	December 31, 2015 $
ASSETS			
Current assets			
Cash and cash equivalents	*5*	**42,079,070**	73,056,817
Other receivables	*6*	**16,578,365**	1,167,199
Inventory	*7*	**70,803,256**	-
Prepaid and deposits		**3,752,077**	861,546
Other assets	*8*	**3,784,626**	5,932,812
Total current assets		**136,997,394**	81,018,374
Non-current assets			
Restricted cash and cash equivalents	*9*	**4,267,878**	4,244,632
Property, plant and equipment	*10*	**407,559,642**	227,919,564
Total non-current assets		**411,827,520**	232,164,196
Total assets		**548,824,914**	313,182,570
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**28,719,130**	5,859,702
Taxes payable		**1,543,293**	-
Deferred premium on flow-through shares		**70,477**	876,689
Current portion of deferred revenue	*11*	**16,520,431**	-
Current portion of long term debt	*12*	**5,299,539**	8,237,115
Total current liabilities		**52,152,870**	14,973,506
Non-current liabilities			
Deferred taxes		**20,299,965**	7,661,549
Deferred revenue	*11*	**52,569,155**	-
Long term debt	*12*	**50,625,037**	112,500
Provision for environmental rehabilitation	*13*	**17,259,963**	10,119,557
Other liabilities	*14*	**12,564,874**	-
Total non-current liabilities		**153,318,994**	17,893,606
Total liabilities		**205,471,864**	32,867,112
EQUITY			
Share capital	*15*	**573,155,114**	477,146,257
Reserves	*15*	**50,561,091**	55,786,311
Deficit		**(280,363,155)**	(252,617,110)
Total equity		**343,353,050**	280,315,458
Total liabilities and equity		**548,824,914**	313,182,570

Commitments [note 22]
Contingencies [note 24]
Subsequent events [note 25]

See accompanying notes to the condensed consolidated interim financial statements
Approved by the Board of Directors and authorized for issue on November 9, 2016

"John Seaman"
Director

"Ewan Downie"
Director

PREMIER
Gold Mines Limited

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

(Stated in Canadian Dollars)
(Unaudited)

		Three months ended September 30,		Nine months ended September 30,	
		2016	2015	**2016**	2015 (restated - Note 2(i))
	Note	**$**	$	**$**	$
Revenue		**13,912,088**	-	**13,912,088**	-
Cost of sales		**(10,467,275)**	-	**(10,467,275)**	-
Mine operating income		**3,444,813**	-	**3,444,813**	-
Expenses					
Exploration, evaluation, and pre-development	*18*	**8,750,479**	8,196,852	**23,540,640**	19,402,490
Property maintenance		**141,892**	225,198	**670,552**	609,559
General and administrative	*19*	**2,194,499**	1,592,016	**7,436,915**	3,927,055
Share based payments		**357,956**	3,100,610	**3,856,771**	3,339,415
Depreciation	*10*	**47,511**	27,035	**135,851**	83,352
Long term debt accretion	*12*	**299,017**	153,569	**476,827**	445,290
Environmental rehabilitation accretion	*13*	**27,584**	23,623	**130,822**	63,021
Remeasurement of environmental rehabilitation	*13*	**(732,193)**	-	**(732,193)**	-
Loss before the following		**(7,641,932)**	(13,318,903)	**(32,071,372)**	(27,870,182)
Investment and other income		**13,232**	103,918	**176,842**	408,827
Unrealized gain / (loss) on derivatives	*14*	**810,193**	-	**(1,471,898)**	-
Unrealized net gain on investments	*8*	**1,764,350**	318,513	**9,833,745**	1,024,485
Unrealized foreign exchange gain / (loss)		**289,195**	1,466,387	**(529,564)**	1,634,739
Realized foreign exchange gain / (loss)		**(145,770)**	14,806	**(395,665)**	1,445,669
Realized net loss on sale of investments	*8*	**(300,485)**	(358,515)	**(6,324,127)**	(1,406,079)
Realized loss on derivatives	*8*	**(1,312,295)**	-	**(3,466,917)**	-
Gain on disposal of equipment	*10*	**692**	-	**17,890**	-
Gain on divestment of mineral property interests	*10*	**-**	10,970,081	**-**	45,870,620
Transaction costs on the acquisition of Mercedes Mine	*10*	**(3,488,371)**	-	**(3,488,371)**	-
Gain attributable to Greenstone Gold development commitment	*10*	**3,346,330**	3,846,121	**10,795,931**	9,719,386
Other income		**977,071**	16,361,311	**5,147,866**	58,697,647
Income / (loss) before income taxes		**(6,664,861)**	3,042,408	**(26,923,506)**	30,827,465
Current tax recovery / (expense)		**-**	34,375	**-**	(997,716)
Deferred tax recovery / (expense)		**1,607,336**	2,265,036	**(822,539)**	4,886,239
Income / (loss) for the period		**(5,057,525)**	5,341,819	**(27,746,045)**	34,715,988
Other comprehensive income / (loss)					
Exchange difference on translation of foreign operations		**4,593,990**	7,630,196	**(7,958,475)**	11,891,969
Current tax recovery / (expense)		**(1,344,388)**	(2,114,203)	**1,628,751**	(4,328,135)
Total comprehensive income / (loss) for the period		**(1,807,923)**	10,857,812	**(34,075,769)**	42,279,822
Basic and diluted income / (loss) per share	*16*	**(0.03)**	0.03	**(0.16)**	**0.21**

See accompanying notes to the condensed consolidated interim financial statements

PREMIER Gold Mines Limited

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Stated in Canadian Dollars)
(Unaudited)

	Note	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015 (restated - Note 2(i))
		$	$	**$**	$
OPERATING ACTIVITIES					
Income / (loss) for the period		**(5,057,525)**	5,341,819	**(27,746,045)**	34,715,988
Items not affecting cash					
Depreciation on property, plant and equipment	*10*	**(131,292)**	27,035	**135,851**	83,352
Greenstone Gold non-cash operating expenses	*10*	**3,346,330**	3,846,121	**10,795,931**	9,719,386
Environmental rehabilitation accretion	*13*	**27,584**	23,623	**130,822**	63,021
Long term debt accretion	*12*	**299,017**	153,569	**476,827**	445,290
Share-based payments		**357,956**	3,100,610	**3,856,771**	3,339,415
Unrealized loss on derivatives	*8*	**1,311,586**	-	**1,471,898**	-
Unrealized net gain on investments	*8*	**(3,886,129)**	(318,513)	**(9,833,745)**	(1,024,485)
Unrealized foreign exchange gain / (loss)		**(289,195)**	(1,466,387)	**529,564**	(1,634,739)
Realized net loss on sale of investments		**1,612,780**	358,515	**9,791,044**	1,406,079
Deferred tax expense / (recovery)		**(1,607,336)**	(2,265,036)	**822,539**	(4,886,239)
Gain on disposal of equipment	*10*	**(692)**	-	**(17,890)**	-
Gain on divestment of mineral property interests	*10*	**-**	(10,970,081)	**-**	(45,870,620)
Gain attributable to Greenstone Gold development commitment	*10*	**(3,346,330)**	(3,846,121)	**(10,795,931)**	(9,719,386)
Change in non-cash working capital balances related to operations					
Accounts receivable		**(15,684,623)**	704,977	**(15,411,166)**	(231,786)
Prepaids and deposits		**(1,627,826)**	9,485	**(2,890,531)**	121,795
Inventory		**(24,361,490)**	-	**(24,361,490)**	-
Accounts payable and accrued liabilities		**23,205,188**	(1,512,527)	**22,647,525**	(656,894)
Taxes payable		**1,543,293**	(34,375)	**1,543,293**	997,716
Cash used in operating activities		**(24,288,704)**	(6,847,286)	**(38,854,733)**	(13,132,107)
INVESTMENT ACTIVITIES					
Proceeds from the sale of investments		**303,065**	(107,248)	**4,733,614**	(79,259)
Purchase of derivative investments		**-**	-	**(2,440,601)**	-
Acquisition and development of property, plant and equipment	*10*	**(11,396,098)**	(15,071,516)	**(50,839,396)**	(53,044,050)
Deposit on mine development expenditures	*10*	**-**	3,259,682	**-**	(10,470,146)
Purchase of investments		**(117,339)**	-	**(1,399,839)**	-
Proceeds from divestment of 50% interest in Greenstone Gold assets	*10*	**-**	11,009,681	**-**	96,009,681
Acquisition of Mercedes Mine	*4*	**(133,645,270)**	-	**(133,645,270)**	-
Transaction costs on divestment	*10*	**-**	(39,600)	**-**	(3,119,688)
Net change in restricted cash		**(111,936)**	-	**(111,936)**	-
Reclamation expenditures charged to asset retirement obligation		**364,894**	(114,359)	**261,392**	(114,359)
Cash provided by / (used in) investment activities		**(144,602,684)**	(1,063,360)	**(183,442,036)**	29,182,179

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

(Incorporated under the laws of Ontario)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Stated in Canadian Dollars)
(Unaudited)

		Three months ended September 30,		Nine months ended September 30,	
		2016	2015	**2016**	2015
					(restated-Note 2(i))
	Note	**$**	$	**$**	$
FINANCING ACTIVITIES					
Net proceeds from the issuance of debt	*12*	**51,776,929**	-	**57,316,900**	-
Net proceeds from deferred revenue	*14*	**69,089,586**	-	**69,089,586**	-
Proceeds from the exercise of stock options		**1,565,354**	7,160	**5,236,241**	25,060
Share issue costs		**(1,033,775)**	11,151	**(1,587,597)**	(471,349)
Shares issued in private placements	*15*	**45,909,500**	-	**65,529,500**	27,130,677
Repayment of long term debt	*15*	**(2,623,400)**	(63,004)	**(2,623,400)**	(63,004)
Cash provided by / (used in) financing activities		**164,684,194**	(44,693)	**192,961,230**	26,621,384
Increase / (decrease) in cash during period		**(4,207,194)**	(7,955,339)	**(29,335,539)**	42,671,456
Cash and cash equivalents, beginning of the period		**46,858,971**	83,107,545	**73,056,817**	32,141,012
Effect of exchange rate changes on cash held		**(572,707)**	76,158	**(1,642,208)**	415,896
Cash and cash equivalents, for the period		**42,079,070**	75,228,364	**42,079,070**	75,228,364

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

PREMIER
Gold Mines Limited

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Stated in Canadian Dollars)
(Unaudited)

		Share Capital		Reserves				
Issued and outstanding:	Note	Number of shares	Share capital	Equity settled employee benefits	Contributed surplus	Foreign currency translation	Deficit	Total equity
Balance as at 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*	11,544,969	27,130,677	-	-	-	-	27,130,677
Exercise of stock options	*15*	14,000	38,570	(13,510)	-	-	-	25,060
Share issue costs	-	-	(471,349)	-	-	-	-	(471,349)
Share-based payments	-	-	-	3,339,415	-	-	-	3,339,415
Comprehensive income for the period (restated - Note 2(i))	-	-	-	-	-	7,563,834	34,715,988	42,279,822
Balance as at September 30, 2015 (restated - Note 2(i))		170,696,322	466,644,063	32,614,559	8,290,696	9,645,473	(242,690,721)	274,504,070
Private placements	*15*	2,689,560	7,799,724	-	-	-	-	7,799,724
Exercise of stock options	*15*	396,000	1,330,963	(466,223)	-	-	-	864,740
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	-	-	-	167,090	-	-	-	167,090
Share issue costs	-	-	(371,021)	-	-	-	-	(371,021)
Deferred flow-through premium	-	-	(968,242)	-	-	-	-	(968,242)
Comprehensive income / (loss) for the period	-	-	-	-	-	5,534,716	(9,926,389)	(4,391,673)
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*	17,351,776	62,267,536	-	-	-	-	62,267,536
Exercise of stock options	*15*	2,186,650	7,988,508	(2,752,267)	-	-	-	5,236,241
Shares & warrants issued for Mercedes mine acquisition	*15*	6,000,000	27,340,410	-	-	-	-	27,340,410
Share issue costs	-	-	(1,587,597)	-	-	-	-	(1,587,597)
Share-based payments	-	-	-	3,856,771	-	-	-	3,856,771
Comprehensive loss for the period		-	-	-	-	(6,329,724)	(27,746,045)	(34,075,769)
Balance as at September 30, 2016		**200,406,337**	**573,155,114**	**33,419,930**	**8,290,696**	**8,850,465**	**(280,363,155)**	**343,353,050**

See accompanying notes to the condensed consolidated interim financial statements

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

1. NATURE OF BUSINESS

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

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

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

2. SIGNIFICANT ACCOUNT POLICIES

(a) Basis of presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Corporation's audited consolidated financial statements for the year ended December 31, 2015.

The unaudited condensed consolidated interim financial statements of the Corporation for the period September 30, 2016 were approved and authorized by the Board of Directors on November 9, 2016.

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

The accounting policies applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Corporation's audited consolidated financial statements for the year ended December 31, 2015, with the exception of certain amendments to accounting standards issued by the IASB, which were effective January 1, 2016. The amendments to accounting standards issued by the IASB did not have a significant impact on the Corporation's unaudited condensed consolidated interim financial statements as discussed in note 3. In addition the following accounting policies have been adopted during the period ended September 30, 2016:

- Inventory
- Deferred revenue
- Revenue

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Corporation's assets and liabilities are accounted for prospectively. The critical judgements and estimates applied in the preparation of the Corporation's unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in note 2 of the Corporation's audited consolidated financial statements for the year ended December 31, 2015 and discussed below.

(b) Basis of consolidation

The Corporation's unaudited condensed consolidated interim financial statements consolidate those of the parent Corporation and all of its subsidiary undertakings drawn up to September 30, 2016. Subsidiaries are all entities over which the Corporation has the power to control the financial and operating policies. The Corporation obtains and exercises control through more than half of the voting rights. All subsidiaries have a year end of December 31. The Corporation's significant subsidiaries that are 100% owned are:

Subsidiary	Jurisdiction	Principal activity
Premier Gold Mines USA Inc.	United States	Mineral exploration
Premier Gold Mines Nevada Inc.	United States	Mineral exploration
Au-reka Gold Corporation	United States	Mineral exploration
Premier Goldbanks LLC	United States	Mineral exploration
Goldcorp Dee LLC	United States	Production
Goldstone Resources Inc.	Canada	Mineral exploration
Premier Gold Mines Hardrock Inc.	Canada	Pre-development
Premier Gold Mines NWO Inc.	Canada	Mineral exploration
Oro Premier de Mexico S.A. de C.V.	Mexico	Mineral exploration
Minera Meridian Minerales S.de R.L. de C.V.	Mexico	Production

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.

(c) Financial liabilities

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.

(d) 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.

(e) 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, further expenditures are capitalized and classified as development properties.

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, 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

(f) 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.

(g) 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.

(h) 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 condensed consolidated interim 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. If an acquired group of assets and liabilities includes goodwill, the group is presumed to be a business.

Inventory valuation

Finished goods, work-in-process, heap leach ore and stockpile ore are valued at the lower of costs 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 mineralisation.

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 to the September 30, 2016 condensed consolidated interim financial statements.

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.

(i) Restatement

The gain on divestment of mineral property interest, initially recognized in the quarter ended March 31, 2015, was revised in the fourth quarter of 2015, and the quarterly comparative results have been restated to reflect this. For the nine months ended September 30, 2015, the gain on divestment of mineral property interest, income / (loss) for the period, and total comprehensive income/(loss) for the period decreased by $7,725,096, the deficit as at September 30, 2015 decreased by $7,725,096 and earnings per share as at September 30, 2015 decreased by $0.05.

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

(Stated in Canadian Dollars)

Accounting standards issued and effective January 1, 2018 or later

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.

4. MINE ACQUISITION AND FINANCING ARRANGEMENT

a) Acquisition of Mercedes mine

On September 30, 2016 and 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 that the acquisition was 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 $3,488,371 were expensed in the unaudited condensed consolidated interim statements of income / (loss) and comprehensive income / (loss) for the three and nine months ended September 30, 2016.

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 ($142,333,279USD)	186,698,563
Total assets	229,108,908
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
Asset retirement obligation ($5,983,921USD)	7,849,109
Deferred income tax ($9,635,143USD)	12,638,416
Other non-current liabilities ($1,210,032USD)	1,587,199
Total liabilities	41,085,248
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 29, 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 of Mercedes, 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 closing of the acquisition is subject to certain working capital adjustments, which may have an impact on the final consideration. In addition, due to the recent timing of the acquisition, the fair value assigned to the identified assets acquired and liabilities assumed is preliminary and may be revised by the Corporation as additional information becomes available. In particular, the Corporation is currently assessing the value of exploration assets acquired and deferred tax liabilities assumed. The Corporation expects to finalize the purchase price allocation within twelve months of the acquisition date, which could result in material differences from the preliminary values presented in these financial statements.

Pro forma results of operations for the Corporation assuming the acquisition of Mercedes had occurred as of January 1, 2016 would be revenue of $102,599,067, a net loss of $3,417,941 and a basic and diluted net loss per share of $.02 in the condensed consolidated interim statements of income/(loss) and comprehensive income/(loss) for the nine months ended September 30, 2016.

b) Financing and related agreements

On June 2, 2016, the Corporation entered into a financing arrangement with Orion Mine Finance ("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 we have 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.

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. We have accounted for this cash interest component 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 we have 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.

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.

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 September 30, 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.

(Stated in Canadian Dollars)

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

The Corporation recorded the following:

	$
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

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

	September 30, 2016 $	December 31, 2015 $
Cash	**40,815,515**	30,741,147
Short-term money market investments	**1,263,555**	42,315,670
	42,079,070	73,056,817

6. OTHER RECEIVABLES

	September 30, 2016 $	December 31, 2015 $
Recoverable taxes (i)	**11,914,295**	1,157,435
Other receivable (ii)	**4,664,070**	9,764
	16,578,365	1,167,199

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

(ii) The other receivable relates to an amount owing to Goldcorp DEE LLC for a cash call payment received after September 30, 2016.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

7. INVENTORY

	September 30, 2016 $	December 31, 2015 $
Finished goods	**27,982,275**	-
Work-in-process	**269,302**	-
Ore stockpiles	**24,473,108**	-
Materials and supplies	**18,078,571**	-
	70,803,256	-

8. OTHER ASSETS

	September 30, 2016 $	December 31, 2015 $
Canadian equity investments (i)	**3,758,026**	3,582,182
Derivative investments (ii)	**26,600**	2,350,630
	3,784,626	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 September 30, 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.

(ii) During the period ended September 30, 2016, the Corporation has 22,500 ounces of gold sales hedged with derivatives expiring between October 31, 2016 and December 31, 2016. These derivative instruments are in the form of puts with a floor price of $1,200USD per ounce of gold. These derivative instruments have not been designated as accounting hedges by the Corporation and are therefore marked to their market values at each reporting date.

9. RESTRICTED CASH AND CASH EQUIVALENTS

Property	**September 30, 2016 $**	December 31, 2015 $
Hardrock, Ontario (i)	**316,544**	316,544
Northern Empire Mill, Ontario (ii)	**2,230,488**	2,230,488
McCoy-Cove, Nevada (iii)	**1,608,910**	1,697,600
Hasaga, Ontario (iv)	**111,936**	-
	4,267,878	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.

PREMIER
Gold Mines Limited

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

(ii) The Corporation has a total of $2,230,488 in restricted cash and cash equivalents relating to reclamation obligations associated with the Northern Empire Mill in Ontario including:
- a $150,000 standby letter of credit with the Toronto Dominion Bank in the name of the Corporations' wholly owned subsidiary, Goldstone Resources Inc., and payable in favour of the MNDM
- a $1,678,494 standby letter of credit with the Royal Bank of Canada and payable in favour of the MNDM
- $401,994 in financial assurance held directly by the MNDM

(iii) The Corporation's wholly owned subsidiary, Au-reka Gold Corporation has a total of $1,226,584USD ($1,608,910CAD) in restricted cash related to reclamation obligations associated with the McCoy-Cove property in Nevada including:
- $976,584USD ($1,280,985CAD) held in trust with the United States Department of the Interior, Bureau of Land Management
- $250,000USD ($327,925CAD) held in trust with Lexon Surety Group as security for the surety bond described in Note 22.

(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	55,655,236	61,750,243	2,281,136	118,658,303	238,344,918
Disposals	(73,159)	-	(69,482)	-	(142,641)
Foreign currency adjustment	(5,660)	-	(3,437,652)	(4,228,807)	(7,672,119)
Balance, September 30, 2016	**56,671,638**	**66,513,190**	**147,990,031**	**195,372,461**	**466,547,320**
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 period (i)	540,143	4,006,979	-	46,424,305	50,971,427
Disposals	(53,099)	-	-	-	(53,099)
Foreign currency adjustment	2,370	(30,618)	-	-	(28,248)
Balance, September 30, 2016	**907,978**	**8,739,308**	**2,916,087**	**46,424,305**	**58,987,678**
Carrying amounts	$	$	$	$	$
Balance, December 31, 2015	676,657	-	227,242,907	-	227,919,564
Balance, September 30, 2016	**55,763,660**	**57,773,882**	**145,073,944**	**148,948,156**	**407,559,642**

(i) The reconciliation of depreciation during the three and nine months ended September 30 for depreciation on property, plant and equipment recognized in the statement of income / (loss) and comprehensive income / (loss):

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in Canadian Dollars)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
	$	$	**$**	$
Total depreciation and depletion	**47,804,057**	27,035	**50,971,427**	83,352
Less: depreciation allocated to capitalized development	**(423,035)**	-	**(3,502,065)**	-
Less: amounts allocated to cost of sales	**(6,527,143)**	-	**(6,527,143)**	-
Less: amounts allocated to inventories	**(40,806,368)**	-	**(40,806,368)**	-
	47,511	27,035	**135,851**	83,352

Mineral properties not subject to depletion

Property	January 1, 2016 $	Additions $	Capitalized Development $	Disposals $	Currency Adjustment $	**September 30, 2016 $**
Rahill-Bonanza, Ontario	17,997,912	14,042	-	(69,482)	-	**17,942,472**
Hasaga, Ontario	12,644,362	431,077	-	-	-	**13,075,439**
Greenstone Gold, Ontario	49,858,051	-	-	-	-	**49,858,051**
McCoy-Cove, Nevada	65,799,617	(6,879)	-	-	(3,437,652)	**62,355,086**
Cristina, Mexico	-	1,842,896	-	-	-	**1,842,896**
	146,299,942	2,281,136	-	(69,482)	(3,437,652)	**145,073,944**

Mineral properties subject to depletion

Property	January 1, 2016 $	Additions $	Capitalized Development $	Depletion $	Currency Adjustment $	**September 30, 2016 $**
South Arturo, Nevada	80,942,965	-	41,041,649	(46,424,305)	(4,228,807)	**71,331,502**
Mercedes, Mexico	-	77,616,654	-	-	-	**77,616,654**
	80,942,965	77,616,654	41,041,649	(46,424,305)	(4,228,807)	**148,948,156**

Mineral properties

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

Acquisitions

Acquisition of Mercedes Mine

On September 30, 2016, the Corporation acquired Mercedes in Sonora Mexico from Yamana. The Corporation paid $122,500,000USD in cash and issued 6,000,000 shares to Yamana and 3,000,000 warrants exercisable for 3,000,000 common shares for two year at a price of $4.75 per common share. Further 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 shall have one year to explore the property before the option agreement expires. If the Corporation exercises the option to purchase the property within the three year the Corporation shall 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.

Disposal

Grandview Gold mining claims for Rahill-Bonanza

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.

Gain attributable to Greenstone Gold development commitment

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 three and nine months ended September 30, 2016, the Greenstone Gold partnership incurred a total of $6,692,662 and $21,591,862 respectively (three and nine months ended September 30, 2015 - $7,692,242 and $19,438,772) 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 $3,346,331 and $10,795,931 for the three and nine months ended September 30, 2016 respectively (three and nine months ended September 30, 2015 - $3,846,121 and $9,719,386) is shown as a gain attributable to the Greenstone Gold development commitment.

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Summary of mineral property Net Smelter Return ("NSR") royalties (at September 30, 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

(Stated in Canadian Dollars)

11. DEFERRED REVENUE

	September 30, 2016 $	December 31, 2015 $
Gold prepay (i)	**54,420,737**	-
Less: current portion of gold prepay	**14,756,625**	-
Long term gold prepay	**39,664,112**	-
Silver stream agreement (ii)	**14,668,849**	-
Less: current portion of silver stream agreement	**1,763,806**	-
Long term silver stream agreement	**12,905,043**	-
Total deferred revenue	**69,089,586**	-
Less total current portion	**16,520,431**	-
Total long term portion	**52,569,155**	-

(i) As part of the financing arrangement discussed in note 4, the Corporation entered into a gold prepay and a silver streaming agreement. In exchange for $42,200,000USD, 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.

(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.

12. LONG TERM DEBT

	September 30, 2016 $	December 31, 2015 $
Promissory note payable (i)	**131,170**	207,600
Newmont payable (ii)	**5,246,800**	8,304,000
Credit facility (iii)	**58,967,000**	-
Total obligation	**64,344,970**	8,511,600
Less: interest and debt agreement costs to be accreted	**8,420,394**	161,985
Present value of the obligation	**55,924,576**	8,349,615
Less: current portion	**5,299,539**	8,237,115
Long term debt	**50,625,037**	112,500

Scheduled debt principal repayments

	2016 $	2017 $	2018 $	**Total $**
Promissory note payable	-	65,585	65,585	**131,170**
Newmont payable	2,623,400	2,623,400	-	**5,246,800**
Long term debt	-	-	58,967,000	**58,967,000**
Total	**2,623,400**	**2,688,985**	**59,032,585**	**64,344,970**

(Stated in Canadian Dollars)

(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 September 30, 2016 is $100,000USD ($131,170) and at December 31, 2015 $150,000USD ($207,600) repayable at $50,000USD annually on July 19 until 2018. The note is discounted at a rate of 15% for a discounted balance of $83,685USD ($109,770) at September 30, 2016 and $121,859USD ($168,653) at December 31, 2015. The current portion of the discounted note is $52,740 ($56,154 at December 31, 2015) with a remaining long term balance of $57,030 ($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. The first installment was paid on September 1, 2016 with the remaining two installments due on December 1, 2016 and 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 are $3,655,316.

13. PROVISION FOR ENVIRONMENTAL REHABILITATION

The Corporation estimates that the undiscounted future value of the cash flows required to settle the provision is $3,610,951 for the Northern Empire Mill and the Faymar Deloro property in Canada, $4,817,825USD ($6,319,541CAD) 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 1.0034% to 2.0122%. A reconciliation of the discounted provision is provided below:

	2016					
	Northern Empire Mill	**Faymar Deloro 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	**-**	**-**	**-**	**-**	**7,849,109**	**7,849,109**
Change in estimate	**(179,540)**	**(552,653)**	**-**	**450,580**	**-**	**(281,613)**
Accretion expense	**18,338**	**9,113**	**16,925**	**86,446**	**-**	**130,822**
Reclamation expenditures	**-**	**(8,650)**	**(254,687)**	**-**	**-**	**(263,337)**
Currency adjustment	**-**	**-**	**(31,054)**	**(263,521)**	**-**	**(294,575)**
Balance, September 30, 2016	**2,312,388**	**867,257**	**926,324**	**5,304,885**	**7,849,109**	**17,259,963**

	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

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 LIABILITES

	September 30, 2016 **$**	December 31, 2015 $
Financial liability (i)	**6,045,262**	-
Offtake obligation (ii)	**4,403,413**	-
Mark-to-market forward contract loss (iii)	**529,000**	-
Pension obligation	**1,587,199**	-
	12,564,874	-

(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.

(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 $2,452,166 on June 2, 2016 and was revalued at June 30, 2016 for an unrealized loss of $368,688 with an unrealized gain of $214,385 recorded for the three and nine months ended September 30, 2016 included in the realized loss on derivatives.

(iii) Mark-to-market forward contract loss

During the period ended September 30, 2016 the Corporation signed three refined gold forward contracts with Orion as follows:

(Stated in Canadian Dollars)

Ounces of gold	Delivery date	Contract price
10,000	November 21, 2016	$1,720 per ounce
10,000	December 21, 2016	$1,705 per ounce
10,000	January 18, 2017	$1,725 per ounce

The contracts required no cash or other consideration. If the contracted ounces are not delivered on the delivery date, as per the terms of the agreement, the Corporation will compensate Orion for the difference between the contract price and the market price 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 three and nine months ended September 30, 2016, the change in fair value of the derivative was a loss of $529,000.

15. CAPITAL

Details of share issuances

2016

Shares and warrants issued for Mercedes

On September 30, 2016, the Corporation issued 6,000,000 common shares 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, on a "bought deal" basis, at a price of $2.90 per common share for gross proceeds of $7,799,724. In consideration of the agents' services in connection with the offering, the agents were paid an aggregate cash fee totalling $398,712, equal to approximately 5 per cent of the gross proceeds raised in the offering.

(Stated in Canadian Dollars)

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

The following table reflects the stock options outstanding as at September 30, 2016:

Expiry date	Exercise price $	January 1, 2016 #	Granted #	Exercised #	Expired / cancelled #	September 30, 2016 #
June 24, 2016 (i)	5.25	16,001	-	-	(16,001)	-
July 28, 2016 (i)	6.01	1,327,000	-	-	(1,327,000)	-
August 10, 2016 (i)	6.05	630,000	-	-	(630,000)	-
August 25, 2016 (i)	6.20	431,666	-	-	(431,666)	-
October 19, 2016	5.27	220,000	-	-	-	220,000
December 20, 2016	4.43	35,000	-	-	-	35,000
March 5, 2017	5.20	125,000	-	-	-	125,000
May 2, 2017	4.78	150,000	-	-	-	150,000
May 8, 2017	4.50	550,000	-	-	-	550,000
June 13, 2017	4.69	300,000	-	-	-	300,000
August 13, 2017	4.45	715,000	-	-	-	715,000
October 24, 2017	5.40	60,000	-	-	-	60,000
January 28, 2018	3.65	250,000	-	(130,500)	-	119,500
February 22, 2018	2.95	150,000	-	(150,000)	-	-
March 6, 2018	2.75	685,000	-	(90,000)	-	595,000
March 18, 2018	3.11	125,000	-	(6,900)	-	118,100
April 8, 2018	2.60	150,000	-	(150,000)	-	-
April 15, 2018	2.23	15,000	-	-	-	15,000
August 8, 2018	1.79	1,185,250	-	(579,250)	-	606,000
September 20, 2018	2.41	50,000	-	(50,000)	-	-
September 24, 2018	2.03	4,000	-	-	-	4,000
October 22, 2018	2.14	150,000	-	(150,000)	-	-
December 18, 2018	1.40	250,000	-	-	-	250,000
March 7, 2019	2.51	100,000	-	-	-	100,000
May 2, 2019	2.01	105,000	-	(105,000)	-	-
August 29, 2019 (ii)	2.83	1,637,500	-	(395,000)	(40,000)	1,202,500
September 22, 2019	2.85	25,000	-	-	-	25,000
March 9, 2020	2.41	125,000	-	(50,000)	-	75,000
April 10, 2020 (ii)	2.39	190,000	-	(40,000)	(60,000)	90,000
July 15, 2020 (ii)	2.19	2,740,000	-	(290,000)	(10,000)	2,440,000
March 21, 2021	3.18	-	1,625,800	-	-	1,625,800
May 17, 2021	3.34	-	200,000	-	-	200,000
June 23, 2021	3.30	-	83,000	-	-	83,000
June 27, 2021	3.65	-	75,000	-	-	75,000
July 18, 2021	4.28	-	30,000	-	-	30,000
August 8, 2021	4.78	-	200,000	-	-	200,000
		12,496,417	2,213,800	(2,186,650)	(2,514,667)	10,008,900
Weighted average exercise price		3.48	3.37	2.39	5.90	3.09

(i) Expired options
(ii) Cancelled options

(Stated in Canadian Dollars)

Total vested stock options at September 30, 2016 were 9,703,900 with a weighted average exercise price of $3.10 (12,429,819 at September 30, 2015 with a weighted average exercise price of $3.51).

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, $357,955 and $3,856,771 was recorded for options and shares issued as compensation during the three and nine months ended September 30, 2016 (three and nine months ended September 30, 2015 - $3,100,610,760 and $3,339,415). As of September 30, 2016, there were 305,000 unvested stock options (640,000 at September 30, 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:

	September 30, 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

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 three and six months ended September 30, 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 / (loss) and diluted weighted average shares outstanding, respectively, as follows:

	Three months ended September 30,		**Nine months ended September 30,**	
	2016	2015	**2016**	2015 (restated - Note 2(i))
	$	$	**$**	$
Net income / (loss) for the period	**(5,057,525)**	5,341,819	**(27,746,045)**	34,715,988
Basic weighted average shares outstanding	**177,870,335**	162,296,014	**177,870,335**	162,296,014
Dilution adjustment for stock options	**-**	4,117,141	**-**	4,117,141
Diluted weighted average shares outstanding	**177,870,335**	166,413,155	**177,870,335**	166,413,155
Basic and diluted income / (loss) per share	**(0.03)**	0.03	**(0.16)**	0.21

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17. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
	$	$	**$**	$
Fair value of mineral property interest exchanged in property acquisition	**-**	-	**-**	4,969,200
Fair value of shares and warrants issued for Mercedes (note 4(a)	**27,340,410**	-	**27,340,410**	-
Fair value of stock options allocated to share capital upon exercise	**815,197**	3,860	**2,752,267**	13,510
Fair value of offtake obligation derivative liability	**2,159,212**	-	**4,403,413**	-
Fair value loss on forward contract	**529,000**	-	**529,000**	-

18. EXPLORATION, EVALUATION AND PRE-DEVELOPMENT

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
	$	$	**$**	$
Rahill-Bonanza, Ontario	**168,554**	286,247	**534,663**	535,600
East Bay, Ontario	**-**	-	**-**	19,765
Hasaga, Ontario	**1,945,635**	2,955,152	**5,957,832**	4,482,163
Greenstone Gold, Ontario (i)	**3,203,688**	3,655,656	**10,386,938**	11,001,819
McCoy-Cove, Nevada	**3,312,376**	1,297,387	**6,147,565**	3,348,561
Goldbank, Nevada (ii)	**52,664**	-	**52,664**	-
South Arturo	**67,562**	-	**460,978**	-
Other areas	**-**	2,410	**-**	14,582
	8,750,479	8,196,852	**23,540,640**	19,402,490

(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 22.

19. GENERAL AND ADMINISTRATION

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
	$	$	**$**	$
Corporate administration	**468,694**	400,097	**1,254,601**	1,096,948
Flow-through interest penalty	**3,287**	8,028	**22,631**	35,422
Corporate salaries and benefits	**725,605**	517,997	**1,968,594**	1,472,968
Professional fees	**481,419**	422,113	**1,658,041**	1,077,936
Project administration (i)	**515,494**	243,781	**2,533,048**	243,781
	2,194,499	1,592,016	**7,436,915**	3,927,055

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

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20. SEGMENTED INFORMATION

The Corporation's significant segments, that are represented by its separately identifiable mineral properties as described in Note 10, operate in three distinct geographic areas. The Canadian operations, which are located in Ontario, are managed from the Corporation's head office in Thunder Bay. The United States of America (U.S.A.) operations are managed from an office in Nevada. The Mexican operations are managed from an office in Mexico City.

	Three months ended September 30, 2016			
	Canada	U.S.A.	Mexico	**Total**
	$	$	$	**$**
Mine operating revenue	-	3,444,813	-	**3,444,813**
Exploration, maintenance and rehabilitation	(4,682,565)	(3,503,060)	(2,137)	**(8,187,762)**
Depreciation and impairment loss on property, plant and equipment	(42,805)	(4,706)	-	**(47,511)**
Long term debt interest and accretion	(295,516)	(3,501)	-	**(299,017)**
Overhead costs	(1,934,136)	(608,311)	(10,008)	**(2,552,455)**
Other income	977,179	(108)	-	**977,071**
Loss before income taxes	(5,977,843)	(674,873)	(12,145)	**(6,664,861)**
Deferred tax recovery	262,948	1,344,388	-	**1,607,336**
Loss for the period	(5,714,895)	669,515	(12,145)	**(5,057,525)**

	Nine months ended September 30, 2016			
	Canada	U.S.A.	Mexico	**Total**
	$	$	$	**$**
Mine operating revenue	-	3,444,813	-	**3,444,813**
Exploration, maintenance and rehabilitation	(16,518,994)	(7,068,063)	(22,764)	**(23,609,821)**
Depreciation on property, plant and equipment	(115,363)	(20,488)	-	**(135,851)**
Long term debt accretion	(343,650)	(133,177)	-	**(476,827)**
Overhead costs	(8,639,381)	(2,637,032)	(17,273)	**(11,293,686)**
Other income	5,130,776	17,090	-	**5,147,866**
Loss before income taxes	(20,486,612)	(6,396,857)	(40,037)	**(26,923,506)**
Deferred tax recovery / (expense)	806,212	(1,628,751)	-	**(822,539)**
Loss for the period	(19,680,400)	(8,025,608)	(40,037)	**(27,746,045)**

	Three months ended September 30, 2015			
	Canada	U.S.A.	Mexico	Total
	$	$	$	$
Exploration, maintenance and rehabilitation	(7,100,724)	(1,333,567)	(11,382)	(8,445,673)
Depreciation and impairment loss on property, plant and equipment	(19,850)	(7,185)	-	(27,035)
Long term debt accretion	-	(153,569)	-	(153,569)
Overhead costs	(4,582,295)	(109,195)	(1,136)	(4,692,626)
Other income / (expense)	16,361,311	-	-	16,361,311
Income / (loss) before income taxes	4,658,442	(1,603,516)	(12,518)	3,042,408
Current tax recovery	34,375	-	-	34,375
Deferred tax recovery	150,833	2,114,203	-	2,265,036
Income / (loss) for the period	4,843,650	510,687	(12,518)	5,341,819

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	Nine months ended September 30, 2015			
	Canada (restated - Note 2(i))	U.S.A.	Mexico	Total (restated - Note 2(i))
	$	$	$	$
Exploration, maintenance and rehabilitation	(16,530,805)	(3,513,106)	(31,159)	(20,075,070)
Depreciation on property, plant and equipment	(62,687)	(20,665)	-	(83,352)
Long term debt accretion	-	(445,290)	-	(445,290)
Overhead costs	(7,101,669)	(158,377)	(6,424)	(7,266,470)
	-	-	-	-
Other income	58,697,647	-	-	58,697,647
Income / (loss) before income taxes	35,002,486	(4,137,438)	(37,583)	30,827,465
Current tax expense	(997,716)	-	-	(997,716)
Deferred tax recovery	558,104	4,328,135	-	4,886,239
Income / (loss) for the period	34,562,874	190,697	(37,583)	34,715,988

As at September 30, 2016

	Canada	U.S.A.	Mexico	**Total**
	$	$	$	**$**
Mineral properties	80,875,961	135,413,153	77,732,986	**294,022,100**
Total assets	106,548,572	211,319,351	230,956,991	**548,824,914**
Total liabilities	150,753,752	13,616,778	41,101,334	**205,471,864**

As at December 31, 2015

	Canada	U.S.A.	Mexico	Total
	$	$	$	$
Mineral properties	80,500,323	146,742,584	-	227,242,907
Total assets	151,422,202	161,752,564	7,804	313,182,570
Total liabilities	18,096,805	14,769,404	903	32,867,112

21. RELATED PARTY TRANSACTIONS

The Corporation's related parties include key management personnel and entities over which they have control or significant influence as described in Note 2 (b) to unaudited condensed consolidated interim financial statements and below.

	Nature of transactions
DSA Filing Services	Filing services
DRAX Services Limited	Corporate secretarial services
The Alyris Group	IT support services
Alyris Leasing Inc.	Facilities rental
Wolfden Resources Corp	Facilities rental received
Alyris Vineyards Limited	Marketing and investor relations events

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

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

The figures noted below are for the nine months ended September 30, 2016 with comparative figures for the nine months ended September 30, 2015.

(a) Included in general and administrative expenses are amounts totalling $34,000 (2015 - $31,250) for corporate secretarial and filing services provided by DSA Filing Services and DRAX Services Limited, all of which are or have been related to the Corporation through Shaun Drake, Corporate Secretary of the Corporation.

(Stated in Canadian Dollars)

(b) Included in general and administrative expenditures are amounts totalling $70,065 (2015 - $70,729) for IT support services provided by 1752466 Ontario Inc., O/A The Alyris Group, a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation, and Steve Filipovic, Chief Financial Officer of the Corporation.

(c) Included in general and administrative expenditures are amounts totalling $115,111 (2015 - $114,644) for rental charges paid to Alyris Leasing Inc., a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation, and Steve Filipovic, Chief Financial Officer of the Corporation.

(d) Included as a cost recovery in general and administrative are amounts totaling $nil (2015 - $5,400) for rental of office space paid by Wolfden Resources Corporation, a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation, who is also a Director of Wolfden Resources Corporation.

(e) Included in general and administrative expenditures are amounts totaling $2,140 (2015 - $nil) for marketing and investor relations events held at Alyris Vineyards Limited, a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation.

Transactions with key management personnel

Key management personnel remuneration includes the following amounts:

	Three months ended September 30,		**Nine months ended September 30,**	
	2016	2015	**2016**	2015
	$	$	**$**	$
Salary, wages and benefits	**433,099**	257,888	**1,217,367**	820,585
Share-based payments	**294,289**	2,004,300	**1,249,282**	2,004,300
	727,388	2,262,188	**2,466,649**	2,824,885

22. COMMITMENTS

(a) Contractual obligations

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

	$
2016	88,311
2017	240,229
2018	62,112
	390,652

(b) Flow-through commitments

The Corporation has $565,719 in remaining flow-through obligations to be spent by December 31, 2016.

(c) Surety Bonds

At September 30, 2016, the Corporation has outstanding surety bonds in the amount of $4,566,905USD ($5,990,409) 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 ($327,925) deposit and are subject to fees competitively determined in the market place. The obligations associated with these instruments are generally related to performance requirements that the Corporation addresses through its ongoing operations. As specific requirements are met, the BLM as beneficiary of the instrument will return the instrument to the issuing entity. As these instruments are associated with operating sites with long-lived assets, they will remain outstanding until closure.

(Stated in Canadian Dollars)

(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 in the Project, 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 $52,664 ($39,842USD) to date on the project.

23. FINANCIAL INSTRUMENTS

Fair value

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

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

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

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 September 30, 2016 and December 31, 2015:

	Level 1		Level 2		Level 3		Total	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$	$	**$**	$	**$**	$	**$**	$
Canadian equity investments	**3,758,026**	3,582,182	**-**	-	**-**	-	**3,758,026**	3,582,182
Derivative investments	**-**	-	**26,600**	2,350,630	**-**	-	**26,600**	2,350,630
Offtake obligation	**-**	-	**-**	-	**4,403,413**	-	**4,403,413**	-
	3,758,026	3,582,182	**26,600**	2,350,630	**4,403,413**	-	**8,188,039**	5,932,812

PREMIER
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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	**-**	-	**42,079,070**	73,056,817	**42,079,070**	73,056,817
Accounts receivable	**-**	-	**16,578,365**	1,167,199	**16,578,365**	1,167,199
Canadian equity investments	**3,758,026**	3,582,182	**-**	-	**3,758,026**	3,582,182
Derivative investments	**26,600**	2,350,630	**-**	-	**26,600**	2,350,630
Restricted cash and cash equivalents	**-**	-	**4,267,878**	4,244,632	**4,267,878**	4,244,632
	3,784,626	5,932,812	**62,925,313**	78,468,648	**66,709,939**	84,401,460

The offtake obligation entered into during the period 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	**-**	-	**28,719,130**	5,859,702	**28,719,130**	5,859,702
Long term debt	**-**	-	**55,924,576**	-	**55,924,576**	-
Offtake obligation	**4,403,413**	-	**-**	-	**4,403,413**	-
Other liability	**-**	-	**6,045,262**	-	**6,045,262**	-
	-	-	**90,688,968**	5,859,702	**90,688,968**	5,859,702

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

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.

24. CONTINGENCIES

Legal claims

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

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

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

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

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

The trial of the Conn Action is mostly complete as both parties have marshaled their evidence and commenced oral argument. The trial is currently planned to continue on December 16, 2016.

25. SUBSEQUENT EVENTS

Private Placement

On October 14, 2016 the Corporation completed a private placement for 906,850 flow-through common shares, at a price of $5.00 per common share for aggregate 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 $202,500, equal to approximately 4.5 per cent of the gross proceeds raised in the offering.