PREMIER
Gold Mines Limited

Management's Discussion and Analysis

Year Ended December 31, 2016

PREMIER
Gold Mines Limited

TABLE OF CONTENTS

OVERVIEW 3
- Company Overview 3
- 2016 Highlights 3
- 2017 Guidance 4
- Acquisition of Mercedes Mine 4

RESULTS OF OPERATIONS 5
- Quarterly Information 5
- Fourth Quarter Results 6
- Annual Results 7
- Exploration, Evaluation and Pre-development 12
- Selected Financial Data 16

FINANCIAL POSITION 17
- Balance Sheet Review 17
- Liquidity and Capital Resources 17

MINE OPERATING SEGMENTS 19
- Overview 19
- Mercedes Mine 21
- South Arturo Mine 22

COMMITMENTS AND CONTINGENCIES 24
- Environmental Rehabilitation Provision 24
- Contractual obligations and commitments 25
- Surety Bonds 25
- Contingency 25
- Off Balance Sheet Arrangements 25

TRANSACTIONS WITH RELATED PARTIES 25

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES, POLICIES AND CHANGES 26

NON-IFRS MEASURES 30

RISKS AND RISK MANAGEMENT 34
- Financial Instruments and Related Risks 34
- Management of Capital Risk 34
- Risks and Uncertainties 34
- Risks Relating to Premier Common Shares Generally 41

MANAGEMENT'S REPORT ON INTERNAL CONTROLS 42

MINERAL RESERVES AND RESOURCES 43

CAUTIONARY STATEMENT ON FORWARD LOOKING STATEMENTS 43

ADDITIONAL INFORMATION 44

PREMIER Gold Mines Limited

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis ("MD&A") of Premier Gold Mines Limited (the "Corporation" or "Premier") should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016 and the notes thereto. The Corporation's audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars. This MD&A was prepared as of March 23, 2017 and all information is current as of such date. Readers are encouraged to read the Corporation's public information filings on SEDAR at www.sedar.com.

This discussion provides management's analysis of Premier's historical financial and operating results and provides estimates of Premier's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance.

OVERVIEW

Company Overview

Premier 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 Trans-Canada highway in Ontario, Canada. Other key gold property interests include a 100% interest in the McCoy-Cove gold property located in Nevada, USA and two projects in the Red Lake mining district of Northwestern Ontario, Canada, a 100% interest in the Hasaga and a 44% interest in the Rahill Bonana projects.

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.

2016 Highlights

- Achieved commercial production at the South Arturo Mine in August 2016
- Acquired the Mercedes Mine on September 30, 2016
- Consolidated production of 111,739 ounces of gold and 98,401 ounces of silver (i)
- Consolidated gold revenue of USD$112.5 million on the sale of 90,263 ounces at an average price of $1,246USD per ounce
- 2016 year end cash balance of $89.2 million (CAD$119.7 million) compared to USD$52.8 million (CAD$73.1 million) at the end of the 2015, an increase of USD$36.4 million (CAD$46.6 million)
- Gold inventory of 23,386 ounces and 40,492 ounces of silver at year-end
- Consolidated cash costs of USD$310 per ounce of gold, below 2016 guidance of USD$451 per ounce
- All-in sustaining costs of USD$370 per ounce of gold, below 2016 guidance of USD$489 per ounce
- Cash flow from operating activities of USD$43.7 million (CAD$57.9 million)
- EBITDA USD $58.2 million (CAD$77.1 million), or USD$.31 per share (CAD$.41 per share)
- Net loss USD($549,099), CAD($727,447)
- Feasibility study for the Hardrock Project in Ontario announced on November 16, 2016

(i) Final gold production lower by 279 ounces and silver slightly higher by 410 ounces than previously released on January 12, 2017 due to final year end reconciliation

(ii) A cautionary note regarding Non-IFRS financial metrics is included in the "Non-IFRS Measures" section of this Management's Discussion and Analysis

2017 Guidance

The current guidance of the estimated 2017 production attributable to Premier includes 125,000 to 135,000 ounces of gold production from its operations at South Arturo and Mercedes as well as 325,000 to 350,000 ounces of silver from Mercedes only.

Production estimates for 2017 are derived from life of mine operating plans prepared on the basis of mineral reserves associated with each property. The underlying assumptions for the estimates are presented in the table below.

Gold	**Guidance 2017**			
USD, unless otherwise noted Mine	Production ounces	Realized Gold Price per ounce (i)	Cash Cost per ounce (i)	AISC per ounce (i)
South Arturo	40,000 - 45,000	$1,250	$440 - $470	$450 - $480
Mercedes	85,000 - 90,000	$1,250	$680 - $710	$810 - $840
Consolidated	**125,000 - 135,000**	**$1,250**	**$580 - $610**	**$660 - $690**

(i) A cautionary note regarding Non-IFRS financial measures is included in the "Non-IFRS Measures" section of this Management's Discussion and Analysis.

Acquisition of Mercedes Mine

On September 30, 2016, Premier completed the acquisition of a 100% interest in the Mercedes Mine Property (the "Acquisition"), located approximately 60 kilometres Southeast of Magdalena de Kino, in Sonora State, Mexico from Yamana Gold Inc. ("Yamana").

Pursuant to a share purchase agreement dated July 28, 2016, Premier acquired all of the shares of Yamana's indirect wholly owned Mexican subsidiaries, which own a 100% interest in the Mercedes Mine. Total consideration paid to Yamana in exchange for Mercedes consisted of:

- US$122.5 million in cash (the "Cash Purchase Price");
- 6.0 million common shares in the capital of Premier; and
- 3.0 million warrants to acquire up to 3.0 million common shares in the capital of Premier at a price of $4.75 per common share, expiring September 30, 2018.

In connection with the Acquisition, Premier granted Yamana a 1.0% net smelter return royalty on production from the current land package relating to the Mercedes Mine on the earlier of: (a) from the date on which 450,000 ounces of gold equivalent has been produced by the Mercedes Mine following September 30, 2016; and (b) after September 30, 2022.

Yamana was also granted a 2.0% net smelter return royalty on the following two exploration properties acquired as part of the transaction ; the La Silla property in Sinaloa, Mexico and the La Espera property in Sonora, Mexico.

The Cash Purchase Price was provided pursuant to a financing package (the "Financing") from Orion Mine Finance ("Orion"). The Financing is comprised of the following:

- Senior Secured Gold Prepay Credit Facility of US$ 42.2 million pursuant to which Premier will deliver to Orion 2,450 troy ounces of gold per quarter for a period of 15 consecutive quarters commencing December 31, 2016 in repayment of principal, plus cash interest payments at an interest rate of 6.5%. Subject to certain exceptions, Premier has the option to satisfy four interest payments in Common Shares issued at the then 10 day volume weighted average closing price;
- Senior Secured Silver Stream of US$11.5 million pursuant to which Premier 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;

– An increase of US$15 million in Premier's existing unsecured credit facility with Orion to US$45 million. The interest rate associated with this facility remains unaltered at 6.0%;

– A subscription of 10,958,333 Common Shares by Orion for gross proceeds of US$35 million;

– 1,000,000 warrants (each an "Orion Warrant") to acquire up to 1,000,000 Common Shares. Each Orion Warrant entitles Orion to purchase one Common Share upon the exercise thereof at the price of $5.46 per Common Share until June 30, 2018; and

– An amendment to Premier's existing offtake obligations with Orion to sell up to an additional 20,000 ounces of gold annually relating exclusively to production from the Mercedes Mine, subject to an annual aggregate maximum of 35,000 ounces of gold from all of Premier's producing projects.

RESULTS OF OPERATIONS

Quarterly Information

The following is a summary of selected financial information of the Corporation for the quarterly periods indicated based on the financial statements and reflects the activity related to operations, investment, acquisition and divestment activities undertaken by Premier over the past eight quarters.

Quarter	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 (i) Q4	2015 Q3	2015 Q2	2015 (i) Q1
Gold Sales (ounces)	82,188	8,075	-	-	-	-	-	-
Revenue	136,598,133	13,912,088	-	-	-	-	-	-
Costs of sales	(35,166,793)	(3,940,132)	-	-	-	-	-	-
Depletion, depreciation and amortization	(61,137,634)	(6,527,143)	-	-	-	-	-	-
Mine operating revenue	40,293,706	3,444,813	-	-	-	-	-	-
Other significant income / (loss):								
Gain on divestment of mineral property interests	-	-	-	-	-	-	2,848,261	39,777,374
Gain attributable to Greenstone Gold development commitment	4,759,570	3,346,330	5,464,586	1,985,015	2,924,234	3,846,121	4,020,786	1,852,479
Transaction costs for the acquisiton of Mercedes Mine	(1,691,060)	(3,488,371)	-	-	-	-	-	-
Net income (loss) for the period	27,018,598	(5,057,525)	(9,434,100)	(13,254,420)	(9,926,389)	5,341,819	(976,554)	30,350,723
Basic and diluted income / (loss) per common share	0.17	(0.03)	(0.06)	(0.08)	(0.06)	0.03	(0.01)	0.19

(i) 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 three months ended March 31, 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 March 31, 2015 decreased by $7,725,096 and earnings per share as at March 31, 2015 decreased by $0.05.

Net income / (loss) has generally reflected the level of exploration, evaluation and pre-development activity and general and administration costs over the past four quarters, decreasing in the third quarter given the introduction of gold sales from the South Arturo project then turning to positive net income with two producing properties, South Arturo and the Mercedes mine purchased in Q3 of this year.

The income in 2015 and variability over the 2015 quarters is mainly due to the divestment of 50% of Hardrock and Brookbank properties to Greenstone Gold Mines. Realized and unrealized gains and losses have fluctuated generally due to investment activity related to acquisitions or divestments, particularly the Sandstorm shares acquired in the divestment of Premier Royalty in 2013.

Fourth Quarter Results

Three months ended December 31, 2016 and 2015

Income for the three months ended December 31, 2016 was $27,018,598 compared to a loss of $9,655,866 for the same period of 2015 for a positive variance of $36,674,464. $40,293,706 of the variance was from mine operating income from the second quarter of gold production at the South Arturo project as well as the first quarter of gold and silver production from the Mercedes Mine acquired on September 30, 2016.

The operating variances for the quarter are:

For the three months ended December 31,	2016	2015	Variance
	$	$	$
Revenue	**136,598,133**	-	136,598,133
Cost of sales	**(35,166,793)**	-	(35,166,793)
Depletion, depreciation and amortization	**(61,137,634)**	-	(61,137,634)
Mine operating income	**40,293,706**	-	40,293,706
EXPENSES			
Exploration, evaluation, and pre-development	**11,295,079**	7,742,137	3,552,942
Property maintenance	**123,120**	114,465	8,655
General and administrative	**3,985,971**	4,163,437	(177,466)
Share-based payments	**88,945**	377,862	(288,917)
Depreciation on property, plant and equipment	**(119,616)**	181,826	(301,442)
Remeasurement of environmental rehabilitation	**49,968**	-	49,968
Operating income (loss)	**24,870,239**	(12,579,727)	37,449,966

- increase of $3,552,942 in exploration, evaluation and pre-development mainly for additional exploration and pre-development work at the McCoy-Cove project in Nevada as well as expenditures on the other projects added this year including Goldbanks in Nevada and Alto Cristina in Mexico

- depreciation on property, plant and equipment for Q4 includes a year to date reallocation of depreciation to cost of sales related to the South Arturo production

- a slight decrease in general and administrative costs related to the reduction in project management fees once South Arturo reached production

- a decrease in share based payments due to the timing of stock option vesting

Other income for the three months ended December 31, 2016 was $10,728,029 compared to $1,655,234 for the same period of 2015 for a positive variance of $9,072,795. The components of other income and expense are:

For the three months ended December 31,	**2016**	2015	Variance
	$	$	$
Investments			
Investment and other income / (expense)	**(214,532)**	76,384	(290,916)
Unrealized loss on investments	**(1,382,349)**	(68,553)	(1,313,796)
Realized gain on sale of investments	**24,831**	-	24,831
Derivatives			
Unrealized gain on derivatives	**4,723,168**	-	4,723,168
Realized loss on derivatives	**(899,589)**	-	(899,589)
Foreign exchange			
Unrealized foreign exchange gain / (loss)	**1,245,331**	(1,365,797)	2,611,128
Realized foreign exchange gain	**4,163,420**	72,930	4,090,490
Property, plant and equipment			
Loss on disposal of equipment	**(761)**	-	(761)
Gain on divestment of mineral property interest	**-**	16,036	(16,036)
Transaction costs on the acquisition of Mercedes Mine	**(1,691,060)**	-	(1,691,060)
Gain attributable to Greenstone Gold development commitment	**4,759,570**	2,924,234	1,835,336
Other income / (expense)	**10,728,029**	1,655,234	9,072,795

Significant variances are due to:

- increase in unrealized net losses on investments of $1,313,796 due to the recognition of mark to market losses on Canadian equities held
- an unrealized gain on derivatives of $4,723,168 that includes:
  - reversal of the unrealized loss on put options that settled during the quarter of $1,292,318 (offset by the actual loss of $899,589 included in realized loss on derivatives)
  - reversal of the unrealized loss on gold forward contracts of $529,000 from the third quarter plus an unrealized gain on forward contracts for this quarter of $1,805,498
  - reversal of the unrealized gain on the offtake derivative recorded in the second and third quarter Orion financing of $214,385 from the third quarter plus an unrealized gain of $1,270,758 on the valuation of the offtake obligation for the fourth quarter
- a realized loss on derivatives that relates to the loss on put options that settled (expired) during the quarter
- foreign exchange gains of $5,408,751 this quarter of 2016 compared to losses of $1,292,867 this quarter of 2015, mainly due to the strengthening of the US dollar compared to the Mexican peso and the Canadian dollar during the quarter affecting operations from Mercedes mine as well as on proceeds from gold sales
- additional transaction costs related to the Mercedes mine acquisition
- $1,835,336 increase in the gain attributable to the Greenstone Gold expenditures paid for by Centerra on our behalf

Finance costs for the three months ended December 31, 2016 were $2,522,071 compared to $169,342 in 2015 due to the financing that was entered into in Q2 and Q3 with Orion. Cash interest costs were $2,041,652 this period whereas the only item in 2015 was accretion on the rehabilitation provision and long term debt for the non interest bearing note with Newmont.

Annual Results

Year ended December 31, 2016 and 2015

Loss for the year ended December 31, 2016 was $727,447 compared to income of $24,789,599 for 2015 for a variance of $25,517,046 of which $13,310,871 was pre-tax. The principle variances include the divestment of mineral property interests in 2015, the advent of mining operations during 2016 and an increase in exploration, evaluation and pre-development activities and related administration costs for 2016.

Operating loss for the year ended December 31, 2016 was $6,593,484 compared to a loss of $39,941,598 for 2015 for a positive variance of $33,348,114.

The operating variances for the year are as follows:

For the twelve months ended December 31,	**2016**	2015	Variance
	$	$	$
Revenue	**150,510,221**	-	150,510,221
Cost of sales	**(39,106,925)**	-	(39,106,925)
Depletion, depreciation and amortization	**(67,664,777)**	-	(67,664,777)
Mine operating income	**43,738,519**	-	43,738,519
EXPENSES			
Exploration, evaluation, and pre-development	**34,656,916**	27,144,627	7,512,289
Property maintenance	**793,672**	724,024	69,648
General and administrative	**11,422,886**	8,090,492	3,332,394
Share-based payments	**3,945,716**	3,717,277	228,439
Depreciation on property, plant and equipment	**195,038**	265,178	(70,140)
Remeasurement of environmental rehabilitation	**(682,225)**	-	(682,225)
Operating income (loss)	**(6,593,484)**	(39,941,598)	33,348,114

Significant operating variances for the period include:

- $43,738,519 in mine operating income, $38,028,811 from gold production at the South Arturo project and $5,709,708 from the Mercedes mine fourth quarter gold and silver production

- increased exploration, evaluation and pre-development costs of $7,512,289 mainly for McCoy-Cove of $5,621,534, $1,013,138 for the Goldbanks project under an option agreement and $533,702 for the Alto Cristina project under an option agreement with Goldcorp.

- increase in general and administration of $3,332,394 includes:

  - $827,919 related to Premier's share of project administration costs for the Greenstone Gold joint arrangement and the South Arturo co-ownership, agreements entered into during 2015
  - $613,360 for professional and other fees as a result of the increased corporate activity and costs associated with the lawsuit discussed in note 26 to the audited consolidated financial statements
  - $1,169,518 increase in corporate salaries and benefits including the addition of key executives related to management of the new mining operations

- $682,225 was recorded in 2016 for re-measurement of environmental rehabilitation liabilities on non-core properties (mainly Faymar Deloro property) that have been previously fully impaired based on an updated assessment of the properties

Other income for the twelve months ended December 31, 2016 was $15,875,895 compared to $60,082,813 for 2015 for a negative variance of $44,206,918.

One of two principle items in the variance relates to the gain on divestment of mineral interests in 2015 including the transfer of the Hardrock and Brookbank properties to the 50% Greenstone Gold partnership and the gain on the divestment of a 5% interest (or 10.2% of the 49% interest) in the Rahill-Bonanza property transferred to Goldcorp Inc. as part of the acquisition of the South Arturo development property. These 2015 gains accounted for $42,974,775 of the variance, both of which are fully described in the audited consolidated financial statements for the year ended December 31, 2015. The second item relates to the transaction costs on the acquisition of the Mercedes mine on September 30, 2016 in the amount of $5,179,431.

The components of other income and expenses are:

For the twelve months ended December 31,	2016	2015	Variance
	$	$	$
Investments			
Investment and other income / (expense)	**(37,690)**	485,211	(522,901)
Unrealized net gain on investments	**8,451,396**	820,898	7,630,498
Realized net loss on sale of investments	**(6,299,295)**	(1,406,079)	(4,893,216)
Derivatives			
Unrealized gain / (loss) on derivatives	**3,251,270**	(135,034)	3,386,304
Realized loss on derivatives	**(4,366,507)**	-	(4,366,507)
Foreign exchange			
Unrealized foreign exchange gain / (loss)	**715,767**	268,942	446,825
Realized foreign exchange gain	**3,767,755**	1,518,599	2,249,156
Property, plant and equipment			
Gain on disposal of equipment	**17,129**	-	17,129
Gain on divestment of mineral property interest	**-**	45,886,656	(45,886,656)
Transaction costs on the acquisition of Mercedes Mine	**(5,179,431)**	-	(5,179,431)
Gain attributable to Greenstone Gold development commitment	**15,555,501**	12,643,620	2,911,881
Other income	**15,875,895**	60,082,813	(44,206,918)

Other significant variances include:

- increase in unrealized net gains on investments of $7,630,498 and includes
  - reversal of unrealized losses of $7,183,750 on Sandstorm shares liquidated during the year (acquired as a result of a divestment in 2013 with the shares held through 2015)
  - mark to market gains on Canadian equities of $581,682

- increase in realized net loss on sale of investments of $4,893,216 includes
  - realized loss on sale of remaining Sandstorm shares of $6,312,754 in 2016
  - realized gains of $1,419,537 on the sale of other Canadian equities in 2015

- increase in unrealized gain on derivatives of $3,386,304 includes
  - reversal of the unrealized loss of $175,015 on put options that settled during the year (offset by the actual loss of $4,366,507 included in realized loss on derivatives)
  - an unrealized gain on the valuation of forward contracts of $1,805,498
  - an unrealized gain of $1,270,758 on the change in the valuation of the offtake obligation recorded in the second and third quarter Orion financing

- the realized loss on derivatives of $4,366,507 is the loss on settlement of put options that expired during the year

- a net change in unrealized foreign exchange gains and losses of $446,825 due to the amount of cash held in US funds with the Canadian dollar compared to the US dollar weakened by 22 basis points last year versus a strengthening of 4 basis points this year

- a net change in realized exchange gains and losses of $2,249,156 due to the strengthening of the US dollar and the activity during the year related to gold sales and the funding of operations

- increase of $2,911,881 in the gain attributable to the Greenstone Gold development commitment as a result of increased infrastructure spending related to the feasibility study completed in 2016 that was funded 100% by Centerra Gold Inc., of which 50% is on Premier's behalf

Current income tax for 2016 is comprised of Nevada net proceeds of mineral tax of $3,978,586, mining royalty tax of $882,825 and Mexico withholding tax of $301,737.

Mining Operations

Fourth quarter consolidated operations integrates the Mercedes mine for the first time into the overall Corporation's results, while South Arturo began production in August of 2016.

The following table presents consolidated mine operating results for the three months and twelve months ended December 31, 2016:

Consolidated Mine Operations in CAD $, unless otherwise stated		**Three months ended December 31, 2016** (i)	**Twelve months ended December 31, 2016** (i)
Ore milled	*tonnes*	388,353	505,422
Gold produced	*ounces*	81,511	111,739
Silver produced	*ounces*	98,401	98,401
Gold sold	*ounces*	82,188	90,263
Silver sold	*ounces*	65,380	65,380
Revenues and realized prices			
Gold revenue	*000s*	135,108	149,020
Silver revenue	*000s*	1,490	1,490
Total revenues	*000s*	136,598	150,510
Average realized gold price (ii,iii)	*$/ounce*	1,644	1,651
Average realized silver price (ii,iii)	*$/ounce*	23	23
Non-IFRS Performance Measures			
Co-product cash costs per ounce of gold sold (ii,iii)	*USD $/oz*	306	310
Co-product all in sustaining costs per ounce of gold sold (ii,iii)	*USD $/oz*	356	370
Co-product cash costs per ounce of silver sold (ii,iii)	*USD $/oz*	10	10
Co-product all in sustaining costs per ounce of silver sold (ii,iii)	*USD $/oz*	11	11
By-product cash costs per ounce of gold sold (ii,iii)	*USD $/oz*	300	304
By-product all in sustaining costs per ounce of gold sold (ii,iii)	*USD $/oz*	351	366

(i) Consolidated results include Mercedes Q4 2016.

(ii) A cautionary note regarding Non-IFRS financial metrics is included in the "Non IFRS Measures" section of this Management's Discussion and Analysis.

(iii) Cash costs, all-in sustaining costs, as well as average realized gold\silver price per ounce are Non-IFRS metrics and discussed in the section "Non-IFRS Measures" of this Management's Discussion and Analysis.

The Corporation produced 111,739 ounces of gold and 98,401 ounces of silver during the year. Gold sales for the year were 90,263 ounces and silver sales were 65,380 ounces. At year end, the Corporation held 23,386 ounces of gold in inventory and 40,492 ounces of silver in inventory, for a value of $24,676,175 and $622,153 respectively.

Gold revenue for 2016 was $149.0 million, and silver revenue $1.5 million, yielding an average realized gold price of $1,651 per ounce and silver price of $23 per ounce.

The following table presents consolidated mine operating results by quarter for the year ended December 31, 2016:

Consolidated Mine Operations in CAD $, unless otherwise stated		For the year ended December 31, 2016 (i)		
		Q3	Q4	Total
Ore milled	tonnes	117,069	388,353	505,422
Gold produced	ounces	30,228	81,511	111,739
Silver produced	ounces	-	98,401	98,401
Gold sold	ounces	8,075	82,188	90,263
Silver sold	ounces	-	65,380	65,380
Revenues and realized prices				
Gold revenue	000s	13,912	135,108	149,020
Silver revenue	000s	-	1,490	1,490
Total revenues	000s	13,912	136,598	150,510
Average realized gold price (ii,iii)	$/ounce	1,723	1,644	1,651
Average realized silver price (ii,iii)	$/ounce	-	23	23
Non-IFRS Performance Measures				
Co-product cash costs per ounce of gold sold (ii,iii,iv)	USD $/oz	345	306	310
Co-product all in sustaining costs per ounce of gold sold (ii,iii,iv)	USD $/oz	495	356	370
Co-product cash costs per ounce of silver sold (ii,iii)	USD $/oz	-	10	10
Co-product all in sustaining costs per ounce of silver sold (ii,iii)	USD $/oz	-	11	11
By-product cash costs per ounce of gold sold (ii,iii,iv)	USD $/oz	345	300	304
By-product all in sustaining costs per ounce of gold sold (ii,iii,iv)	USD $/oz	495	351	366

(i) Consolidated results include Mercedes Q4 2016.

(ii) A cautionary note regarding Non-IFRS financial metrics is included in the "Non-IFRS Measures" section of this Management's Discussion and Analysis.

(iii) Cash costs, all in sustaining costs, as well as average realized gold\silver price per ounce are Non-IFRS metrics and discussed in the section "Non-IFRS Measures" of this Management's Discussion and Analysis.

(iv) For comparitive purposes, South Arturo Q3 costs per ounce were updated to reflect ARO amorization in all in sustaining cost and minor re-classification between cash and all in sustaining costs. See section "Non-IFRS Measures" of this Management's Discussion and Analysis.

Consolidated production for the fourth quarter was 81,511 ounces of gold and 98,401 ounces of silver. The fourth quarter provided over 90% of total revenues of over $136 million, as production at South Arturo began mid third quarter. Consolidated gold revenue for the fourth quarter was $135 million and silver was $1.5 million. Consolidated gold revenue for the year was $149 million and silver revenue was $1.5 million.

The average realizable gold price (refer to “Non-IFRS Measures”) for the fourth quarter was $1,644 per ounce, slightly lower than the yearly average of $1,651 per ounce.

Consolidated co-product cash costs (refer to “Non-IFRS Measures”) for the fourth quarter were USD$306 per ounce of gold sold, slightly lower than the twelve month average of USD$310 per ounce gold sold. Consolidated co-product all in sustaining costs (refer to “Non-IFRS Measures”) for the fourth quarter were USD$356 per ounce of gold sold, lower than the twelve month average of USD$370 per ounce gold sold. Lower costs were driven by South Arturo’s improved gold recovery during the fourth quarter.

The Corporation has also provided by-product information (refer to “Non-IFRS Measures”). Accordingly, consolidated by-product cash costs in the fourth quarter were USD$300 per ounce sold, while consolidated all in sustaining costs were USD$351 per ounce sold.

Exploration, Evaluation and Pre-development

Three months ended December 31, 2016 and 2015

For the three months ended December 31,	2016 $	2015 $	Variance $
Rahill-Bonanza, Ontario, Canada	109,693	386,001	**(276,308)**
Hasaga, Ontario, Canada	767,203	2,512,888	**(1,745,685)**
Greenstone Gold, Ontario, Canada	4,096,158	2,655,607	**1,440,551**
McCoy-Cove, Nevada, USA	4,283,129	1,460,599	**2,822,530**
South Arturo, Nevada, USA	53,662	727,042	**(673,380)**
Goldbanks, Nevada, USA	960,473	-	**960,473**
Mercedes Mine, Sonora, Mexico	312,258	-	**312,258**
Alto Cristina, Mexico	533,702	-	**533,702**
	11,116,278	**7,742,137**	**3,374,141**

Rahill-Bonanza

A total of 1,038 meters was drilled during the fourth quarter. Throughout the year, all of the drilling completed focussed on evaluating the "Fold Target" structure both laterally along strike and up/down plunge. Overall, results have been inconclusive. The Fold Target is still considered open and will be evaluated further in the future. The expenditures during this period include:

- $68,094 for approximately 1,038 meters of drilling and related costs
- $13,182 in analytical and sampling costs
- $13,534 in geological costs including salaries and benefits
- $14,883 in operations support and property work including wages and benefits

Hasaga

A total of 2,974 metres of drilling was completed at Hasaga during the fourth quarter, bringing the year to date total to 48,197 metres. Drilling continues to delineate wide lower grade mineralization in the Central Zone area as well as at the historic Buffalo Mine area at the southwest corner of the property. One of the best intersections was in drill hole HMP136 with 3.66 g/t Au over 67.0m beginning at 170.0m downhole (and includes 7.17 g/t Au across 20.0m).Drilling focused on the Buffalo Horizon (23 holes) and the Central Zone in (19 holes). A program of bulldozer stripping, mapping and channel sampling continued through the quarter. The metallurgical test work to investigate the heap leach potential of the Hasaga deposit indicate recoveries of less than 50% for grind sizes no finer than ¼ inch.

Hasaga spending for the three months ended December 31, 2016 decreased over the same period last year due to the level of flow through financing. The 2016 Hasaga exploration expenditures are financed with flow through dollars raised during 2015. The expenditures during the period include:

- $222,668 for approximately 2,974 meters of drilling and related costs
- $217,414 in geological costs including salaries and benefits
- $175,719 in analytical and sampling costs
- $151,402 in operations support and property work including wages and benefits

Greenstone

Positive results of the Hardrock Feasibility Study were reported in a press release dated November 16, 2016. Approximately $31 million was spent by Greenstone Gold in 2016 (at 100% basis) on a range of project development activities including $2.8 million on exploration. Exploration activity during the year at Greenstone Gold included orientation till sampling programs, line cutting, core re-logging and orientation geophysical surveys. A comprehensive review of historical geological, geophysical and geochemical datasets and an IP geophysical study to supplement and upgrade existing data was also conducted.

Greenstone Gold expenditures for the three months ended December 31, 2016 were $1,440,551 higher than the same period last year, mainly related to infrastructure required to maintain the construction schedule proposed in the 2016 feasibility study. 50% of the Greenstone expenditures in this period totaled $4,096,158 and include:

- $140,228 in drilling and related costs
- $290,038 in geological costs including salaries and benefits
- $152,035 in operations support and property work including wages and benefits
- $1,284,252 in environmental permitting
- $375,240 in geology, mine development and metallurgy
- $510,148 in pre-development management and administration
- $1,013,081 in pre-development infrastructure
- $331,136 in community relations

McCoy-Cove

A total of 9,370 metres of drilling was completed on the McCoy-Cove property in the fourth quarter, including 4,067 metres of core drilling and 2,322 metres of pre-collar rotary drilling in 14 drill holes in and near the GAP target area. Significant drilling results were press released including drill hole PG1609 with 7.75 g/t Au and 3.92 g/t Ag over 38.6m and drill hole PG1606 with 7.96 g/t Au and 4.68 g/t Ag over 38.0m. This drilling demonstrates the potential to delineate a significant gold and silver deposit in the GAP target area at McCoy-Cove that has had very limited previous drill testing.

McCoy-Cove expenditures for the three months December 31, 2016 were $2,822,530 higher than the three months ended December 31, 2015 due to an expanded drill program in 2016 and additional pre-development work. The expenditures during the period include:

- $3,150,866 for approximately 6,400 meters of drilling and related costs
- $648,016 in geological and assay costs including salaries and benefits
- $128,479 in mine development, metallurgy and permitting pre- development costs
- $355,768 in operations support and property work including wages and benefits

South Arturo

The South Arturo property is now in the production stage with minimal exploration expenditures during the quarter.

Goldbanks

Two holes were drilled for a total of 4,284 feet (1,306 meters) on the Goldbanks property in the fourth quarter. Both drill holes hit targets as planned to confirm deep higher grade mineralization related to historical drill holes. Results confirmed only narrow high grade silver values in one drill hole.

Goldbanks spending for the three months ending December 31, 2016 was $960,476 and include the following:

- $648,971 for approximately 4,284 feet of drilling and related costs
- $89,989 in geological and assay costs including salaries and benefits
- $221,513 in operations support and property work including wages and benefits

Mercedes

Mercedes spending for the three months ending December 31, 2016 was $312,258 and related to concession costs on 47 lots covering 70,864.73 hectares.

Alto Cristina

Three holes were drilled for a total of 1,476 feet (450 meters) on the Alto Cristina property in the fourth quarter and for the year. These holes at 90 meter horizontal spacing were drilled between two historical high grade intercepts to test for the same Alto vein and the drill holes were continued to also intersect the adjacent Bajo vein. All drill holes hit the targets. Assay results confirmed the target mineralization at a lower grade.

Alto Cristina spending for the three months ending December 31, 2016 was $533,702 and include the following:

- $376,976 for approximately 1,476 feet of drilling and related costs
- $54,243 in geological and assay costs including salaries and benefits
- $102,483 in operations support and property work including wages and benefits

Year ended December 31, 2016 and 2015

	2016 $	2015 $	Variance $
Rahill-Bonanza, Ontario, Canada	648,356	921,601	(273,245)
East Bay, Ontario, Canada	-	19,765	(19,765)
Hasaga, Ontario, Canada	6,721,035	6,995,050	(274,015)
Greenstone Gold, Ontario, Canada	14,483,094	13,657,426	825,668
McCoy-Cove, Nevada, USA	10,430,694	4,809,160	5,621,534
South Arturo, Nevada, USA	514,639	727,042	(212,403)
Goldbanks, Nevada, USA	1,013,138	-	1,013,138
Mercedes Mine, Sonora, Mexico	312,258	-	312,258
Alto Cristina, Mexico	533,702	-	533,702
Other areas	-	14,583	(14,583)
	34,656,916	27,144,627	7,512,289

Rahill-Bonanza

Expenditures for the year ended December 31, 2016 were $648,356 and include:

- $446,165 for approximately 8,849 meters of drilling and related costs
- $75,210 in analytical and sampling costs
- $37,001 in geological costs including salaries and benefits
- $89,970 in operations support and property work including wages and benefits

Hasaga

Expenditures for the year ended December 31, 2016 were $6,721,035 and include:

- $4,204,754 for approximately 48,197 meters of drilling and related costs
- $666,862 in geological costs including salaries and benefits
- $1,023,418 in analytical and sampling costs
- $826,001 in operations support and property work including wages and benefits

Greenstone

Attributable Greenstone Gold expenditures (50%) for the year ended December 31, 2016 was $14,483,095 and includes:

- $143,827 in drilling and related costs
- $719,625 in geological costs including salaries and benefits
- $553,389 in operations support and property work including wages and benefits
- $3,474,150 in environmental permitting
- $1,287,847 in geology, mine development and metallurgy
- $1,804,687 in pre-development management and administration
- $5,261,028 in pre-development infrastructure
- $1,238,542 in community relations

McCoy-Cove

Expenditures for the year ended December 31, 2016 were $10,430,694 and include:

- $6,821,681 for approximately 72,831 feet (22,199 meters) of drilling and related costs
- $1,555,473 in geological and assay costs including salaries and benefits
- $811,283 in mine development, metallurgy and permitting pre- development costs
- $1,242,257 in operations support and property work including wages and benefits

South Arturo

South Arturo was in the capitalized development and production stage with minimal exploration expenditures during the year.

Goldbanks

Expenditures for the year ended December 31, 2016 were $1,013,138 and include:

- $701,636 for approximately 4,284 feet (1,306 meters) of drilling and related costs
- $89,989 in geological and assay costs including salaries and benefits
- $221,513 in operations support and property work including wages and benefits

Mercedes

Expenditures for the year ended December 31, 2016 were $312,258 which pertains to concession costs on 47 lots covering 70,864.73 Hectares.

Alto Cristina

Expenditures for the year ended December 31, 2016 were $533,702 and include:

- $376,976 for approximately 1,476 feet (450 meters) of drilling and related costs
- $54,243 in geological and assay costs including salaries and benefits
- $102,483 in operations support and property work including wages and benefits

Cumulative exploration and pre-development spending expenses to date by project

Cumulative exploration and pre-development spending expenses to date by project

	Status	Cumulative to December 31, 2014	Year ended December 31, 2015	Cumulative to December 31, 2015	Year ended December 31, 2016	Cumulative to December 31, 2016
Rahill-Bonanza, Ontario, Canada	Active	16,795,479	921,601	17,717,080	648,356	18,365,436
East Bay, Ontario, Canada	Swap (i)	1,802,760	19,765	1,822,525	-	1,822,525
PQ North, Ontario, Canada	Swap (i)	11,085,540	-	11,085,540	-	11,085,540
Hasaga, Ontario, Canada	Swap (i)	-	6,995,050	6,995,050	6,721,035	13,716,085
Brookbank, Ontario, Canada	50% sold (ii)	1,669,533	-	1,669,533	-	1,669,533
Hardrock, Ontario, Canda	50% sold (ii)	107,003,264	1,421,069	108,424,333	-	108,424,333
Greenstone Gold, Ontario, Canada	Active (ii)	-	12,236,357	12,236,357	14,483,094	26,719,451
McCoy-Cove, Nevada, USA	Active	20,959,257	4,809,160	25,768,417	10,430,694	36,199,111
South Arturo, Nevada, USA	Active	-	727,042	727,042	514,639	1,241,681
Goldbanks, Nevada, USA	Active	-	-	-	1,013,138	1,013,138
Mercedes Mine, Sonora, Mexico	Active	-	-	-	312,258	312,258
Alto Cristina, Mexico	Active	-	-	-	533,702	533,702
Other areas	Inactive (iii) (iv)	4,523,648	14,583	4,538,231	-	4,538,231
		163,839,481	27,144,627	190,984,108	34,656,916	225,641,024

(i) East Bay (35% co-ownership) and PQ North (100% owned) properties were exchanged during 2015 for the Hasaga property (100%) as discussed in the December 31,2015 audited consolidated financial statements

(ii) Brookbank and Hardrock properties (100% owned) were transferred into the 50% owned Greenstone Gold partnership during 2015, Centerra continues to fund the Greenstone Gold partnership until the development commitment is complete.

(iii) Inactive mineral property interests include:
- Faymar property located in Deloro Township in the Timmins Gold Camp
- Nortoba-Tyson property located in Dorothea Township in the Thunder Bay Mining District
- Northern Empire West Extension and Northern Empire property located in McComber and Summers Township in the Thunder Bay Mining District
- Leitch-Sand River property located near Beardmore, Ontario
- Santa Teresa mineral concession and Quasaro property located in Mexico
- Raingold property comprised of 6 patented mining claims

(iv) Inactive mineral property interests not renewed:
- Bartec property located in Barraute township, in the Val D'or district of Quebec in 2015

Other comprehensive income / (loss)

Total comprehensive loss was $7,401,969 for the twelve months ended December 31, 2016 compared to total comprehensive income of $37,888,149 for 2015.

The only component of other comprehensive income / (loss) is exchange differences on the translation of foreign operations and related deferred income taxes which netted to a loss of $8,294,526 this year versus a net gain of $13,098,550 for 2015 due to a significant drop (22 basis points) in the Canadian to US dollar exchange rate.

Selected Financial Data

The following table provides selected annual financial information and should be read in conjunction with the Company's audited consolidated financial statements for the periods below:

Year ended December 31,	2016	2015	2014 (i)
Revenue			
Gold ounces sold	**90,263**	-	-
Revenue	**$149,020,016**	-	-
Realized price	**$ 1,651**	-	-
Silver ounces sold	**65,380**	-	-
Revenue	**$ 1,490,205**	-	-
Realized price	**$ 23**	-	-
Total revenue	**$150,510,221**	-	-
Cost of goods sold			
Mining cost	**$ 39,106,925**	-	-
Depletion, depreciation and amortization	**67,664,777**	-	-
Total cost of sales	**$106,771,702**		
Other operating expenses			
Exploration, evaluation and pre-development	**$ 34,656,916**	$ 27,144,627	$ 26,283,201
General and administration	**11,422,886**	8,090,492	4,381,438
Other income / expense			
Unrealized gains on investments	**$ 8,451,396**	$ 820,898	$ 20,015,816
Unrealized gains / (losses) on derivatives	**3,251,270**	(135,034)	-
Realized losses on investments	**(6,299,295)**	(1,406,079)	(15,962,732)
Realized losses on derivatives	**(4,366,507)**	-	-
	1,036,864	(720,215)	4,053,084
Other			
Gain on divestment of mineral property interests	**$ -**	$ 45,886,656	$ -
Gain on ongoing development commitment	**15,555,501**	12,643,620	-
Transaction costs on acquisiton of mine	**(5,179,431)**	-	-
Finance costs	**(3,129,720)**	(677,653)	(700,115)
	7,246,350	57,852,623	(700,115)

(i) The year ended December 31, 2014 is as restated for the change in accounting policy described in Note 2(c) to the December 31, 2015 audited consolidated financial statements.

As at	**December 31, 2016**	December 31, 2015	December 31, 2014 (i)
Balance Sheet			
Working capital	**$167,892,961**	$ 66,044,868	$ 33,151,483
Total assets	**583,601,586**	313,182,570	224,899,008
Total liabilities	**210,092,643**	32,867,112	22,698,563

The Company prepares its consolidated annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The variance in net income (loss) from 2014 to 2015 is largely related to the consolidation and divestment of mineral property interests. For 2015, results were most affected by the gain on the Premier's divestment of a 50% interest in the Hardrock and Brookbank properties to the Greenstone Gold Mines partnership. The onset of production from South Arturo purchased in 2015 and from Mercedes mine purchased in 2016 had a significant impact on operations and the Corporation's cash position for 2016.

FINANCIAL POSITION

Balance Sheet Review

During 2016, total assets increased by $270,419,016 to $583,601,586 from $313,182,570 at December 31, 2015. Of this increase, $229,108,908 is the purchase of the Mercedes mine completed on September 30, 2016 as described in Note 4 to the audited consolidated financial statements.

Current assets increased by $147,120,643 including:

- $46,647,569 in cash generated mainly from operating activities, see *Liquidity and Capital Resources*
- $89,204,574 for inventory from the Mercedes and South Arturo mines
  - $30,939,096, $21,858,737 for inventory acquired in the Mercedes mine purchase with increases to finished goods inventory to year end
  - $58,265,478 for the stockpile and finished goods inventory at South Arturo
- Receivables related to recoverable taxes increased by $10,755,072 mainly due to the Mercedes mine purchase

Current liabilities increased $45,272,550 from December 31, 2015 compared to December 31, 2016 including:

- $18,335,112 in current payables from the Mercedes mine purchase
- $18,507,704 in current portion of deferred revenue related to the gold prepay and silver stream agreements entered into as part of the acquisition of the Mercedes mine
- $4,978,806 in current taxes payable for net proceeds tax in Nevada and mining royalty tax in Mexico.

The working capital ratio at December 31, 2016 is 3.8:1.

Non-current assets increased by $123,298,373 mainly in property, plant and equipment with a $185,360,092 increase related to the Mercedes mine purchase and the remaining net difference attributable to the South Arturo mine with depletion offsetting the capitalized development.

Non-current liabilities increased by $131,952,981 including:

- $48,001,149 for the long term portion of the deferred revenue
- $50,512,537 for the Orion long term debt
- $12,564,874 for other liabilities associated with the financing and streaming arrangements.

The Mercedes mine acquisition is fully described in Note 4(a) and (b) of the December 31, 2016 audited consolidated financial statements.

Liquidity and Capital Resources

At December 31, 2016, the Corporation had cash and cash equivalents of $119,704,386, an increase of $46,647,569 from $73,056,817 at December 31, 2015. The increase in cash and cash equivalents was due to the following:

- $57,866,623 generated from operating activities including:
  - $87,784,370 was generated from mining operations after adding back non-cash depletion and inventory changes
  - $34,565,916 spent in exploration and pre-development activities (offset by the Greenstone Gold development commitment gain of $15,555,501)
  - $11,422,886 spent in general and administration expenditures

- $205,357,670 spent in investment activities including:
  - $152,497,005 for the Mercedes mine acquisition and an additional $5,693,313 in development spending
  - $45,240,533 for the South Arturo development spending

- $193,382,170 cash generated from financing activities including
  - $67,770,270 from the financing arrangement entered into with Orion
  - $69,089,584 from the gold and silver stream arrangements entered into with Orion
  - $70,063,750 from the private placements financing subscribed to by with Orion
  - $5,236,241 received on the exercise of stock options
  - offset by $5,298,305 for repayment of debt owing to Newmont

For the year ended December 31, 2016, the Corporation generated $45,891,123 in cash compared to generating $40,376,466 in 2015. The cash generated in 2016 is directly related to the mining operations that began in the last half of the year, South Arturo from August and Mercedes from the acquisition date of September 30, 2016. In early 2015, Premier sold 50% of its Hardrock and Brookbank properties for proceeds of $96,009,681 less transaction costs of $3,005,656 as a method of financing future development and acquisitions. $19,611,652 was spent in operations in 2015. Premier's lower share of the exploration and pre-development cost related to the Hardrock and Brookbank projects was offset by increases in exploration on the Hasaga and McCoy-Cove properties and project related administration of the South Arturo 40% co-ownership. The Mercedes mine acquisition has significantly impacted the investing and financing activities as discussed above and in Note 4(a) and (b) of the December 31, 2016 audited consolidated financial statements.

Liquidity Outlook

	December 31, 2016 **$**	December 31, 2015 $
Cash and cash equivalents	**119,704,386**	73,056,817
Working capital	**167,892,961**	66,044,868
Long term debt and deferred revenue	**101,066,461**	112,500

Premier is funding current exploration, evaluation, pre-development and development expenditures through existing cash and financings. The Corporation anticipates that it will have sufficient funds to manage current projects through 2018 and is actively managing the ongoing pre-development activities at the Greenstone Gold property through its partnership agreement with Centerra. The South Arturo property is now generating income from operations and will support activities there and the Mercedes mine operation is expected to generate positive cash flow.

Premier typically funds a portion of its Canadian exploration activities via flow-through share issuances. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share issuances are renounced to investors in accordance with income tax legislation. $4,220,917 of the flow-through financing completed on October 14, 2016 remains to be spent by December 31, 2017.

Equity

The Corporation is authorized to issue an unlimited number of common shares of which 201,473,187 were outstanding at December 31, 2016 and 201,530,687 at the date of this report, March 23, 2016. At December 31, 2016 the Corporation had outstanding options to purchase an aggregate of 9,593,900 common shares under its share incentive plan with exercise prices ranging from $1.40 to $5.40 per share and expiry dates ranging from March 5, 2017 to August 8, 2021. At March 23, 2016 the Corporation had 9,581,400 options outstanding. At December 31, 2016 there were 305,000 unvested stock options.

MINE OPERATING SEGMENTS

Overview

Fourth quarter consolidated operations integrates the Mercedes mine for the first time into the overall Corporation's results, while South Arturo began production in August of 2016.

The following table presents operating results by mine for the three months ended December 31, 2016:

Mine Operation Results

in CAD $, unless otherwise stated

		For the three months ended December 31, 2016		
		Mercedes	**South Arturo**	**Total**
Ore milled	*tonnes*	175,007	213,346	388,353
Gold produced	*ounces*	22,481	59,030	81,511
Silver produced	*ounces*	98,401	-	98,401
Gold sold	*ounces*	14,619	67,569	82,188
Silver sold	*ounces*	65,380	-	65,380
Revenues and realized prices				
Gold revenue	*000s*	23,521	111,587	135,108
Silver revenue	*000s*	1,490	-	1,490
Total revenues	*000s*	25,011	111,587	136,598
Average realized gold price (i,ii)	*$/ounce*	1,609	1,651	1,644
Average realized silver price (i,ii)	*$/ounce*	23	-	23
Non-IFRS Performance Measures				
Co-product cash costs per ounce of gold sold (i,ii)	*USD $/oz*	690	223	306
Co-product all in sustaining costs per ounce of gold sold (i,ii)	*USD $/oz*	811	258	356
Co-product cash costs per ounce of silver sold (i,ii)	*USD $/oz*	10	-	10
Co-product all in sustaining costs per ounce of silver sold (i,ii)	*USD $/oz*	11	-	11
By-product cash costs per ounce of gold sold (i,ii)	*USD $/oz*	656	223	300
By-product all in sustaining costs per ounce of gold sold (i,ii)	*USD $/oz*	785	258	351

(i) A cautionary note regarding Non-IFRS financial metrics is included in the "Non-IFRS Measures" section of this Management's Discussion and Analysis.

(ii) Cash costs, all in sustaining costs as well as average realized gold\silver price per ounce are Non-IFRS metrics and discussed in the section "Non-IFRS Measures" of this Management's Discussion and Analysis.

Over 72% of gold production during the fourth quarter was from South Arturo. Mercedes produced 22,481 ounces of gold and 98,401 ounces of silver, for a total of 81,511 ounces of gold and 98,401 ounces of silver for the quarter.

Total gold revenue for the quarter was $135.1 million including $111.6 million from South Arturo and $23.5 million from Mercedes. Total silver revenue for the fourth quarter was $1.5 million. South Arturo's fourth quarter average realize gold price was $1,651 per ounce (refer to "Non-IFRS Measures") while Mercedes was $1,609 per ounce.

In the fourth quarter, South Arturo co-product cash costs (refer to "Non-IFRS Measures") were USD$223 per ounce of gold sold. Co-product all in sustaining costs (refer to "Non-IFRS Measures") were USD$258 per ounce of gold sold.

The Corporation has also provided by-product information (refer to “Non-IFRS Measures”). Accordingly, Mercedes by-product cash costs in the fourth quarter were $656USD per ounce sold, while all in sustaining costs were USD$785 per ounce sold.

The following table presents operating results by mine for the twelve months ended December 31, 2016:

Mine Operation Results
in CAD $, unless otherwise stated

		For the twelve months ended December 31, 2016 (i)		
		Mercedes	**South Arturo**	**Total**
Ore milled	*tonnes*	175,007	330,415	505,422
Gold produced	*ounces*	22,481	89,258	111,739
Silver produced	*ounces*	98,401	-	98,401
Gold sold	*ounces*	14,619	75,644	90,263
Silver sold	*ounces*	65,380	-	65,380
Revenues and realized prices				
Gold revenue	*000s*	23,521	125,499	149,020
Silver revenue	*000s*	1,490	-	1,490
Total revenues	*000s*	25,011	125,499	150,510
Average realized gold price (ii,iii)	*$/ounce*	1,609	1,659	1,651
Average realized silver price (ii,iii)	*$/ounce*	23	-	23
Non-IFRS Performance Measures				
Co-product cash costs per ounce of gold sold (ii,iii)	*USD $/oz*	690	236	310
Co-product all in sustaining costs per ounce of gold sold (ii,iii)	*USD $/oz*	811	285	370
Co-product cash costs per ounce of silver sold (ii,iii)	*USD $/oz*	10	-	10
Co-product all in sustaining costs per ounce of silver sold (ii,iii)	*USD $/oz*	11	-	11
By-product cash costs per ounce of gold sold (ii,iii)	*USD $/oz*	656	236	304
By-product all in sustaining costs per ounce of gold sold (ii,iii)	*USD $/oz*	785	285	366

(i) Consolidated results include Mercedes Q4 2016.

(ii) A cautionary note regarding Non-IFRS financial metrics is included in the "Non-IFRS Measures" section of this Management's Discussion and

(iii) Cash costs, all in sustaining costs as well as average realized gold\silver price per ounce are Non-IFRS metrics and discussed in the section "Non-IFRS Measures" of this Management's Discussion and Analysis.

Mercedes gold revenue for the year was $23.5 million and silver revenue was $1.5 million. South Arturo revenue for the year was $125.5 million, resulting in total gold revenue of $149 million for the year. Mercedes average realizable gold price (refer to “Non-IFRS Measures”) for the year $1,609 per ounce while South Arturo’s was $1,659 per ounce.

The fourth quarter is the first quarter that Mercedes operating results have been integrated into the Corporation and therefore there is no year to date comparisons.

South Arturo co-product cash costs (refer to “Non-IFRS Measures”) for the fourth quarter were USD$223USD per ounce of gold sold, lower than the twelve month average of USD$236 per ounce. Co-product all in sustaining costs (refer to “Non-IFRS Measures”) for the fourth quarter were $USD258 per ounce of gold sold, lower than the twelve month average of USD$285 per ounce gold sold. Lower fourth quarter costs compared to the third quarter were due to achieving full efficiencies after start-up.

The Corporation has also provided by-product information (refer to “Non-IFRS Measures”). By-product cash costs were USD$656 per ounce sold, while by-product all in sustaining costs were USD$785 per ounce sold. South Arturo had no silver related by-product credits.

Mercedes Mine

The Mercedes mine is 60 kilometres southeast of the town of Magdalena de Kino and 150 kilometres north-northeast of the city of Hermosillo in the state of Sonora, Mexico. Operations are exploiting low sulfidation veins and quartz stockwork for gold and silver by underground methods of cut and fill and longhole stoping, mining at a rate of approximately 2,000 tons per day. Processing is by wet milling with a Merrill-Crowe recovery system. Proven and probable reserves as of June 30, 2016 totaled 2.9 million tonnes at an average gold grade of 4.32 gram per tonne and silver grade of 35.7 gram per tonne containing 404,000 ounces of gold and 3.34 million ounces of silver.

The following table highlights Mercedes quarterly and year end results:

Mercedes Operating Results in CAD $, unless otherwise stated		**For the year ended December 31, 2016** (i)		
		Q3	**Q4**	**Total**
Ore milled	*tonnes*	-	175,007	175,007
Gold produced	*ounces*	-	22,481	22,481
Silver produced	*ounces*	-	98,401	98,401
Gold sold	*ounces*	-	14,619	14,619
Silver sold	*ounces*	-	65,380	65,380
Average gold grade	*grams/tonne*	-	4.27	4.270
Average silver grade	*grams/tonne*	-	44.49	44.49
Average gold recovery rate	*%*	-	94.8	94.8
Average silver recovery rate	*%*	-	39.1	39.1
Revenues and realized prices				
Gold revenue	*000s*	-	23,521	23,521
Silver revenue	*000s*	-	1,490	1,490
Total revenues	*000s*	-	25,011	25,011
Average realized gold price (ii,iii)	*$/ounce*	-	1,609	1,609
Average realized silver price (ii,iii)	*$/ounce*	-	23	23
Non-IFRS Performance Measures				
Co-product cash costs per ounce of gold sold (ii,iii)	*USD $/oz*	-	690	690
Co-product all in sustaining costs per ounce of gold sold (ii,iii)	*USD $/oz*	-	811	811
Co-product cash costs per ounce of silver sold (ii,iii)	*USD $/oz*	-	10	10
Co-product all in sustaining costs per ounce of silver sold (ii,iii)	*USD $/oz*	-	11	11
By-product cash costs per ounce of gold sold (ii,iii)	*USD $/oz*	-	656	656
By-product all in sustaining costs per ounce of gold sold (ii,iii)	*USD $/oz*	-	785	785

(i) Consolidated results include Mercedes Q4 2016.

(ii) A cautionary note regarding Non-IFRS financial metrics is included in the "Non-IFRS Measures" section of this Management's Discussion and Analysis.

(iii) Cash costs, all in sustaining costs as well as average realized gold\silver price per ounce are Non-IFRS metrics and discussed in the section "Non-IFRS Measures" of this Management's Discussion and Analysis.

Mercedes continued to deliver improved performance during the fourth quarter of 2016, resulting from a revised mine plan along with operational improvements and revisions to the mine's cost structure. Mine management is also exploring initiatives that are expected to positively impact the mining rate. At the processing plant, an oxygen injection system was commissioned and indicates a1% increase in gold recoveries and 4% increase in silver for the fourth quarter. With a continued focus on business optimization and operating efficiencies, Mercedes delivered on expectations for 2016.

Gold production in the fourth quarter was 12% higher and silver production was 4% lower, compared to the fourth quarter of 2015 (previous owner). Increased gold production was mainly due to higher grades and a slight increase in recoveries. Lower silver production was the result of slightly lower grades as per the mine plan. Fourth quarter production is consistent with the mine plan.

Exploration

The 2016 exploration program continued to be focused on discovering new mineral bodies close to existing development, supporting mine production, exploring for extensions to mineralization along strike of the main mine trend and testing geologic targets developed in late 2015.

During the fourth quarter, three drill rigs were active on the site, completing 8,532 metres in 44 holes . Year to date, 27,442 metres in 135 holes were completed. Diluvio infill and extension drilling obtained the best results. Drilling also tested extensions and expanded the deposit at Rey de Oro and several drill holes tested and identified new parallel veins near the original Mercedes deposit.

South Arturo Mine

The South Arturo mine is a 40% joint venture with Barrick, who retains the remaining 60% ownership and is the operator of the mine. The mine was brought into production on time and under budget during 2016. Commercial production was achieved on August 1, 2016 and the operation exceeded production guidance mainly as a result of mining higher grades and better recoveries from the roaster processing facility.

The mine is located 45 kilometres northwest of the town of Carlin, Nevada, USA. Operations are exploiting a Carlin-style disseminated deposit for gold by open pit methods, mining at a rate of approximately 6,000 ore tons per day. Processing includes milling and roasting at Barrick's facility. Proven and probable reserves for the company's 40% share as of December 31, 2016 totaled 0.65 million tonnes at an average gold grade of 3.87 grams per tonne containing 81,000 ounces of gold.
The following table highlights South Arturo' results for the three and twelve months ended December 31, 2016:

South Arturo Operating Results in CAD $, unless otherwise stated		**Three months ended December 31, 2016**	**Twelve months ended December 31, 2016**
Ore milled	*tonnes*	213,346	330,415
Gold produced	*ounces*	59,030	89,258
Gold sold	*ounces*	67,569	75,644
Average gold grade	*grams/tonne*	9.48	9.27
Average gold recovery rate	*%*	90.8	90.6
Revenues and realized prices			
Gold revenue	*000s*	111,587	125,499
Average realized gold price (i,ii)	*$/ounce*	1,651	1,659
Non-IFRS Performance Measures			
Co-product cash costs per ounce of gold sold (i,ii)	*USD $/oz*	223	236
Co-product all in sustaining costs per ounce of gold sold (i,ii)	*USD $/oz*	258	285
By-product cash costs per ounce of gold sold (i,ii,iii)	*USD $/oz*	223	236
By-product all in sustaining costs per ounce of gold sold (i,ii,iii)	*USD $/oz*	258	285

(i) A cautionary note regarding Non-IFRS metrics is included in the "Non IFRS Measures" section of this Management's Discussion and Analysis.

(ii) Cash costs, all-in sustaining costs as well as average realized gold price per ounce are Non-IFRS metrics and discussed in the section "Non-IFRS Measures" of this Management's Discussion and Analysis.

(iii) South Arturo had no silver related by-product credits.

The following table highlights South Arturo quarterly results:

South Arturo Operating Results in CAD $, unless otherwise stated		**For the year ended December 31, 2016**		
		Q3	**Q4**	**Total**
Ore milled	*tonnes*	117,069	213,346	330,415
Gold produced	*ounces*	30,228	59,030	89,258
Gold sold	*ounces*	8,075	67,569	75,644
Average gold grade	*grams/tonne*	8.89	9.48	9.27
Average gold recovery rate	*%*	90.4	90.8	90.6
Revenues and realized prices				
Gold revenue	*000s*	13,912	111,587	125,499
Average realized gold price (i,ii)	*$/ounce*	1,723	1,651	1,659
Non-IFRS Performance Measures				
Co-product cash costs per ounce of gold sold (i,ii)	*USD $/oz*	345	223	236
Co-product all in sustaining costs per ounce of gold sold (i,ii)	*USD $/oz*	495	258	285
By-product cash costs per ounce of gold sold (i,ii,iii,iv)	*USD $/oz*	345	223	236
By-product all in sustaining costs per ounce of gold sold (i,ii,iii,iv)	*USD $/oz*	495	258	285

(i) A cautionary note regarding Non-IFRS metrics is included in the "Non-IFRS Measures" section of this Management's Discussion and Analysis.

(ii) Cash costs, all in sustaining costs as well as average realized gold price per ounce are Non-IFRS metrics and discussed in the section "Non-IFRS Measures" of this Management's Discussion and Analysis.

(iii) South Arturo had no silver related by-product credits.

(iv) For comparitive purposes, South Arturo Q3 costs per ounce were updated to reflect ARO amorization in all in sustaining cost and minor re-classification between cash and all in sustaining costs. See section "Non-IFRS Measures" of this Management's Discussion and Analysis.

The mine produced, for the Corporation's 40% share 59,030 ounces of gold compared to 30,228 ounces of gold for the prior quarter. Co-product cash costs (refer to "Non-IFRS Measures") were US$223 per ounce of gold for the quarter. This performance for the fourth quarter and 2016 was better than expected with respect to both production and costs. Gold and silver recoveries for the year were also higher than expected at 90.6%.

Gold production for the fourth quarter was 95% higher, compared to the third quarter of 2016. Increased production was due to completing an entire quarter of production. Lower cash costs compared to the third quarter are due to achieving full efficiencies after start-up.

The mine produced for the Corporation's 40% share 89,258 ounces of gold in 2016. Co-product cash costs per ounce of gold for 2016 were US$236 and all-in sustaining costs of $285USD.

Exploration

The 2016 exploration program at South Arturo continued with the Dee pit expansion project (Phases 1&3) and the El Nino underground project.

A Plan of Operations for the construction of a ramp at El Nino to access high-grade mineralization down dip of the current pit has been submitted for approval with Nevada regulatory authorities. Drilling in the first half of 2017 will focus on the further definition of the ore zones from the pit to infill previous surface exploration drilling programs.

Drilling and bulk sampling are in process for the Dee pit expansion, a potential run of mine heap leach operation located to the west of the current Phase 2 pit. Updated metallurgical recoveries and optimized capital and operating assumptions will be used for a revised economic assessment prior to making a construction decision for this potential second pit operation.

COMMITMENTS AND CONTINGENCIES

Environmental Rehabilitation Provision

The Corporation performs ongoing rehabilitation on its exploration properties and as such has no related reclamation obligations. The Corporation currently has six environmental rehabilitation obligations related to past and current mining activities as follows:

	December 31, 2016	December 31, 2015
	$	$
Northern Empire Mill, Ontario	**2,131,965**	2,473,590
Faymar-Deloro, Ontario	**772,525**	1,419,447
Hasaga, Ontario, Canada	**284,642**	-
McCoy-Cove, Nevada, USA	**1,186,328**	1,195,140
South Arturo, Nevada, USA	**8,767,395**	5,031,380
Mercedes, Sonora, Mexico	**7,690,249**	-
	20,833,104	10,119,557

Northern Empire Mill, Ontario

There was $189,992 in reclamation expenditures related to the closure activities at the Northern Empire mill. During the year, the closure plan was reviewed with the Ministry of Northern Development and Mines ("MNDM") which resulted in a change in timing of expenditures with the adjustment of $173,975 recorded to the remeasurement of environmental rehabilitation recovery. The fourth quarter expenditures should be funded from the financial assurance bond placed with the MNDM as described in restricted cash Note 9 to the December 31, 2016 audited consolidated financial statements.

Faymar Deloro, Ontario

Reclamation expenditures during the fourth quarter for the Faymar Deloro property were $100,001 and $108,652 for the full year. The property was re-evaluated during the third quarter as initial estimates were based on older studies on the property. As a result of refining the rehabilitation plan for the property, a change in estimate was recorded to the remeasurement of environmental rehabilitation recovery in the amount of $547,725. The Faymar Deloro property does not require financial assurance and any required spending will be funded out of cash.

Hasaga, Ontario

As a result of an acquisition of a property claim, the Hasaga reclamation obligation was added during the fourth quarter. A closure plan has been developed and initial reclamation costs identified. Financial assurance was placed with the MNDM as described in restricted cash Note 9 to the December 31, 2016 audited consolidated financial statements.

McCoy-Cove, Nevada

The McCoy-Cove reclamation obligation is related to the McCoy portion of the property purchased from Newmont Mining Corporation in 2014. The property had a remaining obligation from previous mining activities, most of which was completed prior to acquiring the property. There are ongoing reclamation activities related to the tailings pond and the clean up of the old pads. Structural reclamation is on hold for several years pending a new mine plan for the property. Related expenditures on the property are currently funded out of cash. Financial assurance has been placed, as described in restricted cash Note 9 to the December 31, 2016 audited consolidated financial statements.

South Arturo, Nevada

The South Arturo reclamation obligation is managed by Barrick and is based on a 20 year reclamation plan with minimal expenditures until 2021. Main reclamation activities will begin in 2025. The change in timeline of these related expenditures results in discount rate that is charged to the associated asset.

Mercedes, Mexico

Subsequent to the Mercedes acquisition date of September 30, 2016, there were no reclamation expenditures related to closure activities. No new areas were impacted during this period therefore no update to the plan was necessary. An update of the closure plan will be required during 2017 to incorporate the 2017 programs that will have an impact and require remediation.

Contractual obligations and commitments

The following is a summary of the commitments of the Corporation at December 31, 2016:

	2017	2018	2019	2020	2021	2022 and later	Total
	$	$	$	$		$	
Contracts and operation leases	364,932	165,558	12,702	-	-	-	543,192
Debt (i)	2,752,535	60,488,635	-	-	-	-	63,241,170
Exploration expenditure commitment from the issue of flow-through shares	4,220,917	-	-	-	-	-	4,220,917
Exploration expenditure commitment from Goldbanks project	3,686,312	-	-	-	-	-	3,686,312
Provisions for environmental rehabilitation (ii)	736,382	1,127,487	1,832,028	1,859,355	1,612,462	13,766,473	20,934,187
	11,761,078	61,781,680	1,844,730	1,859,355	1,612,462	13,766,473	92,625,778

(i) Amounts presented in the table for the debt represent the undiscounted future payments.

(ii) Amounts presented in the table for the provisions for environmental rehabilitation represent the undiscounted uninflated future payments for the expected cost of the rehabilitation.

Surety Bonds

At December 31, 2016, the Corporation has outstanding surety bonds in the amount of USD$4,566,905 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 USD$250,000 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.

Contingency

The Corporation is currently subject to a litigation proceeding as disclosed in note 26 to the December 31, 2016 audited consolidated financial statements. On February 6, 2017, the Superior Court of Justice rendered judgement in favour of the Corporation.

Off Balance Sheet Arrangements

The Corporation has not participated in off-balance sheet or income statement arrangements other than the surety bonds discussed above.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are as disclosed in Note 22 of the December 31, 2016 audited consolidated financial statements with no significant changes for the quarter or during the year.

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

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

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

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

The figures noted below are for the year ended December 31, 2016 with comparative figures for the year ended December 31, 2015.

(a) Included in general and administrative expenses are amounts totaling $57,851 (2015 $44,000) for corporate secretarial and filing services provided by DRAX Services Limited, related to the Corporation through Shaun Drake, Corporate Secretary of the Corporation.

(b) Included in general and administrative expenditures are amounts totaling $107,358 (2015 $92,546) for IT support services provided by 1752466 Ontario Inc., O/A The Alyris Group, a Corporation related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation, and Steve Filipovic, Chief Financial Officer of the Corporation.

(c) Included in general and administrative expenditures are amounts totaling $153,043 (2015 $152,511) for rental charges paid to Alyris Leasing Inc., a Corporation related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation, and Steve Filipovic, Chief Financial Officer of the Corporation.

Transactions with key management personnel

Key management personnel remuneration includes the following amounts:

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

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES, POLICIES AND CHANGES

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 the audited consolidated financial statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities and earnings within the next financial year include:

Business combinations

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

Purchase price allocation

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

Inventory valuation

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

Recoverable ounces

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

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

Asset retirement obligations

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

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 December 31, 2016 in conjunction with the mine acquisition described in Note 4 to the December 31, 2016 audited consolidated 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.

Functional currency of foreign subsidiaries

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

Management uses its judgement to determine the functional currency that most faithfully represents the economic

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

Deferred income taxes

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

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

Other estimates

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

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

Recent accounting pronouncements

Accounting standards issued and effective January 1, 2016

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

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

Accounting standards issued and effective January 1, 2017 or later

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

On January 19, 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS12). The amendments apply retrospectively for annual periods beginning on or after January 1, 2017 and earlier adoption is permitted. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount. The Corporation intends to adopt the amendments in IAS 12 in its financial statements for the annual period beginning on January 1, 2017.

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

In May 2014, IFRS 15, Revenue from Contracts with Customers was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations and is effective for annual reporting periods beginning on or after January 1, 2018 with early adoption permitted. Entities have the option of using either a full retrospective or a modified retrospective approach to adopt the guidance. The Corporation is assessing the impact of this Standard.

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

NON-IFRS MEASURES

The Corporation has included certain terms or performance measures commonly used in the mining industry that are not defined under International Financial Reporting Standards ("IFRS") in this document. These include: cash cost per ounce sold, all in sustaining cost ("AISC") per ounce sold and average realized price per ounce. Non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore, they may not be comparable to similar measures employed by other companies. The data presented is intended to provide additional information and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS and should be read in conjunction with the Corporation's consolidated financial statements.

Definitions

All-in sustaining costs on a by-product basis per ounce include total production cost cash costs on a by-product basis plus incorporates costs related to sustaining production.

All-in sustaining costs on a co-product basis per ounce include total production cost cash costs on a co-product basis plus incorporates costs related to sustaining production

Average realized gold price is calculated by dividing revenue derived from gold sales by the number of ounces sold

Average realized silver price is calculated by dividing revenue derived from silver sales by the number of ounces sold

By-product credits include revenues from the sale of by-products for our gold mines

Capital expenditure (sustaining) is a capital expenditure necessary to maintain existing levels of production. The sustaining capital expenditures maintain the existing mine fleet, mill and other facilities so that they function at levels consistent from year to year

Cost of sales per ounce sold is calculated by dividing cost of sales by gold ounces sold

Exploration and evaluation (sustaining) expenses is presented as minesite sustaining if it supports current mine operations

Rehabilitation – accretion and amortization includes depreciation on the assets related to rehabilitation provision of our gold operations and accretion on the rehabilitation provision of our gold operations

Change in Presentation of Non-IFRS Measures

Starting in the fourth quarter 2016 MD&A, the presentation of Non-IFRS measures has been enhanced and simplified. The presentation includes a Canadian dollar cost of sales reconciliation to the financial statements, followed by a presentation in US dollars. Cash costs and all in sustaining costs are presented by mine operation and on a consolidated level in US dollars. The main presentation is on a co-product basis, however by-product cost per ounce metrics have also been provided in order to provide more information to our stakeholders. As part of this simplification, we have grouped several minor items into one line labelled "Other costs", with further detail to the footnote. We believe that these changes will assist analysts, investors and other stakeholders to better understand how we calculate these Non-IFRS measures and simplify how they reconcile to our financial statements. This change to the presentation of our reconciliation does not result in any changes to the figures calculated, except as noted below.

Cash costs for the third quarter were updated to align corporate general and administrative with our current presentation as an all in sustaining costs per ounce. The impact of this adjustment was USD$16 per ounce. Third quarter all in sustaining costs were updated to align rehabilitation amortization with our current presentation. The impact of this adjustment was USD$124 per ounce. Smaller adjustments to all in sustaining costs were also updated for the third quarter, resulting in an impact of USD$3 per ounce. We believe this change will assist analysts, investors and other stakeholder in understanding all of the expenditures related to growing our business.

Cash Costs

Cash costs per gold ounce sold represents all direct and indirect operating costs related to the physical activities of producing gold, including on-site mining costs, processing, third-party smelting, refining and transport costs, on-site general and administrative costs and royalties (State of Nevada net proceeds taxes are excluded). Cash costs incorporate the Corporation's share of production costs but exclude, among other items, the impact of depreciation, depletion and amortization ("DD&A"), reclamation costs, financing costs, capital development and exploration and income taxes. In order to arrive at consolidated cash costs, the Corporation includes its attributable share of total cash costs from operations where less than 100% interest in the economic share of production is held.

Cash costs are computed on a co-product basis, however, by-product cost per ounce metrics have also been provided in order to provide more information to the Corporation's stakeholders.

Cash cost: by product - When deriving the cash costs: by product associated with an ounce of gold, the Corporation includes by-product credits, as the Corporation considers that the cost to produce the gold is reduced as a result of the by-product sales incidental to the gold production process. Accordingly, total production costs are reduced for revenues earned from silver sales.

Cash cost: co product - When deriving the cash costs associated with an ounce of gold, the Corporation allocates a share of production costs to the co-product based on the ratio of silver sales dollars to gold sales dollars.

Cash costs per ounce is a common performance measure in the mining industry, but does not have any standardized meaning. In determining it's cash cost, the Corporation has considered the guidelines provided by the World Gold Council, a non-regulatory, non-profit market development organization for the gold industry. A corporation's adoption of the standard is voluntary and other companies may quantify these measures differently as a result of different underlying principles and policies applied.

All in sustaining costs

AISC include total production cash costs incurred at the Corporation's mining operations, which forms the basis of the Corporation's by-product and co-product cash costs. Additionally, the Corporation includes sustaining capital expenditures which is expended to maintain existing levels of production (to which costs do not contribute to a material increase in annual gold ounce production over the next 12 months), rehabilitation accretion and amortization, corporation general and administrative expense excluding stock-based compensation and exploration and evaluation expenses. The measure seeks to reflect the full cost of gold production from current operations, therefore expansionary capital is excluded. Certain other cash expenditures, including tax payments (including the State of Nevada net proceeds tax), dividends and financing costs are also excluded. The Corporation reports AISC on a gold ounce sold basis.

This performance measure was adopted as a result of an initiative undertaken within the gold mining industry; however, this performance measure has no standardized meaning and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. In determining AISC, the Corporation has considered the guidelines provided by the World Gold Council, a non-regulatory, non-profit market development organization for the gold industry. A corporation's adoption of the standard is voluntary and other companies may quantify these measures differently as a result of different underlying principles and policies applied.

The following table provides a reconciliation on a co-product basis for cash cost and AISC cost for the three months ended December 31, 2016:

For the three months ended December 31, 2016

Co-Product	Mercedes Gold	Mercedes Per gold ounce sold	South Arturo Gold	South Arturo Per gold ounce sold	Total Gold Gold	Total Gold Per gold ounce sold	Mercedes Silver	Mercedes Per silver ounce sold	Total
Cost of sales excluding depletion, depreciation and amortization	$14,196	$971	$20,166	$298	$34,362	$418	$890	$14	$35,252
Depletion, depreciation and amortization	$3,966	$271	$56,923	$842	$60,889	$741	$249	$4	$61,138
Total cost of sales	**$18,162**	**$1,242**	**$77,089**	**$1,141**	**$95,251**	**$1,159**	**$1,139**	**$17**	**$96,390**
Cost of sales excluding depletion, depreciation and amortization	$10,716	$733	$15,222	$225	$25,938	$316	$672	$10	$26,609
Depletion, depreciation and amortization	$2,994	$205	$42,967	$636	$45,961	$559	$188	$3	$46,149
Total cost of sales	**$13,710**	**$938**	**$58,189**	**$861**	**$71,898**	**$875**	**$860**	**$13**	$72,758
Depletion, depreciation and amortization	($2,994)	($205)	($42,967)	($636)	($45,961)	($559)	($188)	($3)	($46,149)
Inventory movement	($631)	($43)	$0	$0	($631)	($8)	($40)	($1)	($671)
Other costs (ii)	$0	$0	($139)	($2)	($139)	($2)	$0	$0	($139)
Cash cost : co-product	**$10,084**	**$690**	**$15,083**	**$223**	**$25,167**	**$306**	**$632**	**$10**	**$25,799**
General and administrative	$0	$0	$179	$3	$179	$2	$0	$0	$179
Rehabilitation - accretion and amortization	$79	$5	$2,046	$30	$2,125	$26	$5	$0	$2,130
Sustaining capital expenditures	$0	$0	$107	$2	$107	$1	$0	$0	$107
Sustaining exploration and evaluation expense	$1,687	$115	$0	$0	$1,687	$21	$106	$2	$1,793
All in sustaining cost : co-product	**$11,851**	**$811**	**$17,415**	**$258**	**$29,266**	**$356**	**$743**	**$11**	**$30,009**
Total ounces produced	**22,481**		**59,030**		**81,511**		**98,401**		
Total ounces sold	**14,619**		**67,569**		**82,188**		**65,380**		

(i) Results may not add due to rounding
(ii) Corporate general and administrative expenses that align with all in sustaining costs

The following table provides reconciliation on a co-product basis for cash cost and AISC for the twelve months ended December 31, 2016:

For the twelve months ended December 31, 2016

Co-Product	Mercedes Gold	Mercedes Per gold ounce sold	South Arturo Gold	South Arturo Per gold ounce sold	Total Gold	Total Per gold ounce sold	Mercedes Silver	Mercedes Per silver ounce sold	Total
Cost of sales excluding depletion, depreciation and amortization	$14,196	$971	$24,021	$318	$38,217	$423	$890	$14	$39,107
Depletion, depreciation and amortization	$3,966	$271	$63,450	$839	$67,416	$747	$249	$4	$67,665
Total cost of sales	**$18,162**	**$1,242**	**$87,471**	**$1,156**	**$105,633**	**$1,170**	**$1,139**	**$17**	**$106,772**
Cost of sales excluding depletion, depreciation and amortization	$10,716	$733	$18,138	$240	$28,854	$320	$672	$10	$29,526
Depletion, depreciation and amortization	$2,994	$205	$47,905	$633	$50,899	$564	$188	$3	$51,087
Total cost of sales	**$13,710**	**$938**	**$66,043**	**$873**	**$79,753**	**$884**	**$860**	**$13**	$80,612
Depletion, depreciation and amortization	($2,994)	($205)	($47,905)	($633)	($50,899)	($564)	($188)	($3)	($51,087)
Inventory movement	($631)	($43)	$0	$0	($631)	($7)	($40)	($1)	($671)
Other costs (ii)	$0	$0	($274)	($4)	($274)	($3)	$0	$0	($274)
Cash cost : co-product	**$10,084**	**$690**	**$17,865**	**$236**	**$27,949**	**$310**	**$632**	**$10**	**$28,581**
General and administrative	$0	$0	$474	$6	$474	$5	$0	$0	$474
Rehabilitation - accretion and amortization	$79	$5	$3,060	$40	$3,139	$35	$5	$0	$3,144
Sustaining capital expenditures	$0	$0	$172	$2	$172	$2	$0	$0	$172
Sustaining exploration and evaluation expense	$1,687	$115	$0	$0	$1,687	$19	$106	$2	$1,793
All in sustaining cost : co-product	**$11,851**	**$811**	**$21,570**	**$285**	**$33,420**	**$370**	**$743**	**$11**	**$34,164**
Total ounces produced	**22,481**		**89,258**		**111,739**		**98,401**		
Total ounces sold	**14,619**		**75,644**		**90,263**		**65,380**		

(i) Results may not add due to rounding
(ii) Corporate general and administrative expenses that align with all in sustaining costs

The following table provides reconciliation on a by-product basis for cash cost and AISC for the three months ended December 31, 2016:

	For the three months ended December 31, 2016					
	Mercedes		South Arturo		Total	
By-Product	Gold	Per gold ounce sold	Gold	Per gold ounce sold	Gold	Per gold ounce sold
Cost of sales excluding depletion, depreciation and amortization	$15,086	$1,032	$20,166	$298	$35,252	$429
Depletion, depreciation and amortization	$4,215	$288	$56,923	$842	$61,138	$744
Total cost of sales	**$19,301**	**$1,320**	**$77,089**	**$1,141**	**$96,390**	**$1,173**
Cost of sales excluding depletion, depreciation and amortization	$11,387	$779	$15,222	$225	$26,609	$324
Depletion, depreciation and amortization	$3,182	$218	$42,967	$636	$46,149	$562
Total cost of sales	**$14,569**	**$997**	**$58,189**	**$861**	**$72,758**	**$885**
Depletion, depreciation and amortization per gold ounce sold	($3,182)	($218)	($42,967)	($636)	($46,149)	($562)
Inventory movement per gold ounce	($671)	($46)	$0	$0	($671)	($8)
By product credits	($1,125)	($77)	$0	$0	($1,125)	($14)
Other costs (ii)	$0	$0	($139)	($2)	($139)	($2)
Cash cost : by product	**$9,592**	**$656**	**$15,083**	**$223**	**$24,674**	**$300**
General and administrative	$0	$0	$179	$3	$179	$2
Rehabilitation - accretion and amortization	$84	$6	$2,046	$30	$2,130	$26
Sustaining capital expenditures per gold ounce	$0	$0	$107	$2	$107	$1
Sustaining exploration and evaluation expense per gold ounce	$1,793	$123	$0	$0	$1,793	$22
All in sustaining cost : by-product	**$11,469**	**$785**	**$17,415**	**$258**	**$28,884**	**$351**
Total gold ounces produced	**22,481**		**59,030**		**81,511**	
Total gold ounces sold	**14,619**		**67,569**		**82,188**	

(i) Results may not add due to rounding
(ii) Corporate general and administrative expenses that align with all in sustaining costs

The following table provides reconciliation on a by-product basis for cash cost and, AISC for the twelve months ended December 31, 2016:

	For the twelve months ended December 31, 2016					
	Mercedes		South Arturo		Total	
By-Product	Gold	Per gold ounce sold	Gold	Per gold ounce sold	Gold	Per gold ounce sold
Cost of sales excluding depletion, depreciation and amortization	$15,086	$1,032	$24,021	$318	$39,107	$433
Depletion, depreciation and amortization	$4,215	$288	$63,450	$839	$67,665	$750
Total cost of sales	**$19,301**	**$1,320**	**$87,471**	**$1,156**	**$106,772**	**$1,183**
Cost of sales excluding depletion, depreciation and amortization	$11,387	$779	$18,138	$240	$29,526	$327
Depletion, depreciation and amortization	$3,182	$218	$47,905	$633	$51,087	$566
Total cost of sales	**$14,569**	**$997**	**$66,043**	**$873**	**$80,612**	**$893**
Depletion, depreciation and amortization per gold ounce sold	($3,182)	($218)	($47,905)	($633)	($51,087)	($566)
Inventory movement per gold ounce	($671)	($46)	$0	$0	($671)	($7)
By product credits	($1,125)	($77)	$0	$0	($1,125)	($12)
Other costs (ii)	$0	$0	($274)	($4)	($274)	($3)
Cash cost : by product	**$9,592**	**$656**	**$17,865**	**$236**	**$27,456**	**$304**
General and administrative	$0	$0	$474	$6	$474	$5
Rehabilitation - accretion and amortization	$84	$6	$3,060	$40	$3,144	$35
Sustaining capital expenditures per gold ounce	$0	$0	$172	$2	$172	$2
Sustaining exploration and evaluation expense per gold ounce	$1,793	$123	$0	$0	$1,793	$20
All in sustaining cost : by-product	**$11,469**	**$785**	**$21,570**	**$285**	**$33,039**	**$366**
Total gold ounces produced	**22,481**		**89,258**		**111,739**	
Total gold ounces sold	**14,619**		**75,644**		**90,263**	

(i) Results may not add due to rounding
(ii) Corporate general and administrative expenses that align with all in sustaining costs

RISKS AND RISK MANAGEMENT

Financial Instruments and Related Risks

The Corporation's activities expose it to risks, including financial and operational risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns and which are more fully described in the risks and uncertainties section.

For financial instruments, the carrying amounts of cash and cash equivalents, receivables and accounts payable and accrued liabilities are considered to be reasonable approximations of their fair values due to the short term nature of these instruments. At December 31, 2016 and December 31, 2015, the carrying amount of restricted cash and notes payable are considered to be a reasonable approximation of their fair value as there have been no significant changes in market interest rates since inception.

Debt is initially recognized at fair value, net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are held at amortized cost using the effective interest method.

Derivative instruments are recorded at fair value through profit or loss and are recorded on the statement of financial position at fair market value. Fair value for derivative instruments are determined using valuation techniques with assumptions based on market conditions existing at the statement of financial position date or settlement date of the derivative.

For full details on the financial instruments and related risks affecting the Corporation, please refer to the Corporation's audited annual consolidated financial statements, notes and information form for the year ended December 31, 2016 and note 24 of the audited consolidated financial statements for the period ended December 31, 2016.

Management of Capital Risk

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

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

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

To effectively manage its capital requirements, the Corporation has in place a planning and budgeting process to help determine the funds required to ensure the Corporation has the appropriate liquidity to meet its operating and growth objectives. The Corporation expects its current capital resources will be sufficient to carry out its exploration and evaluation plans through 2018.

Risks and Uncertainties

Fluctuating Commodity Prices

Historically, gold prices have fluctuated widely and are affected by numerous external factors beyond Premier's control, including industrial and retail demand, central bank lending, sales and purchases of gold, forward sales of gold by producers and speculators, production and cost levels in major producing regions, short-term changes in supply and demand because of speculative hedging activities, confidence in the global monetary system, expectations of the future rate of inflation, the strength of the US dollar (the currency in which the price of gold is generally quoted), interest rates, terrorism and war, and other global or regional political or economic events. Resource prices have fluctuated widely and are sometimes subject to rapid short-term changes because of speculative activities. The exact effect of these factors cannot be accurately predicted, but any one of, or any combination of, these factors may result in not receiving an adequate return on invested capital and a loss of all or part of an investment in securities in Premier.

Dependence on Key Personnel

Premier's success is dependent on a relatively small number of key employees. The loss of one or more of these key employees, if not replaced, could materially adversely affect Premier's business, results of operations and financial condition.

Dependence on Third Parties

Premier relies significantly on strategic relationships with other entities and also on good relationships with regulatory and governmental departments. Premier also relies upon third parties to provide essential contracting services. In some cases, Premier holds its interest in its properties through joint ventures. In certain cases, including the South Arturo Mine and the Rahill Bonanza Project, Premier is not the manager of the joint venture. In these situations the joint venture decision may not accord with Premier's stated or desired plan. There can be no assurance that Premier's existing relationships will continue to be maintained or that new ones will be successfully formed and Premier could be adversely affected by changes to such relationships or difficulties in forming new ones. Any circumstance, which causes the early termination or nonrenewal of one or more of these key business alliances or contracts, could adversely impact Premier, its business, operating results and prospects.

No Assurance of Title

The acquisition of title to mineral projects is a very detailed and time consuming process. Although Premier has taken precautions to ensure that legal title to its property interests is properly recorded in the name of Premier where possible, there can be no assurance that such title will ultimately be secured. Furthermore, there is no assurance that the interests of Premier in any of its properties may not be challenged or impugned. Title insurance is generally not available for mineral properties and Premier has a limited ability to ensure that it has obtained secure claim to individual mineral claims. While Premier intends to take all reasonable steps to maintain title to its mineral properties, there can be no assurance that Premier will be successful in extending or renewing mineral rights on or prior to expiration of their term or that the title to any such properties will not be affected by an unknown title defect.

Construction and Start-up of New Mines

The success of construction projects and the start up of new mines by the Corporation is subject to a number of factors including the availability and performance of engineering and construction contractors, mining contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of mining facilities and the conduct of mining operations (including environmental permits), the successful completion and operation of ore passes, the adsorption/desorption/recovery plants and conveyors to move ore, among other operational elements. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Corporation is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with new mines could delay or prevent the construction and start up of new mines as planned. There can be no assurance that current or future construction and start up plans implemented by the Corporation will be successful, that the Corporation will be able to obtain sufficient funds to finance construction and start up activities, that personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects, that the Corporation will be able to obtain all necessary governmental approvals and permits or that the completion of the construction, the start up costs and the ongoing operating costs associated with the development of new mines will not be significantly higher than anticipated by the Corporation. Any of the foregoing factors could adversely impact the operations and financial condition of the Corporation.

Permits and Licenses

The operations of Premier require licenses and permits from various governmental authorities. Premier believes that it presently holds all necessary licenses and permits required to carry on with activities which it is currently conducting under applicable laws and regulations, and Premier believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in regulations and in various operating circumstances. Where required, obtaining necessary licenses and permits can be a complex and time consuming process. The costs and delays associated with obtaining necessary licences and permits could stop or materially delay or restrict Premier from proceeding with the development of an exploration project. There can be no assurance that Premier will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations at its mineral projects or that Premier will be able to comply with the conditions of all such necessary licenses and permits in an economically viable manner.

Environmental Regulations and Potential Liabilities

The operations of Premier are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental hazards may exist on the properties on which Premier holds interests which are unknown to Premier at present and which have been caused by previous or existing owners or operators of the properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration or mining operations may be required to compensate those suffering loss or damage by reason of the exploration or mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on Premier and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties. The potential financial exposure may be significant.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, railways, power sources and water supply are important determinants affecting capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Corporation's operations, financial condition and results of operations.

Aboriginal Claims and Consultation Issues

Aboriginal interests and rights as well as related consultation issues may impact Premier's ability to pursue exploration, development and mining at its projects. Premier may enter into agreements with First Nations and other Aboriginal communities in order to manage its relationship with those groups but there is no assurance that claims or other assertions of rights by Aboriginal communities or consultation issues will not arise on or with respect to Premier's properties or activities. These could result in significant costs and delays or materially restrict Premier's activities.

Fluctuations in Foreign Currency Exchange Rates

A significant portion of Premier's current and proposed expenditures are made in United States dollars and Mexican Pesos. Since Premier's financial results are reported in Canadian dollars, its financial position and results will be impacted by exchange fluctuations between the Canadian dollar, the U.S. dollar and the Mexican Peso.

The effects of the foreign exchange rates on operating costs and on future cash flows may be significant. Premier does not currently have any hedging contracts in connection with its use of U.S. dollars or Mexican Pesos. The depreciation of the Canadian dollar against the U.S. dollar or Mexican Peso would increase the costs associated with the exploration and development of Premier's properties and potentially increase future operating costs, taxes and royalties paid. These increased costs could materially adversely affect Premier's results of operation and financial condition.

Availability and Costs of Infrastructure, Energy and Other Commodities

Mining, processing, capital development projects and exploration activities depend on adequate infrastructure. Reliable access to energy and power sources and water supply are important factors that affect capital and operating costs. If the Corporation does not have timely access to adequate infrastructure, there is no assurance that it will be able to start or continue exploiting and develop projects, complete them on timely basis or at all. There is no assurance that the ultimate operations will achieve the anticipated production volume, or that construction costs and operating costs will not be higher than estimates calculated.

The profitability of the Corporation's business is also affected by the market prices and availability of commodities and resources which are consumed or otherwise used in connection with the Corporation's operations and development projects such as diesel fuel, electricity, finished steel, tires, steel, chemicals and reagents. Prices of such commodities and resources are also subject to volatile price movements, which can be material and can occur over short periods of time due to factors beyond the Corporation's control.

If there is a significant and sustained increase in the cost of certain commodities, the Corporation may decide that it is not economically feasible to continue all of the Corporation's commercial production and development activities and this could have an adverse effect on profitability. Higher worldwide demand for critical resources like input commodities, drilling equipment, mobile mining equipment, tires and skilled labour could affect the Corporation's ability to acquire them and lead to delays in delivery and unanticipated cost increases, which could have an effect on the Corporation's operating costs, capital expenditures and production schedules.

Further, the Corporation relies on certain key third party suppliers and contractors for services, equipment, raw materials used in, and the provision of services necessary for, the development, construction and continuing operation of its assets. As a result, the Corporation's activities are subject to a number of risks some of which are outside its control, including negotiating agreements with suppliers and contractors on acceptable terms, the inability to replace a supplier or a contractor and its equipment, raw materials or services in the event that either party terminates the agreement, interruption of operations or increased costs in the event that a supplier or contractor ceases its business due to insolvency or other unforeseen event and failure of a supplier or contractor to perform under its agreement with the Corporation. The occurrences of one or more of these events could have a material effect on the business, results of operations and financial condition of the Corporation.

Uncertainty of Production Estimates

Future estimates of gold production for the Corporation's operation as a whole are derived from a mining plan and these estimates are subject to change. There is no assurance the production estimates will be achieved and failure to achieve production estimates could have a materially adverse effect on the Corporation's future cash flow, results of operations and financial condition. These plans are based on, among other things, mining experience, reserve estimates, assumptions regarding ground conditions and physical characteristics of ores and estimated rates and costs of production. Actual ore production may vary from estimates for a variety of reasons, including risks and hazards of the types discussed above.

Such occurrences could result in damage to mineral properties, interruptions in production, money losses and legal liabilities and could cause a mineral property that has been mined profitably in the past to become unprofitable.

Any decrease in production or change to the timing of production or the prices realized for gold sales, will directly affect the amount and timing of the cash flow from operations. A production shortfall or any of these other factors would change the timing of the Corporation's projected cash flow and its ability to use the cash to fund capital expenditures.

Financing Risk

The ability of the Corporation to arrange additional financing in the future will depend, in part, on the prevailing debt and equity market conditions, the price of gold, the performance of the Corporation and other factors outlined herein. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Corporation.

If the Corporation raises additional funds through the sale of equity securities or securities convertible into equity securities, shareholders may have their equity interest in the Corporation diluted.

In addition, failure to comply with covenants under the Corporation's current or future debt agreements or to make scheduled payments of the principal of, or to pay interest on, its indebtedness or to make scheduled payments under hedging arrangements would likely result in an event of default under the debt agreements and would allow the lenders to accelerate the debt under these agreements, which may affect the Corporation's financial condition.

Losses from or Liabilities for Risks which are not Insured

Hazards such as unusual or unexpected geological formations and other conditions are involved in mineral exploration and development and mining. The Corporation may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities would have a material, adverse effect on the Corporation's financial position and results of operations.

Although the Corporation maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable against, or the Corporation might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Corporation could incur significant costs that could have a materially adverse effect upon its financial condition and results of operations.

Governmental Regulation

Exploration, development and mining of minerals are subject to extensive federal, provincial, state and local laws and regulations governing acquisition of the mining interests, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, water use, land use, land claims that may be brought by First Nations and other aboriginal groups, environmental protection and remediation, endangered and protected species, mine safety and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied or amended in a manner that could have a material adverse effect on the business, financial condition and results of operations of Premier. The costs and delays associated with obtaining necessary licences and permits and complying with these licences and permits and applicable laws and regulations could stop or materially delay or restrict Premier from proceeding with the development of a project. Any failure to comply with applicable laws and regulations or licences and permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities. Premier may be required to compensate those suffering loss or damage by reason of its mining operations and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits.

These laws and regulations are administered by various governmental authorities including the federal, provincial and municipal governments of Canada, the USA and Mexico.

Health and Safety

Mining operations generally involve a high degree of risk. Personnel involved in the Corporation's operations are subject to many inherent risks, including but not limited to, rock bursts, cave-ins, flooding, fall of ground, electricity, slips and falls and moving equipment that could result in occupational illness, health issues and personal injuries. The Corporation has implemented various health and safety measures designed to mitigate such risks. Such precautions, however, may not be sufficient to eliminate health and safety risks and employees, contractors and others may not adhere to the occupational health and safety programs that are in place. Any such occupational health and personal safety issues may adversely affect the business of the Corporation and its future operations.

Tax Matters

The Corporation's taxes are affected by a number of factors, some of which are outside of its control, including the application and interpretation of the relevant tax laws and treaties. If the Corporation's filing position, application of tax incentives or similar 'holidays' or benefits were to be challenged for whatever reason, this could have a material adverse effect on the Corporation's business, results of operations and financial condition.

The Corporation is subject to routine tax audits by various tax authorities. Tax audits may result in additional tax, interest payments and penalties which would negatively affect the Corporation's financial condition and operating results. New laws and regulations or changes in tax rules and regulations or the interpretation of tax laws by the courts or the tax authorities may also have a substantial negative impact on the Corporation's business. There is no assurance that the Corporation's current financial condition will not be materially adversely affected in the future due to such changes.

Information technology

The Corporation is reliant on the continuous and uninterrupted operations of its Information Technology ("IT") systems. User access and security of all IT systems are critical elements to the operations of the Corporation. Protection against cyber security incidents and cloud security, and security of all of the Corporation's IT systems are critical to the operations of the Corporation. Any IT failure pertaining to availability, access or system security could result in disruption for personnel and could adversely affect the reputation, operations or financial performance of the Corporation.

The Corporation's IT systems could be compromised by unauthorized parties attempting to extract business sensitive, confidential or personal information, corrupting information or disrupting business processes or by inadvertent or intentional actions by the Corporation's employees or vendors. A cyber security incident resulting in a security breach or failure to identify a security threat, could disrupt business and could result in the loss of business sensitive, confidential or personal information or other assets, as well as litigation, regulatory enforcement, violation of privacy and security laws and regulations and remediation costs.

Labour Difficulties

Factors such as work slowdowns or stoppages caused by the attempted unionization of operations and difficulties in recruiting qualified miners and hiring and training new miners could materially adversely affect the Corporation's business. This would have a negative effect on the Corporation's business and results of operations; which might result in the Corporation not meeting its business objectives.

Nature of Mineral Exploration and Mining

The economics of exploring and developing mineral properties are affected by many factors including capital and operating costs, variations of the grades and tonnages of ore mined, fluctuating mineral market prices, costs of mining and processing equipment and such other factors as government regulations, allowable production, importing and exporting of minerals and environmental protection.

The effect of these factors cannot be accurately predicted, but the combination of these factors may result in Premier not receiving an adequate return on invested capital. The operations of Premier are also subject to all of the hazards and risks normally incidental to exploration and development of mineral properties, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The activities of Premier may be subject to prolonged disruptions due to inclement or hazardous weather conditions depending on the location of operations in which Premier has interests. Hazards, such as unusual or unexpected geological formations, rock bursts, formation pressures, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. Other risks include, but are not limited to, mechanical equipment performance problems, industrial accidents, labour disputes, drill rig shortages, the unavailability of materials and equipment, power failures, hydrological conditions, earthquakes, fires, landslides and other Acts of God. While Premier may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which Premier cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of Premier and, potentially, its financial position.

Estimates of Mineral Resources and Mineral Reserves

Mineral reserves and mineral resources are estimates only, and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that mineral reserves can be mined or processed profitably. Mineral reserve and mineral resource estimates may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing and other relevant issues. 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, the nature of the ore body and of the assumptions made and judgments used in engineering and geological interpretation. These estimates may require adjustments or downward revisions based upon further exploration or development work or actual production experience. Fluctuations in gold or silver prices, results of drilling, metallurgical testing and production, the evaluation of mine plans after the date of any estimate, permitting requirements or unforeseen technical or operational difficulties, may require revision of mineral reserve and mineral resource estimates. Prolonged declines in the market price of gold (or applicable by-product metal prices) may render mineral reserves containing relatively lower grades of mineralization uneconomical to recover and could materially reduce the Corporation's mineral reserves. Should reductions in mineral resources or mineral reserves occur, the Corporation may be required to take a material write-down of its investment in mining properties, reduce the carrying value of one or more of its assets or delay or discontinue production or the development of new projects, resulting in increased net losses and reduced cash flow. Mineral resources and mineral reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations. There is a degree of uncertainty attributable to the calculation and estimation of mineral resources and mineral reserves and corresponding grades being mined and, as a result, the volume and grade of mineral reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources, or of the Corporation's ability to extract these mineral reserves, could have a material adverse effect on the Corporation's results of operations and financial condition. Mineral resources are not mineral reserves and have a greater degree of uncertainty as to their existence and feasibility. There is no assurance that mineral resources will be upgraded to proven or probable mineral reserves.

Competition

There is significant competition in the precious metals mining industry for mineral rich properties that can be developed and produced economically, the technical expertise to find, develop, and operate such properties, the labour to operate the properties and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a global basis. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than Premier, Premier may be unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its projects. Existing or future competition in the mining industry could materially adversely affect Premier's prospects for mineral exploration and success in the future. Increased competition can result in increased costs and lower prices for metal and minerals produced and reduced profitability. Consequently, the revenues of Premier, its operations and financial condition could be materially adversely affected.

From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In determining whether or not Premier will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which Premier may be exposed and its financial position at that time.

Conflicts of Interest

The directors and officers of Premier may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interests of Premier. In the event that such a conflict of interest arises at a meeting of the directors of Premier, a director is required by the OBCA to disclose the conflict of interest and to abstain from voting on the matter.

Current Global Financial Condition

Current global financial conditions have been subject to increased volatility, and access to public financing, particularly for resource companies, has been negatively impacted. These factors may impact the ability of the Corporation to obtain equity or debt financing in the future and, if obtained, such financing may not be on terms favourable to the Corporation. If increased levels of volatility and market turmoil continue, the Corporation's operations could be adversely impacted, and the value and price of the Common Shares could be adversely affected.

Risks Relating to Premier Common Shares Generally

No Guarantee of Positive Return on Investment

There is no guarantee that an investment in the securities of Premier will earn any positive return in the short term or long term. The mineral exploration and development business is subject to numerous inherent risks and uncertainties, and any investment in the securities of Premier should be considered a speculative investment. Past successful performance provides no assurance of any future success. The purchase of securities of Premier involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. An investment in the securities of Premier is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Volatility of the Trading Price of Premier Common Shares

The Premier Common Shares are listed on the TSX. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continued fluctuations in price will not occur, which may result in losses to investors. The purchase of Premier Common Shares should be undertaken only by investors who have no need for immediate liquidity in their investment. The trading price of the Premier Common Shares may increase or decrease in response to a number of events and factors, including, but not limited to: Premier's operating performance and the performance of competitors and other similar companies; volatility in gold and other metal prices; the public's reaction to Premier's press releases, other public announcements and Premier's filings with the various securities regulatory authorities; the failure of Premier to meet the reporting and other obligations under Canadian securities laws or imposed by the TSX; changes in recommendations by research analysts who track the Premier Common Shares or the shares of other companies in the resource sector; a reduction in coverage by such research analysts; changes in general economic and/or political conditions; the arrival or departure of key personnel; and acquisitions, strategic alliances or joint ventures involving Premier or its competitors, which, if involving the issuance of Premier Common Shares, or securities exercisable or exchangeable for or convertible into Premier Common Shares, would result in dilution to present and prospective holders of Premier Common Shares. In addition, the market price of the Premier Common Shares is affected by many variables not directly related to Premier's success and are, therefore, not within Premier's control, including other developments that affect the market for all resource sector securities, the breadth of the public market for the Premier Common Shares, and the attractiveness of alternative investments. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. Premier may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

No Dividend Record

Premier does not have a dividend policy and has never declared or paid any dividends to its shareholders. Premier intends to invest all available funds toward the development and growth of its business and does not expect to pay any cash dividends for the foreseeable future. The payment of any cash dividend to shareholders of Premier in the future will be at the discretion of the directors of Premier and will depend on, among other things, the financial condition, capital requirements and earnings of Premier, and any other factors that the directors of Premier may consider relevant.

Issuance of Preference Shares

As of December 31, 2016, there were no Preference Shares outstanding; however, pursuant to its articles, Premier is authorized to issue an unlimited number of Preference Shares, in one or more series, with the designation of, and the rights, privileges, restrictions and conditions attached thereto, determined at the discretion of the directors of Premier, subject to the articles of Premier and the OBCA. Payment of dividends and repayment of the liquidation preference of such Preference Shares may take preference over any dividends or other payments to the holders of Premier Common Shares.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS

Internal Control over Financial Reporting

No changes occurred in the fourth quarter of the Corporation's internal controls over financial reporting ("ICFR") that have materially affected, or are reasonably likely to materially affect the Corporation's ICFR.

Internal control over financial reporting is a process designed by, or under, the supervision of, the CEO and CFO and effected by management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with international financial reporting standards.

In accordance with the requirements of *National Instrument 52109 Certification of Disclosure in Issuer's Annual and Interim Filings*, the Corporation's management, including Chief Executive Officer (CEO) and Chief Financial Officer (CFO), have evaluated the operating effectiveness of the Corporation's internal control over financial reporting. Management of the Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. Based on this assessment, management believes that, as of December 31, 2016, the Corporation's internal control over financial reporting is designed and is operating effectively.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding annual and interim financial statement disclosure.

The Chief Executive Officer (CEO) and Chief Financial Officer (CFO) evaluated the design and effectiveness of the Company's disclosure controls and procedures as at the financial year ended December 31, 2016. Based on that evaluation, the CEO and the CFO concluded that the design and operation of these disclosure controls and procedures were effective as at December 31, 2016 to provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company. During the year ended December 31, 2016, there has been no change in the Company's disclosure controls and procedures that has materially affected the Company's disclosure controls and procedures.

Limitation on scope of Design

In accordance with NI 52-109, a company may limit its certification of design of disclosure controls and procedures and internal controls over financial reporting to exclude the controls, policies and procedures of a business that it acquired not more than 365 days before the end of the relevant financial period (i.e. not more than 365 days before December 31, 2016). The Company's management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has limited the scope of the design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures at the Mercedes Mine, which was acquired on September 30, 2016.

PREMIER
Gold Mines Limited

MINERAL RESERVES AND RESOURCES

Mineral Reserves

Mineral reserves and mineral resources have been estimated in accordance with National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (refer to the *Cautionary Notes* section of this MD&A). The tables below summarize the most recent mineral reserve and mineral resource estimates (effective date of January 13, 2017 for Mercedes and South Arturo, respectively). Small differences are due to rounding.

GOLD (Au)	PROVEN RESERVES			PROBABLE RESERVES			PROVEN+PROBABLE RESERVES		
PROPERTY	Tonnes (Mt)	Grade (g/t Au)	Au Ounces (000's)	Tonnes (Mt)	Grade (g/t Au)	Au Ounces (000's)	Tonnes (Mt)	Grade (g/t Au)	Au Ounces (000's)
Greenstone (Hardrock)	-	-	-	70.85	1.02	2,324	70.85	1.02	2,324
Mercedes (Note 1)	0.51	6.05	99	2.40	3.95	305	2.91	4.32	404
South Arturo (Note 2)	0.57	3.95	72	0.09	3.38	9	0.65	3.87	81
TOTAL	**1.08**	**4.94**	**171**	**73.339**	**1.12**	**2,638**	**74.42**	**1.17**	**2,809**

SILVER (Ag)	PROVEN RESERVES			PROBABLE RESERVES			PROVEN+PROBABLE RESERVES		
PROPERTY	Tonnes (Mt)	Grade (g/t Ag)	Ag Ounces (000's)	Tonnes (Mt)	Grade (g/t Ag)	Ag Ounces (000's)	Tonnes (Mt)	Grade (g/t Ag)	Ag Ounces (000's)
Greenstone (Hardrock)	-	-	-	-	-	-	-	-	-
Mercedes (Note 1)	0.51	**51.45**	842	2.40	32.32	2,497	2.91	35.66	3,339
South Arturo (Note 2)	-	-	-	-	-	-	-	-	-
TOTAL	**0.51**	**51.45**	**842**	**2.403**	**32.32**	**2,497**	**2.91**	**35.66**	**3,339**

Note 1- Reflects reserves reported at June 30, 2016

Note 2 - Reflects reserves reported at December 31, 2016

Differences due to rounding

Mineral Resources

GOLD (Au)	MEASURED RESOURCES			INDICATED RESOURCES			MEASURED+INDICATED RESOURCES			INFERRED RESOURCES		
PROPERTY	Tonnes (Mt)	Grade (g/t Au)	Au Ounces (000's)	Tonnes (Mt)	Grade (g/t Au)	Au Ounces (000's)	Tonnes (Mt)	Grade (g/t Au)	Au Ounces (000's)	Tonnes (Mt)	Grade (g/t Au)	Au Ounces (000's)
Greenstone	2.03	1.07	70	18.38	2.27	1,340	20.41	2.15	1,410	13.68	3.09	1,360
Mercedes (Note 1)	0.52	4.98	84	2.34	3.96	298	2.87	4.14	382	1.22	4.59	180
South Arturo (Note 2)	0.00	1.33	0.2	0.01	1.41	1	0.02	1.38	1	0.00	5.18	1
McCoy-Cove	-	-	-	0.61	11.57	228	0.61	11.55	228	3.38	12.17	1,322
Hasaga	-	-	-	42.29	0.83	1,124	42.29	0.83	1,124	25.14	0.78	631
Rahill-Bonanza	-	-	-	-	-	-	-	-	-	1.09	6.46	225
TOTAL	**2.56**	**1.87**	**154**	**63.64**	**1.46**	**2,991**	**66.20**	**1.48**	**3,144**	**44.51**	**2.60**	**3,718**

SILVER (Ag)	MEASURED RESOURCES			INDICATED RESOURCES			MEASURED+INDICATED RESOURCES			INFERRED RESOURCES		
PROPERTY	Tonnes (Mt)	Grade (g/t Ag)	Ag Ounces (000's)	Tonnes (Mt)	Grade (g/t Ag)	Ag Ounces (000's)	Tonnes (Mt)	Grade (g/t Ag)	Ag Ounces (000's)	Tonnes (Mt)	Grade (g/t Ag)	Ag Ounces (000's)
Greenstone	-	-	-	-	-	-	-	-	-	-	-	-
Mercedes (Note 1)	0.52	64.65	1,085	2.34	44.52	3,355	2.87	48.19	4,440	1.22	33.14	1,300
South Arturo	-	-	-	-	-	-	-	-	-	-	-	-
McCoy-Cove	-	-	-	-	-	-	-	-	-	-	-	-
Hasaga	-	-	-	-	-	-	-	-	-	-	-	-
Rahill-Bonanza	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**0.52**	**64.65**	**1,085**	**2.344**	**44.52**	**3,355**	**2.87**	**48.19**	**4,440**	**1.22**	**33.14**	**1,300**

Note 1- Reflects reserves reported at June 30, 2016

Note 2 - Reflects reserves reported at December 31, 2016

Differences due to rounding

CAUTIONARY STATEMENT ON FORWARD LOOKING STATEMENTS

Certain information set forth in this MD&A, including management's assessment of the Corporation's future plans and operations, contains forward looking statements. By their nature, forward looking statements are subject to numerous risks and uncertainties, some of which are beyond the Corporation's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of resource estimates, *environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be inaccurate and, as such, reliance should not be placed on forward looking statements. Premier's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward looking statements will transpire or occur, or if any of them do so, what benefits, if any, that Premier will derive there from. Premier disclaims any intention or obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise except as required by applicable law.*

ADDITIONAL INFORMATION

Additional information relating to the Corporation can be found on SEDAR at www.sedar.com, or on the Corporation's web-site at www.premiergoldmines.com.

"Steve Filipovic"
(Signed) Steve Filipovic
Chief Financial Officer
Thunder Bay, Canada
March 23, 2017