Management's Discussion and Analysis

June 30, 2017

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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 unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2017 and the notes thereto. The Corporation's unaudited condensed consolidated interim 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 August 8, 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 growth oriented, Canadian based, mining company involved in the exploration, development and production of gold and silver deposits in Canada, United States and Mexico. 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.

The Corporation's mining principal assets include:

- Wholly owned 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 through a partnership with Greenstone Gold Mines located along the Trans-Canada highway in Ontario, Canada.

Other key exploration properties include:

- A 100% interest in the McCoy-Cove gold property located in Nevada, USA,
- A 100% interest in the Hasaga Gold Project in Red Lake, Ontario, Canada, and,
- A 44% joint venture interest with Goldcorp in the Rahill Bonanza projects, also of Red Lake Ontario, Canada.

2017 Second Quarter Highlights

The Company's formal reporting currency is in Canadian dollars however for convenience to the reader, conversions to United States currency (US$) is also provided for several of the following key highlights.(ii)

- Production of 37,617 ounces of gold and 89,474 ounces of silver
- Gold sales of 43,212 ounces at an average realized price(i) of $1,677 (US$1,256) per ounce
- Co-product cash costs(i) of US$481 per ounce of gold (ii)
- Co-product all-in sustaining costs ("AISC")(i) of US$607 per ounce of gold
- Revenue of $74.6 million (US$55.9 million)
- Operating income of $28.7 million (US$21.5 million)
- Net income of $14.6 million (US$10.9 million)
- Quarter end cash balance of $156.8 million (US$120.9 million)
- Cash flow from operating activities of $17.8 million (US$13.4 million) or $0.09/share (US$0.07/share)
- Free cash flow(i) of $10.1 million (US$7.5million) or $0.05/share (US$0.04/share) after an investment of $10.7 million (US$ 8.0 million) in exploration and pre-development programs and $7.1 million (US$5.5 million) in capital expenditures.

(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) Exchange rates used are sourced from The Bank of Canada, http://www.bankofcanada.ca/rates/exchange/. The balance sheet closing rate at June 30, 2017 was $1.2977 and the income statement year to date weighted average closing rate used at June 30, 2017 was $1.3343.

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2017 Guidance

As per the press release dated July 18th, 2017, the Corporation announced an increase of its full-year production guidance to130,000 to 140,000 ounces of gold production from its operations at South Arturo and Mercedes as well as 340,000 to 365,000 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	45,000 - 50,000	$1,250	$440 - $470	$450 - $480
Mercedes	85,000 - 90,000	$1,250	$680 - $710	$810 - $840
Consolidated	**130,000 - 140,000**	**$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.

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	2017 Q2	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3
Gold Sales (ounces)	43,212	51,593	82,188	8,075	-	-	-	-
Revenue	74,645,219	85,291,436	136,598,133	13,912,088	-	-	-	-
Costs of sales	(29,169,600)	(27,084,412)	(35,166,793)	(3,940,132)	-	-	-	-
Depletion, depreciation and amortization	(16,734,334)	(29,789,579)	(61,137,634)	(6,527,143)	-	-	-	-
Mine operating income	28,741,285	28,417,445	40,293,706	3,444,813	-	-	-	-
Other significant income / (loss):								
Gain attributable to Greenstone Gold development commitment	1,909,088	1,707,442	4,759,570	3,346,330	5,464,586	1,985,015	2,924,234	3,846,121
Transaction costs for the acquisiton of Mercedes Mine		(52,607)	(1,691,060)	(3,488,371)	-	-	-	-
Net income (loss) for the period	14,577,633	6,723,970	27,018,598	(5,057,525)	(9,434,100)	(13,254,420)	(9,926,389)	5,341,819
Basic and diluted income / (loss) per common share	0.07	0.03	0.16	(0.03)	(0.05)	(0.08)	(0.06)	0.03

Net income / (loss) generally reflects the level of exploration, evaluation and pre-development activity and general and administration costs up until gold production began at the South Arturo project in Q2 2016 and the purchase of Mercedes mine at the end of Q3 2016.

Gold sales for Q2 2017 amounted to 43,212 ounces, of which 26,379 ounces were from Mercedes and 16,833 ounces from South Arturo, compared to Q1 2017 gold sales of 51,593, of which 16,893 ounces were from Mercedes and 34,700 ounces from South Arturo. While sales for Mercedes show an increase of 9,485 due to the timing of sales, production has remained relatively consistent over the two quarters. The attributable South Arturo production to Premier decreased by 13,091 ounces and related sales decreased by 17,867 ounces from Q1 2017 and is the result of the shorter mine life of the current phase of the project, the acceleration of mining activities and the optimized sequencing of ore processing during the last two quarters of 2016. The sequencing of higher grade ores in 2016 has largely resulted in the lower production for 2017. Overall mine operating revenue has remained constant over the two quarters in 2017 with an increase in the average gold price on sales.

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Second Quarter Results

Three and six months ended June 30, 2017 and 2016

Operating income for the three and six months ended June 30, 2017 was $14,993,485 and $29,321,198 respectively compared to a loss of $13,517,147 and $24,148,392 for the same periods of 2016 for a positive variances of $28,510,632 and $53,469,590. Of this variance, $28,741,285 and $57,158,730 are from mine operating income from gold production at the South Arturo project as well as gold and silver production from the Mercedes Mine acquired on September 30, 2016, see mining operations discussion below.

The operating variances for the quarter and year to date are tabled with comments below:

	For the three months ended June 30,			For the six months ended June 30,		
	2017	2016	Variance	**2017**	2016	Variance
	$	$	$	**$**	$	$
Revenue	**74,645,219**	-	74,645,219	**159,936,655**	-	159,936,655
Cost of sales	**(29,169,600)**	-	(29,169,600)	**(56,254,012)**	-	(56,254,012)
Depletion, depreciation and amortization	**(16,734,334)**	-	(16,734,334)	**(46,523,913)**	-	(46,523,913)
Mine operating income	**28,741,285**	-	28,741,285	**57,158,730**	-	57,158,730
EXPENSES						
Exploration, evaluation, and pre-development	**10,713,843**	9,979,846	733,997	**19,939,715**	14,808,970	5,130,745
Property maintenance	**101,081**	279,263	(178,182)	**201,777**	527,709	(325,932)
General and administrative	**2,608,347**	2,633,702	(25,355)	**4,786,992**	5,312,898	(525,906)
Share-based payments	**310,188**	624,336	(314,148)	**3,054,746**	3,498,815	(444,069)
Remeasurement of environmental rehabilitation	**14,341**	-	14,341	**(145,698)**	-	(145,698)
Operating income (loss)	**14,993,485**	(13,517,147)	28,510,632	**29,321,198**	(24,148,392)	53,469,590

- increase of $733,997 and $5,130,745 for the three and six months ended June 30 from 2016 to 2017 in exploration, evaluation and pre-development mainly for additional pre-development work at the McCoy-Cove project in Nevada as well as expenditures on the other projects added in the last half of 2016 including Goldbanks in Nevada and Alto Cristina in Mexico, see exploration, evaluation and pre-development discussion in section below

- decrease in property maintenance of $178,182 and $325,932 for the three and six months ended June 30 from 2016 to 2017 due to costs incurred in 2016 for environmental reviews of non-core properties not required in 2017.

- minimal decrease in general and administration of $25,355 in the three months ended June 30, with a year to date variance compared to 2016 of $525,906 including:

  - increase in corporate administration costs of $106,595 and $406,881 and salaries and benefits of $501,297 and $836,755 respectively, mainly due to the addition of a USA based office and staff, and
  - decrease of $715,348 and $1,909,309 respectively in general and administrative costs related to the reduction in project management fees once the South Arturo project reached production

- decrease of $314,148 in share based payments due to:
  - no stock options granted in the three months ended June 30, 2017 compared to stock options granted during the same period in 2016
  - revaluation of the restricted share unit liability of $197,279 offsetting the decrease

The variance for other income / (expense) for the three and six months ended June 30, 2017 and 2016 was $5,289,746 and $4,141,139 respectively. The components of other income and expense are listed in the table with comments below:

	For the three months ended June 30,			For the six months ended June 30,		
	2017	2016	Variance	**2017**	2016	Variance
	$	$	$	**$**	$	$
Investments						
Investment and other income	**283,032**	65,437	217,595	**261,161**	180,808	80,353
Gain / (loss) on investments	**(624,735)**	1,264,283	(1,889,018)	**(161,953)**	2,045,754	(2,207,707)
Derivatives						
Loss on derivatives	**(67,999)**	(2,096,850)	2,028,851	**(1,314,153)**	(4,436,714)	3,122,561
Foreign exchange						
Gain / (loss) on foreign exchange	**(1,943,795)**	147,881	(2,091,676)	**(2,371,929)**	(1,068,654)	(1,303,275)
Property, plant and equipment						
Gain attributable to Greenstone Gold development commitment	**1,909,088**	5,464,586	(3,555,498)	**3,616,530**	7,449,601	(3,833,071)
Other income / (expense)	**(444,409)**	4,845,337	(5,289,746)	**29,656**	4,170,795	(4,141,139)

Significant variances for the three and six months ended June 30, 2016 and 2017 are due to:

- mark to market losses on investments for the three and six months ended June 30, 2017 versus gains experienced in 2016 on the disposal of Canadian equities

- a decrease in loss on derivatives of $2,028,851 and $3,122,561 that includes:

  - the fair value adjustment on the offtake obligation under the Orion financing agreement was a loss of $67,999 and $160,312 for the three months ended June 30, 2017 and 2016
  - the mark to market loss on put options was $1,936,538 for the three months ended June 30, 2016 (nil for 2017)
  - the fair value adjustment on the offtake obligation under the Orion financing agreement was a gain of $491,937 and a loss of $160,312 for the six months ended June 30, 2017 and 2016
  - the mark to market loss on put options was $2,121,779 for the six months ended June 30, 2016 (nil for 2017)

- a decrease in the net foreign exchange gain of $2,091,676 and $1,303,275 for the three and six months ended June 30, 2017 and 2016 due to:

  - a three basis point swing for the three months ended June 30, 2017 and less than one basis point in 2016
  - a four basis point swing for the six months ended June 30, 2017 versus a nine basis point swing in 2016
  - in addition, the Corporation entered into US$ denominated debt and deferred revenue arrangements in late June, 2016

- a decrease in the gain attributable to the Greenstone Gold development commitment of $3,555,498 and $3,833,071 for the three and six months ended June 30, 2017 and 2016 mainly due to the completion of the feasibility study in 2016 and a decrease in activity for 2017 pending completion of the environmental assessment process

Finance costs for the three months ended June 30, 2017 were $2,600,215 compared to $100,141 in 2016 and $5,170,187 for the six months ended June 30, 2017 compared to $281,048 in 2016 due to the financing that was entered into late Q2 and Q3 2016 with Orion and included cash interest costs of $1,702,678 and $3,434,189 respectively. Finance cost includes the amortization of costs incurred in the financing entered into in 2016 and as fully described in the December 31, 2016 audited consolidated financial statements.

Current and deferred income tax

Current income taxes are comprised of net proceeds tax in Nevada on the South Arturo mine operations and royalty and income tax expense on the Mercedes mine in Mexico. Deferred tax recoveries are related to the Mercedes mine operations for previously unrecorded deferred tax assets as well as for deferred royalty taxes related to non-monetary exchange gains / losses included in the timing differences.

Other comprehensive income / (loss)

Total comprehensive income was $10,202,894 and $14,650,960 for the three and six months ended June 30, 2017 compared to a comprehensive loss of $9,593,239 and $32,267,846 for the three and six months ended June 30, 2016.

Other comprehensive income / (loss) is comprised of exchange differences on the translation of foreign operations and related deferred income taxes that resulted in a net loss of $9,579,326 for the six months ended June 30, 2016 based on a stronger Canadian dollar (nine basis point improvement during the period) versus a loss of $6,650,643 for six months ended June 30, 2017 due to a less significant improvement in the Canadian dollar during this period (four basis points).

Mining Operations

The following table presents consolidated mine operating results for the three and six months ended June 30, 2017:

Consolidated Mine Operations in CAD $, unless otherwise stated		**Three months ended June 30, 2017**	**Six months ended June 30, 2017**
Ore milled	*tonnes*	290,349	611,192
Gold produced	*ounces*	37,617	88,596
Silver produced	*ounces*	89,474	178,046
Gold sold	*ounces*	43,212	94,806
Silver sold	*ounces*	97,356	171,190
Revenues and Realized Prices			
Gold revenue	*000s*	72,446	156,055
Silver revenue	*000s*	2,199	3,882
Total revenues	*000s*	74,645	159,937
Average realized gold price (i,ii)	*$/ounce*	1,677	1,646
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*	481	427
Co-product all in sustaining costs per ounce of gold sold (i,ii)	*USD $/oz*	607	511
Co-product cash costs per ounce of silver sold (i,ii)	*USD $/oz*	10	9
Co-product all in sustaining costs per ounce of silver sold (i,ii)	*USD $/oz*	12	10
By-product cash costs per ounce of gold sold (i,ii)	*USD $/oz*	465	412
By-product all in sustaining costs per ounce of gold sold (i,ii)	*USD $/oz*	596	498

(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.

The Corporation produced 37,617 ounces of gold during the quarter for a total of 88,596 ounces of gold year to date. During the second quarter, 89,474 ounces of silver were produced, for a total of 178,046 ounces produced year to date. Gold sales for the quarter were 43,213 ounces and silver sales were 97,356 ounces. At quarter end, the Corporation held in inventory 17,176 ounces of gold and 47,348 ounces of silver, for a value of $18,977,783 and $767,178 respectively.

Gold revenue during the quarter was $72.4 million and silver revenue was $2.2 million, yielding an average realized gold price of $1,676 per ounce and a silver price of $23 per ounce. Year to date, gold revenue was $156.1 million and silver revenue was $3.9 million.

Second quarter gold production of 37,617 gold ounces reflects the planned reduction in production as the South Arturo Phase 2 open pit nears completion. Metal sales of 43,213 in the second quarter are the result of additional ounces sold from inventories.

The average realizable gold price on sales (refer to “Non-IFRS Measures”) for the second quarter was $1,676 per ounce as to compared to $1,621 in the first quarter reflecting stronger gold prices.

Consolidated co-product cash costs (refer to "Non-IFRS Measures") for the second quarter were US$481 per ounce of gold sold and are higher than the first quarter due to a larger portion of production from Mercedes as South Arturo Phase 2 nears the planned completion with less ounces produced.

The Corporation has also provided by-product information (refer to "Non-IFRS Measures"). Accordingly, consolidated by-product cash costs in the second quarter were US$465 per ounce of gold sold, while consolidated all in sustaining costs were US$596 per ounce of gold sold.

Exploration, Evaluation and Pre-development

The following table represents the exploration, evaluation and pre-development expenditures for the three months ended June 30, 2017 and 2016 with comments below:

	2017 $	2016 $	Variance $
Rahill-Bonanza, Ontario, Canada	7,100	191,756	(184,656)
Hasaga, Ontario, Canada	1,669,578	1,891,258	(221,680)
Greenstone Gold, Ontario, Canada	1,635,817	5,328,907	(3,693,090)
McCoy-Cove, Nevada, USA	5,276,472	2,231,393	3,045,079
South Arturo, Nevada, USA	129,578	336,532	(206,954)
Goldbanks, Nevada, USA	917,259	-	917,259
Mercedes Mine, Sonora, Mexico	326,729	-	326,729
Alto Cristina, Mexico	619,088	-	619,088
Other areas	132,222	-	132,222
	10,713,843	**9,979,846**	733,997

Hasaga

A total of 10,302 metres of drilling was completed during the second quarter. Drilling focused on two primary target areas, the recently optioned Laird Lake property located in the south west portion of the greenstone belt, and the deep Hasaga target located along potential plunge extensions of mineralization identified closer to surface in 2016. A significant amount of assays are pending for both programs and therefore, results to date are considered preliminary.

At the deep Hasaga target interesting drill results to date include hole HMP-151 with 54.0 meters at 10.94 g/t gold. This high grade interval exhibits silicification, quartz veinlets, common visible gold and chalcopyrite. Subsequent drilling during the quarter focused on expanding this target.

At Laird Lake, drilling during the quarter was supported by a detailed airborne magnetometer survey that focused on broad sections beneath the Lake, in order to establish an updated litho-structural interpretation. Results did not return any meaningful alteration or anomalous gold mineralization and the option has been discontinued.

Hasaga exploration expenditures for the quarter have been funded by the 2016 flow through share financing and include the following:

- $1,209,119 for 10,302 meters of drilling and related costs
- $129,962 in analytical and sampling costs
- $330,497 in geology, operations support and property work including wages and benefits

Greenstone

Approximately $3.3 million was spent by Greenstone Gold in the first quarter (at 100% basis) on a range of project activities. Premier's share (50%) of the expenditures during the period include:

- $1,567 in analytical and sampling costs
- $447,559 in environmental permitting
- $3,044 in geology, mine development and metallurgy
- $668,948 in pre-development infrastructure
- $117,006 in administrative and other related costs
- $397,663 in community relations

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McCoy-Cove

Work during the quarter focused on the completion of a Preliminary Economic Assessment (PEA) based on the newly released resource. During the quarter a total of 2,786 metres of drilling in five holes was completed for a total of 5,627 metres in 20 holes during 2017. Several drill holes tested two targets outside of the resource area with positive results. Expenditures during the quarter include the following:

- $896,086 for of drilling and related costs
- $262,062 in analytical and sampling costs
- $195,372 in geological and assay costs including salaries and benefits
- $3,115,213 in mine development, metallurgy and permitting pre- development costs
- $500,685 in environmental costs
- $307,052 in operations support and property work including wages and benefits

South Arturo

Exploration activity is planned for later in the year. Drilling related costs are associated with geotechnical drilling for pit wall stability calculations and were $129,578 for the quarter.

Goldbanks

Exploration drilling for 2017 commenced in early May by drilling reverse circulation collars and core tails and total of 2,124 metres were drilled in five holes by the end of the quarter. Each hole tested a different target on the property. Assay results are pending for all drill holes except the first hole, the results of which were not significant.

Expenditures during the period include:

- $653,602 for drilling related costs
- $23,602 in analytical and sampling costs
- $147,208 in geological costs including salaries and benefits
- $18,981 in environmental costs
- $73,866 in operations support and property work including wages and benefits

Mercedes

Exploration drilling accelerated in the second quarter with 9,257 meters drilled in 77 holes for a year to date total of 12,250 metres in 98 holes. Second quarter drilling completed first round testing of three regional targets with encouraging results on the Axis target south of the main Mercedes deposit. Other drilling focused on upgrading the resource for potential conversion to reserves and included the Diluvio, Lupita, Casa Blanca, Lagunas and Rey de Oro areas.

Expensed exploration is related to the concession fees of $326,729 for the 46 lots covering the 70,865 hectares.

Capitalized exploration expenditures of $1.2 million during the period include:

- $803,137 for 9,257 meters of drilling related costs
- $111,112 in analytical and sampling costs
- $191,183 in geological costs including salaries and benefits
- $156,844 in supplies and maintenance of own equipment

Alto Cristina

A total of 3,332 metres of drilling in 11 holes was completed during the quarter for a total of 5,501 metres in 19 holes year to date. Drill holes in the second quarter shifted to the Guadalupe vein from the earlier drilling on the Alto vein system. The drill holes hit the Guadalupe vein at various elevations to define continuity in the eastern part of the main ore shoot. Assay results remain pending for most of this drilling.

Expenditures during the period include:

- $383,723 for 3,332 meters of drilling and related costs
- $50,960 in analytical and sampling costs
- $94,041 in geological and assay costs including salaries and benefits
- $90,364 in operations support and property work including wages and benefits

Cumulative exploration and pre-development expenses to date by project

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

	Status	Cumulative to December 31, 2015	Year ended December 31, 2016	Cumulative to December 31, 2016	Year to date June 30, 2017	Cumulative life of project to date
Rahill-Bonanza, Ontario, Canada	Active	17,717,080	648,356	18,365,436	76,085	18,441,521
East Bay, Ontario, Canada	Swap (i)	1,822,525	-	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	6,721,035	13,716,085	3,123,865	16,839,950
Brookbank, Ontario, Canada	50% sold (ii)	1,669,533	-	1,669,533	-	1,669,533
Hardrock, Ontario, Canda	50% sold (ii)	108,424,333	-	108,424,333	-	108,424,333
Greenstone Gold, Ontario, Canada	Active (ii)	12,236,357	14,483,094	26,719,451	3,165,762	29,885,213
McCoy-Cove, Nevada, USA	Active	25,768,417	10,430,694	36,199,111	10,315,726	46,514,837
South Arturo, Nevada, USA	Active	727,042	514,639	1,241,681	129,578	1,371,259
Goldbanks, Nevada, USA	Active	-	1,013,138	1,013,138	1,051,818	2,064,956
Mercedes Mine, Sonora, Mexico	Active	-	312,258	312,258	680,371	992,629
Alto Cristina, Mexico	Active	-	533,702	533,702	1,264,288	1,797,990
Other areas	Inactive (iii) (iv)	4,538,231	-	4,538,231	132,222	4,670,453
		190,984,108	34,656,916	225,641,024	19,939,715	245,580,739

(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 sole-fund the Greenstone Gold partnership until their 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

Selected Financial Data

The following table provides selected annual financial information and should be read in conjunction with the Corporation'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 Corporation 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 which notably includes the gain on 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 and Mercedes in 2016 had a significant impact on operations and the Corporation's 2016 cash position.

FINANCIAL POSITION

Balance Sheet Review

As at June 30, 2017, total assets were $579,929,263, down slightly from $583,601,586 at December 31, 2016.

Current assets increased by $4,415,133 including:

- $37,129,382 increase in cash balances generated mainly from operating activities, see *Liquidity and Capital Resources*
- $35,895,864 decrease in inventory at Mercedes and South Arturo
  - $1,150,146 increase in Mercedes inventory, $1,947,051 of the increase in finished goods inventory (10,556 gold ounces at June 30, 2017 versus 9,772 at December 31, 2106)
  - $37,046,009 decrease in South Arturo inventory, $29,545,592 decrease in stockpile inventory and $7,500,417 in finished goods inventory (6,619 gold ounces at June 30, 2017 versus 13,614 at December 31, 2106)
- $5,415,955 increase in receivables, $3,398,938 due to a receivable owed to the South Arturo joint venture and an increase in recoverable income and other taxes for Mercedes of $1,688,506
- $3,310,497 decrease in other assets, mainly due to settlement of forward contracts during the quarter that were fair valued at $2,295,508 as of December 31, 2016 along with a decrease in Canadian equities held of $1,015,020

Current liabilities increased by $44,833,159 including:

- $50,926,559 increase in current portion of long term debt, $53,605,995 for the reclassification of the Orion debt from long term to current (due June 30, 2018) offset by the repayment of the final instalment of the Newmont note for $2,685,400
- $7,268,305 decrease in current payables resulting from the Mercedes purchase and related increased accruals included in the December 31, 2016 balances
- $1,060,482 increase in current taxes payable for net proceeds tax in Nevada and mining royalty tax in Mexico
- $1,523,565 increase in current portion of environmental liabilities for expected spending in the last half of 2017 and first half of 2018

The working capital ratio as at June 30, 2017 is 2.2:1 compared to 3.8:1 at December 31, 2016 due mainly to the increase in the current portion of long term debt.

Non-current assets decreases by $8,087,456 including:

- $11,579,785 decrease in property plant and equipment, $13,264,881 in capital additions offset by a currency adjustment of $15,727,931
- $16,166,500 in depletion, depreciation and amortization offset by a currency adjustment of $7,049,765

Non-current liabilities decreased by $66,138,497 including:

- $1,181,954 decrease in deferred regular and royalty taxes at Mercedes
- $10,186,542 decrease for the long term portion of the deferred revenue due to the quarterly settlement of the gold prepay and silver stream arrangements discussed in note 10 of the June 30, 2107 unaudited condensed consolidated financial statements
- $53,008,890 decrease in long term debt with the reclassification to current on the Orion debt as discussed above

Liquidity and Capital Resources

As at June 30, 2017, the Corporation had cash and cash equivalents of $156,833,768, an increase of $37,129,382 from $119,704,386 at December 31, 2016 that was due to the following:

- $55,693,593 generated from operating activities including:
  - $103,682,643 from mining operations after adding back non-cash depletion included in inventory
  - $19,939,715 spent in exploration and pre-development activities (offset by the Greenstone Gold development commitment gain of $3,616,530)
  - $4,786,992 spent in general and administration expenditures
  - $8,286,409 in working capital decreases due to the increase in the cash cost of inventory and the reduction in accounts payable and accrued liabilities
- $11,914,887 spent in investment activities including, $13,142,848 for capital spending for mining operations

– $5,899,550 cash used in financing activities with $3,434,190 in interest charges paid and $2,668,660 for the Newmont debt repayment

For the three months ended June 30, 2017, the Corporation generated $10,059,346 in cash compared to use of cash of $2,438,367 for the same period of 2016. The cash generated in 2017 is directly related to onset of production from South Arturo and Mercedes in the last half of 2016. Cash used in 2016 was for exploration, evaluation and pre-development activities including capitalized development at South Arturo.

Liquidity Outlook

	June 30 2017 $	December 31 2016 $
Cash and cash equivalents	**156,833,768**	119,704,386
Working capital	**127,474,935**	167,892,961
Long term debt and deferred revenue	**37,871,029**	101,066,461

Premier funds 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 (who continues to sole-fund the project). The South Arturo and Mercedes properties continue to generate income and positive cash flow from operations.

Premier typically funds a portion of its Canadian exploration activities via flow-through share financings. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through shares are renounced to investors in accordance with income tax legislation. $1,040,211 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 201,559,187 were outstanding at June 30, 2017 and 201,613,187 at the date of this report, August 8, 2017. At June 30, 2017 the Corporation had outstanding options to purchase an aggregate of 10,339,900 common shares under its share incentive plan with exercise prices ranging from $1.40 to $5.40 per share and expiry dates ranging from August 13, 2017 to March 29, 2022. At August 8, 2017 the Corporation had 10,285,900 options outstanding. At June 30, 2017 there were 325,000 unvested stock options.

During the six months ended June 30, 2017, 302,000 RSU's were issued under the restricted share unit plan of the Corporation. Each RSU has the same value as one Premier Gold Mines Limited common share. The RSUs vest equally over a three year period vesting on August 31, 2017, 2018 and 2019. The RSUs are expected to settle in cash.

PREMIER Gold Mines Limited

MINE OPERATING SEGMENTS

Overview

The Corporation's operating segments are reported by operating mine properties and exploration projects. The following table presents operating results by mines for the three months ended June 30, 2017:

Mine Operation Results
in CAD $, unless otherwise stated

		Three months ended June 30, 2017		
		Mercedes	**South Arturo**	**Total**
Ore milled	*tonnes*	177,883	112,466	290,349
Gold produced	*ounces*	21,893	15,724	37,617
Silver produced	*ounces*	89,474	-	89,474
Gold sold	*ounces*	26,379	16,833	43,212
Silver sold	*ounces*	97,356	-	97,356
Average gold grade	*grams/tonne*	4.03	5.01	
Average silver grade	*grams/tonne*	36.47	-	
Average gold recovery rate	*%*	94.9	86.7	
Average silver recovery rate	*%*	43.0	-	
Revenues and Realized Prices				
Gold revenue	*000s*	44,176	28,271	72,446
Silver revenue	*000s*	2,199	-	2,199
Total revenues	*000s*	46,375	28,271	74,645
Average realized gold price (i,ii)	*$/ounce*	1,675	1,679	1,677
Average realized silver price (i,ii)	*$/ounce*	23	-	23
Non-IFRS Performance Measures				
Co-product cash costs per ounce of gold sold (i,ii)	*USD $/oz*	577	332	481
Co-product all in sustaining costs per ounce of gold sold (i,ii)	*USD $/oz*	707	451	607
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*	12	-	12
By-product cash costs per ounce of gold sold (i,ii)	*USD $/oz*	550	332	465
By-product all in sustaining costs per ounce of gold sold (i,ii)	*USD $/oz*	688	451	596

(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.

The planned completion of Phase 2 at South Arturo resulted in a reduction of 45% in production from the first quarter with 15,724 ounces of gold. Mercedes output now provides the majority of production with 21,893 ounces of gold and a total of 37,617 ounces of gold for the quarter. Accordingly, total gold revenue for the quarter includes $44.2 million from Mercedes and $28.3 million from South Arturo. Total silver revenue was $2.2 million. The average realized gold price for the quarter was $1,679 per ounce for South Arturo (refer to "Non-IFRS Measures") and $1,675 for Mercedes.

In the second quarter, South Arturo co-product cash costs (refer to "Non-IFRS Measures") were US$332 per ounce of gold sold, while co-product all in sustaining costs (refer to "Non-IFRS Measures") were US$451 per ounce of gold sold. Mercedes co-product cash costs (refer to "Non-IFRS Measures") were US$577 per ounce of gold sold, while co-product all in sustaining costs (refer to "Non-IFRS Measures") were US$707 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 second quarter were US$550 per ounce of gold sold, while all in sustaining costs were US$688 per ounce of gold sold.

The following table presents operating results by mine for the six month period ended June 30, 2017:

Mine Operation Results
in CAD $, unless otherwise stated

		Six months ended June 30, 2017		
		Mercedes	**South Arturo**	**Total**
Ore milled	*tonnes*	344,673	266,519	611,192
Gold produced	*ounces*	44,057	44,539	88,596
Silver produced	*ounces*	178,046	-	178,046
Gold sold	*ounces*	43,273	51,533	94,806
Silver sold	*ounces*	171,190	-	171,190
Average gold grade	*grams/tonne*	4.18	5.90	
Average silver grade	*grams/tonne*	40.07	-	
Average gold recovery rate	*%*	95.2	88.1	
Average silver recovery rate	*%*	40.2	-	
Revenues and Realized Prices				
Gold revenue	*000s*	71,066	84,989	156,055
Silver revenue	*000s*	3,882	-	3,882
Total revenues	*000s*	74,948	84,989	159,937
Average realized gold price (i,ii)	*$/ounce*	1,642	1,649	1,646
Average realized silver price (i,ii)	*$/ounce*	23	-	23
Non-IFRS Performance Measures				
Co-product cash costs per ounce of gold sold (i,ii)	*USD $/oz*	613	272	427
Co-product all in sustaining costs per ounce of gold sold (i,ii)	*USD $/oz*	735	322	511
Co-product cash costs per ounce of silver sold (i,ii)	*USD $/oz*	9	-	9
Co-product all in sustaining costs per ounce of silver sold (i,ii)	*USD $/oz*	10	-	10
By-product cash costs per ounce of gold sold (i,ii)	*USD $/oz*	580	272	412
By-product all in sustaining costs per ounce of gold sold (i,ii)	*USD $/oz*	709	322	498

(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.

Mercedes gold revenue year to date was $71.1 million and silver revenue was $3.9 million, South Arturo gold revenue for the year to date was $85.0 million, resulting in total gold revenue of $156.1 million year to date. The average realizable gold price (refer to “Non-IFRS Measures”) at Mercedes year to date was $1,642 per ounce while South Arturo averaged $1,649 per ounce, resulting in a year to date average of $1,646 per ounce.

South Arturo co-product cash costs (refer to “Non-IFRS Measures”) year to date were US$272 per ounce of gold sold, while co-product all in sustaining costs (refer to “Non-IFRS Measures”) year to date were US$322 per ounce of gold sold. Mercedes co-product cash costs (refer to “Non-IFRS Measures”) year to date were US$613 per ounce of gold sold, while co-product all in sustaining costs (refer to “Non-IFRS Measures”) year to date were $USD735 per ounce of gold sold.

The Corporation has also provided by-product information (refer to “Non-IFRS Measures”). Mercedes by-product cash cost year to date were US$580 per ounce of gold sold, while by-product all in sustaining costs year to date were US$709 per ounce of gold 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 quartz veins and quartz veinlet stockwork for gold and silver using underground modified overhand cut and fill and longitudinal longhole mining methods at an ore extraction rate of approximately 2,000 tonnes 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 grams per tonne and silver grade of 35.7 grams per tonne containing 404,000 ounces of gold and 3.34 million ounces of silver.

The 2017 exploration program commenced with preliminary testing of several targets. Starting in the second quarter targets were selected for best conversion of ounces to reserves and drilling of these targets is in process and will continue for the remainder of 2017. The focus remains on new mineralization close to existing workings, supporting mine production, extensions to mineralization along strike of the main mine trend and testing new geological targets.

During the second quarter, the drill rig count increased from six to nine and drill meters increased from 2,992 metres in 26 holes in the first quarter to 9,257 meters in 72 holes in the second quarter for a total to date of 12,249 meters drilled in 98 holes. Drilling at Diluvio and Casa Blanca yielded the best results and indicate the potential for additional resources and reserves. Drilling also identified a potential "Mercedes-style" vein located to the south and parallel to the original Mercedes deposit.

The following table presents Mercedes operating results for the three and six months ended June 30, 2017:

Mercedes Operational Results
in CAD $, unless otherwise stated

		Three months ended June 30, 2017	Six months ended June 30, 2017
Ore milled	*tonnes*	177,883	344,673
Gold produced	*ounces*	21,893	44,057
Silver produced	*ounces*	89,474	178,046
Gold sold	*ounces*	26,379	43,273
Silver sold	*ounces*	97,356	171,190
Average gold grade	*grams/tonne*	4.03	4.18
Average silver grade	*grams/tonne*	36.47	40.07
Average gold recovery rate	*%*	94.9	95.2
Average silver recovery rate	*%*	43.0	40.2
Revenues and Realized Prices			
Gold revenue	*000s*	44,176	71,066
Silver revenue	*000s*	2,199	3,882
Total revenues	*000s*	46,375	74,948
Average realized gold price (i,ii)	*$/ounce*	1,675	1,642
Average realized silver price (i,ii)	*$/ounce*	23	23
Non-IFRS Performance Measures			
Co-product cash costs per ounce of gold sold (i,ii)	*USD $/oz*	577	613
Co-product all in sustaining costs per ounce of gold sold (i,ii)	*USD $/oz*	707	735
Co-product cash costs per ounce of silver sold (i,ii)	*USD $/oz*	10	9
Co-product all in sustaining costs per ounce of silver sold (i,ii)	*USD $/oz*	12	10
By-product cash costs per ounce of gold sold (i,ii)	*USD $/oz*	550	580
By-product all in sustaining costs per ounce of gold sold (i,ii)	*USD $/oz*	688	709

(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.

Production at Mercedes for the quarter was as expected. The tonnes mined and processed were consistent with the previous quarter as a result of accessing the new Diluvio Zone and maintaining the targeted number of mine workings. The grade of the tonnes mined and processed were lower than the first quarter and lower than those modeled in some of the working areas but generally remain consistent with the overall mine plan. Direct operating costs and dilution continue to be reduced. Efficiencies have improved by changing the primary mining method from longhole stoping to a modified overhand cut and fill. Other improvements have included the replacement of a portion of the mobile fleet with smaller equipment, salvaging and re-using materials in the mine, repairing more equipment on site as opposed to sending offsite, reducing the number of contractor firms employed, negotiating more favourable contract terms for major consumables, and improving ground support and paste backfill designs and quality control. In the processing plant, the previously commissioned oxygen injection system and control of reagents have increased gold recovery and maintained silver recovery. Second quarter production was in line with the mine plan.

Mercedes continued to deliver improved unit cost performance during the second quarter of 2017 due to the operational and cost structure improvements outlined above. As a result, co-product cash costs of $577 per ounce of gold sold were 14.5% lower and co-product all in sustaining costs of $707 per ounce of gold sold were 10% lower in the second quarter as compared to the first quarter of 2017. Mine management continues to assess and undertake initiatives to maintain the increased mining rate, reduce dilution, and control unit costs.

Gold production in the second quarter was 1% lower and silver production was 1% higher as compared to the first quarter of 2017. This was in line with the mine plan.

South Arturo Mine

The mine is located 45 kilometres northwest of the town of Carlin, Nevada, USA. Operations are exploiting a Carlin-style disseminated gold deposit by open pit methods. Premier holds a 40% interest in South Arturo with Barrick, who retains the remaining 60% ownership and is the operator of the mine. Commercial production was declared on August 1, 2016 and the operation exceeded production guidance in 2016 mainly as a result of mining higher grades and achieving better recoveries from the roaster processing facility.

Mining occurred at a rate of approximately 4,750 ore tons per day during the second quarter of 2017 as compared to 3,500 ore tons per day during the first quarter. This is primarily due to waste mining requirements that were limited as allowing for the safe extraction of the ore at the bottom of the Phase 2 open pit mine as it nears completion. Processing was achieved by roasting at Barrick's facility.

Premier's attributable share of production in the second quarter was 15,724 ounces of gold. Co-product cash costs (refer to "Non-IFRS Measures") for the quarter were US$332 per ounce of gold all in sustaining costs were US$451 per ounce of gold sold. The planned processing of lower grade ore as compared to the first quarter resulted in lower average recovery of 86.7% and higher cash and all in sustaining costs that was in line with the mine plan.

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 has been delayed to the third quarter of 2017 due to the extended production from the pit bottom in the second quarter, to the third quarter of 2017 and will focus on the further definition of the ore zones from the pit to infill previous surface exploration drilling programs. Drilling will also start in the third quarter to test the Arden target, a geochemical anomaly possibly a result of leakage along fractures west of the current operations area.

Drilling and a bulk sample program will target the potential for a Dee Pit expansion, and 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 open pit operation.

The following table presents South Arturo's operating results for the three and six months ended June 30, 2017:

South Arturo Operating Results
in CAD $, unless otherwise stated

		Three months ended June 30, 2017	Six months ended June 30, 2017
Ore milled	*tonnes*	112,466	266,519
Gold produced	*ounces*	15,724	44,539
Gold sold	*ounces*	16,833	51,533
Average gold grade	*grams/tonne*	5.01	5.90
Average gold recovery rate	*%*	86.7	88.1
Revenues and Realized Prices			
Gold revenue	*000s*	28,271	84,989
Average realized gold price (i,ii)	*$/ounce*	1,679	1,649
Non-IFRS Performance Measures			
Co-product cash costs per ounce of gold sold (i,ii)	*USD $/oz*	332	272
Co-product all in sustaining costs per ounce of gold sold (i,ii)	*USD $/oz*	451	322
By-product cash costs per ounce of gold sold (i,ii,iii)	*USD $/oz*	332	272
By-product all in sustaining costs per ounce of gold sold (i,ii,iii)	*USD $/oz*	451	322

(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 mine produced, for the Corporation's 40% share, 15,724 ounces of gold compared to 28,815 ounces of gold for the prior quarter. Co-product cash costs (refer to "Non-IFRS Measures") were US$332 per ounce of gold sold for the quarter while all in sustaining costs were US$451 per ounce of gold sold. Production and cost performance for the second quarter and year to date has been better than planned due to the positive reconciliation to modeled ore tons and grade. Gold recovery for the second quarter was better than plan at 86.7% and lower than the first quarter due to lower roaster feed grades.

Gold production for the second quarter was 45% lower as compared to the first quarter of 2017 as expected in the mine plan as Phase 2 open pit nears its completion. Higher cash costs compared to the first quarter are due to the planned lower production and sales.

The mine produced for the Corporation's 40% share 44,539 ounces of gold year to date. Co-product cash costs per ounce of gold sold year to date were US$272 and all in sustaining costs were US$322 per gold ounce sold.

COMMITMENTS AND CONTINGENCIES

Environmental Rehabilitation Provision

The Corporation currently has six environmental rehabilitation obligations related to past and current mining activities as follows:

	June 30, 2017	December 31, 2016
	$	$
Northern Empire Mill, Ontario	**2,054,251**	2,131,965
Faymar-Deloro, Ontario	**723,650**	772,525
Hasaga, Ontario, Canada	**251,428**	284,642
McCoy-Cove, Nevada, USA	**2,443,611**	1,186,328
South Arturo, Nevada, USA	**7,894,719**	8,767,395
Mercedes, Sonora, Mexico	**8,837,177**	7,690,249
	22,204,836	20,833,104

Northern Empire Mill, Ontario

There were no reclamation expenditures during the second quarter and year to date, with changes in the provision mainly due to an updated risk free discount rate and accretion. Progressive rehabilitation will resume in the third quarter with the resumption of the adit securing program and Blackwater River sediment study.

Faymar Deloro, Ontario

There was $2,765 in expenditures during the second quarter and year to date, with changes in the provision mainly due to an updated risk free discount rate and accretion. Progressive rehabilitation will resume in the third quarter with the initiation of the crown pillar study.

Hasaga, Ontario

There were no reclamation expenditures during the second quarter and year to date, with changes in the provision mainly due to an updated risk free discount rate and accretion. No expenditures related to progressive rehabilitation or closure are anticipated for the immediate future, as the property is currently being assessed for potential development.

McCoy-Cove, Nevada

There was $6,774 in expenditures during the second quarter and $69,149 year to date, with the rest of the provision impacted by an updated risk free discount rate, accretion and currency adjustments. 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 cleanup of the old pads. Structural reclamation is on hold for several years pending a new mine plan for the property.

The Corporation recognized a new liability of $1,422,383 associated with underground development activities that commenced on the property during the quarter.

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. There were no reclamation expenditures related to closure activities during the second quarter and year to date. Second quarter change in provision mainly due to updated risk free discount rates, accretion and currency adjustments.

Mercedes, Mexico

There were no reclamation expenditures related to closure activities during the second quarter and year to date. Second quarter changes in the provision mainly due to accretion and currency adjustments. 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 June 30, 2017:

	2017	2018	2019	2020	2021	2022 and later	Total
	$	$	$	$		$	
Contracts and operating leases	393,802	658,966	472,029	262,109	148,343	73,409	2,008,658
Debt	61,630	59,952,869	-	-	-	-	60,014,499
Gold prepay commitment							
Exploration expenditure commitment from the issue of flow-through shares	1,040,211	-	-	-	-	-	1,040,211
Exploration expenditure commitment from Goldbanks project	2,526,593	-	-	-	-	-	2,526,593
Provisions for environmental rehabilitation (i)	1,334,877	1,870,984	4,337,683	4,264,885	5,123,154	27,889,456	44,821,039
	5,357,113	62,482,819	4,809,712	4,526,994	5,271,497	27,962,865	110,411,000

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

Gold Forward Contracts

At June 30, 2017, the Corporation held forward contracts requiring the delivery of 2,250 ounces of gold per month at a price of $1,625 per ounce and 1,600 ounces of gold per month at a price of $1,650 per ounce from April until December 2017. During the quarter, the Corporation also entered into forward contracts requiring delivery of 1,500 ounces of gold per month at a price of US$1,280 per ounce from January 2018 to December 2018.

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

Surety Bonds

At June 30, 2017 the Corporation has outstanding surety bonds in the amount of US$7,023,968 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 US$600,000 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.

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 20 of the June 30, 2017 unaudited condensed consolidated interim financial statements with no significant changes for the quarter.

The Corporation's related parties include key management personnel and entities over which they have control or significant influence as described 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 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 six months ended June 30, 2017 and 2016.

(a) Included in general and administrative expenses are amounts totaling $17,638 (2016 - $25,500) for corporate secretarial and filing services provided by DRAX Services Limited, related to the Corporation through Shaun Drake, Corporate Secretary of the Corporation. Effective May, 2017, the Corporate Secretary became an employee of the Corporation.

(b) Included in general and administrative expenditures are amounts totaling $52,598 (2016 - $46,782) for IT support services provided by 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. The Alyris Group provides IT support services for various mining companies at similar fair market rates.

(c) Included in general and administrative expenditures are amounts totaling $84,581 (2016 - $77,203) 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. Alyris Leasing Inc. owns the building and rents office space to various mining companies at similar fair market rates.

Transactions with key management personnel

Key management personnel remuneration includes the following amounts:

	Three months ended June 30,		**Six months ended June 30,**	
	2017	2016	**2017**	2016
	$	$	**$**	$
Salary, wages and benefits	**715,087**	486,942	**1,280,290**	784,268
Share-based payments	**0**	0	**1,610,550**	954,993
	715,087	486,942	**2,890,840**	1,739,261

SUBSEQUENT EVENT

Normal course issuer bid

On July 20, 2017 the Corporation announced that approval had been received from the Toronto Stock Exchange for a normal course issuer bid to purchase up to 19,599,646 of its issued and outstanding shares. The purchase of the shares may commence on July 25, 2017 and end on July 24, 2018.

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.

PREMIER
Gold Mines Limited

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.

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

<u>Accounting standards issued and effective January 1, 2017 or later</u>

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 adopted the amendments to IAS 7 in its financial statements for the annual period beginning on January 1, 2017 and has disclosed the required information.

On January 19, 2016, the IASB issued Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to 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 adopted the amendments in IAS 12 in its financial statements for the annual period beginning on January 1, 2017 with no resulting adjustments.

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

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 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 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 ounces sold.

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

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

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 are 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.

PREMIER
Gold Mines Limited

The following table provides a reconciliation on a co-product basis for cash cost and AISC cost for the three months ended June 30, 2017:

$ USD 000's, except where noted and per ounce information in dollars (i)

For the three months ended June 30, 2017

	Mercedes		South Arturo		Total Gold		Mercedes		
Co-Product	Gold	Per gold ounce sold	Gold	Per gold ounce sold	Gold	Per gold ounce sold	Silver	Per silver ounce sold	Total
Cost of sales excluding depletion, depreciation and amortization	$20,298	$769	$7,616	$452	$27,914	$646	$1,256	$13	$29,170
Depletion, depreciation and amortization	$5,706	$216	$10,671	$634	$16,377	$379	$357	$4	$16,734
Total cost of sales	**$26,004**	**$986**	**$18,287**	**$1,086**	**$44,290**	**$1,025**	**$1,613**	**$17**	**$45,904**
Cost of sales excluding depletion, depreciation and amortization	$15,212	$577	$5,708	$339	$20,919	$484	$941	$10	$21,861
Depletion, depreciation and amortization	$4,276	$162	$7,997	$475	$12,274	$284	$268	$3	$12,542
Total cost of sales	**$19,488**	**$739**	**$13,705**	**$814**	**$33,193**	**$768**	**$1,209**	**$12**	**$34,403**
Depletion, depreciation and amortization	($4,276)	($162)	($7,997)	($475)	($12,274)	($284)	($268)	($3)	($12,542)
Other costs (iii)	$0	$0	($117)	($7)	($117)	($3)	$0	$0	($117)
Cash cost : co-product	**$15,212**	**$577**	**$5,591**	**$332**	**$20,803**	**$481**	**$941**	**$10**	**$21,744**
General and administrative	$0	$0	$129	$8	$129	$3	$0	$0	$129
Rehabilitation - accretion and amortization	$775	$29	$1,792	$106	$2,567	$59	$44	$0	$2,611
Sustaining capital expenditures	$2,666	$101	$86	$5	$2,752	$64	$148	$2	$2,900
All in sustaining cost : co-product	**$18,653**	**$707**	**$7,597**	**$451**	**$26,250**	**$607**	**$1,133**	**$12**	**$27,384**
Total ounces produced	**21,893**		**15,724**		**37,617**		**89,474**		
Total ounces sold	**26,379**		**16,834**		**43,213**		**97,356**		

(i) Results may not add due to rounding
(ii) Corporate general and administrative expenses that align with all in sustaining costs
(iii) Fees, discounts and bank fees not related to current operations

The following table provides a reconciliation on a co-product basis for cash cost and AISC cost for the six months ended June 30, 2017:

$ USD 000's, except where noted and per ounce information in dollars (i)

For the six months ended June 30, 2017

	Mercedes		South Arturo		Total		Mercedes		
Co-Product	Gold	Per gold ounce sold	Gold	Per gold ounce sold	Gold	Per gold ounce sold	Silver	Per silver ounce sold	Total
Cost of sales excluding depletion, depreciation and amortization	$35,401	$818	$18,884	$366	$54,285	$573	$1,969	$12	$56,254
Depletion, depreciation and amortization	$10,460	$242	$35,482	$689	$45,942	$485	$582	$3	$46,524
Total cost of sales	**$45,861**	**$1,060**	**$54,365**	**$1,055**	**$100,227**	**$1,057**	**$2,551**	**$15**	**$102,778**
Cost of sales excluding depletion, depreciation and amortization	$26,531	$613	$14,152	$275	$40,683	$429	$1,476	$9	$42,160
Depletion, depreciation and amortization	$7,840	$181	$26,591	$516	$34,431	$363	$436	$3	$34,868
Total cost of sales	**$34,371**	**$794**	**$40,743**	**$791**	**$75,114**	**$792**	**$1,913**	**$11**	**$77,028**
Depletion, depreciation and amortization	($7,840)	($181)	($26,591)	($516)	($34,431)	($363)	($437)	($3)	($34,868)
Other costs (iii)	$0	$0	($155)	($3)	($155)	($2)	$0	$0	($155)
Cash cost : co-product	**$26,531**	**$613**	**$13,997**	**$272**	**$40,528**	**$427**	**$1,476**	**$9**	**$42,005**
General and administrative	$0	$0	$182	$4	$182	$2	$0	$0	$182
Rehabilitation - accretion and amortization	$858	$20	$2,309	$45	$3,166	$33	$48	$0	$3,214
Sustaining capital expenditures	$4,430	$102	$93	$2	$4,523	$48	$232	$1	$4,755
All in sustaining cost : co-product	**$31,818**	**$735**	**$16,581**	**$322**	**$48,400**	**$511**	**$1,755**	**$10**	**$50,156**
Total ounces produced	**44,057**		**44,539**		**88,596**		**178,046**		
Total ounces sold	**43,273**		**51,534**		**94,806**		**171,190**		

(i) Results may not add due to rounding
(ii) Corporate general and administrative expenses that align with all in sustaining costs
(iii) Fees, discounts and bank fees not related to current operations

The following table provides a reconciliation on a by-product basis for cash cost and AISC for the three months ended June 30, 2017:

$ USD 000's, except where noted and per ounce information in dollars (i)

	For the three months ended June 30, 2017					
	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	$21,554	$817	$7,616	$452	$29,170	$675
Depletion, depreciation and amortization	$6,063	$230	$10,671	$634	$16,734	$387
Total cost of sales	**$27,617**	**$1,047**	**$18,287**	**$1,086**	**$45,904**	**$1,062**
Cost of sales excluding depletion, depreciation and amortization	$16,154	$612	$5,708	$339	$21,861	$506
Depletion, depreciation and amortization	$4,544	$172	$7,997	$475	$12,542	$290
Total cost of sales	**$20,698**	**$785**	**$13,705**	**$814**	**$34,403**	**$796**
Depletion, depreciation and amortization	($4,544)	($172)	($7,997)	($475)	($12,542)	($290)
By-product credits	($1,648)	($62)	$0	$0	($1,648)	($38)
Other costs (ii)	$0	$0	($117)	($7)	($117)	($3)
Cash cost : by-product	**$14,506**	**$550**	**$5,591**	**$332**	**$20,097**	**$465**
General and administrative	$0	$0	$129	$8	$129	$3
Rehabilitation - accretion and amortization	$819	$31	$1,792	$106	$2,611	$60
Sustaining capital expenditures	$2,814	$107	$86	$5	$2,900	$67
All in sustaining cost : by-product	**$18,139**	**$688**	**$7,598**	**$451**	**$25,736**	**$596**
Total gold ounces produced	**21,893**		**15,724**		**37,617**	
Total gold ounces sold	**26,379**		**16,834**		**43,213**	

(i) Results may not add due to rounding
(ii) Corporate general and administrative expenses that align with all in sustaining costs
(iii) Fees, discounts and bank fees not related to current operations

The following table provides a reconciliation on a by-product basis for cash cost and AISC for the six months ended June 30, 2017:

$ USD 000's, except where noted and per ounce information in dollars (i)

	For the six months ended June 30, 2017					
	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	$37,370	$864	$18,884	$366	$56,254	$593
Depletion, depreciation and amortization	$11,042	$255	$35,482	$689	$46,524	$491
Total cost of sales	**$48,413**	**$1,119**	**$54,365**	**$1,055**	**$102,778**	**$1,084**
Cost of sales excluding depletion, depreciation and amortization	$28,008	$647	$14,152	$275	$42,160	$445
Depletion, depreciation and amortization	$8,276	$191	$26,592	$516	$34,868	$368
Total cost of sales	**$36,283**	**$838**	**$40,744**	**$791**	**$77,028**	**$812**
Depletion, depreciation and amortization	($8,276)	($191)	($26,592)	($516)	($34,868)	($368)
By-product credits	($2,909)	($67)	$0	$0	($2,909)	($31)
Other costs (ii)	$0	$0	($155)	($3)	($155)	($2)
Cash cost : by-product	**$25,098**	**$580**	**$13,997**	**$272**	**$39,096**	**$412**
Total gold ounces produced	**44,057**		**44,539**		**88,596**	
Total gold ounces sold	**43,273**		**51,534**		**94,806**	

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 June 30, 2017 and December 31, 2016, 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 for the year 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

<u>Fluctuating Commodity Prices</u>

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 June 30, 2017, 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 first 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.

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.

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

June 30, 2017). The Corporation’s management, with the participation of the Chief Executive Officer and the Chief Financial Officer, has limited the scope of the design of the Corporation’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.

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
August 8, 2017