Condensed Consolidated Interim Financial Statements

June 30, 2018

(Unaudited)

(Stated in thousands of United States Dollars)

PREMIER

Gold Mines Limited

NOTICE TO SHAREHOLDERS

For the Six Months Ended June 30, 2018

Premier Gold Mines Limited

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

PREMIER
Gold Mines Limited

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Stated in thousands of United States Dollars)
(Unaudited)

	Note	**June 30, 2018**	December 31, 2017 (As restated Note 2(c))	January 1, 2017 (As restated Note 2(c))
ASSETS				
Current assets				
Cash and cash equivalents	4	**67,762**	103,046	89,152
Receivables	5	**18,077**	11,807	8,879
Inventory	6	**20,858**	26,373	66,437
Prepaids and deposits		**1,255**	2,026	1,452
Other assets	7	**162**	318	3,991
Total current assets		**108,114**	143,570	169,911
Non-current assets				
Restricted cash and cash equivalents	8	**5,124**	4,721	3,208
Long-term inventory	6	**2,203**	5,606	-
Long-term receivable		**2,933**	2,933	-
Property, plant and equipment	9	**264,661**	270,759	261,527
Total non-current assets		**274,921**	284,019	264,735
Total assets		**383,035**	427,589	434,646
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		**18,960**	18,471	22,893
Taxes payable		**805**	4,132	3,708
Current portion of deferred revenue	10	**14,053**	13,775	13,784
Current portion of long term debt	11	**50**	19,205	2,043
Current provision for environmental rehabilitation	12	**347**	440	705
Current portion of other liabilities	13	**1,495**	1,721	3,097
Total current liabilities		**35,710**	57,744	46,230
Non-current liabilities				
Deferred taxes		**11,618**	12,916	15,712
Deferred revenue	10	**16,165**	22,512	35,750
Long-term debt	11	**-**	-	39,521
Provision for environmental rehabilitation	12	**20,263**	22,869	14,811
Other liabilities	13	**2,261**	3,061	4,393
Total non-current liabilities		**50,307**	61,358	110,187
Total liabilities		**86,017**	119,102	156,417
EQUITY				
Share capital		**536,883**	536,484	533,635
Reserves		**(18,567)**	(16,709)	(27,949)
Deficit		**(221,298)**	(211,288)	(227,457)
Total equity		**297,018**	308,487	278,229
Total liabilities and equity		**383,035**	427,589	434,646

Commitments [Note 23]

Contingencies [Note 26]

See accompanying notes to the consolidated financial statements

Approved by the Board of Directors and authorized for issue on August 7, 2018

"John Seaman"
Director

"Ewan Downie"
Director

PREMIER Gold Mines Limited

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

(Stated in thousands of United States Dollars, except for share data)
(Unaudited)

	Note	Three months ended June 30, 2018	Three months ended June 30, 2017 (restated - Note 2(c))	Six months ended June 30, 2018	Six months ended June 30, 2017 (restated - Note 2(c))
Revenue		**27,470**	55,532	**66,646**	120,079
Cost of sales		**(20,539)**	(21,676)	**(41,876)**	(42,175)
Depletion, depreciation and amortization	9	**(8,126)**	(12,363)	**(16,323)**	(34,867)
Mine operating income		**(1,195)**	21,493	**8,447**	43,037
Expenses					
Exploration, evaluation, and pre-development	17	**6,202**	7,972	**12,616**	14,940
Property maintenance		**34**	75	**169**	150
General and administrative	18	**2,307**	1,993	**4,278**	3,600
Share based payments		**279**	239	**2,505**	2,301
Re-measurement of environmental rehabilitation provision		**-**	12	**-**	(109)
Income / (loss) before the following		**(10,017)**	11,202	**(11,121)**	22,155
Other income	19	**2,206**	1,236	**4,467**	1,458
Finance expense	20	**(1,099)**	(1,953)	**(2,438)**	(3,900)
Income / (loss) before income taxes		**(8,910)**	10,485	**(9,092)**	19,713
Current tax expense		**(139)**	(3,016)	**(1,764)**	(4,639)
Deferred tax recovery		**1,395**	5,032	**1,182**	2,482
Income / (loss) for the period		**(7,654)**	12,501	**(9,674)**	17,556
Other comprehensive income / (loss)					
Exchange gain / (loss) on translation of foreign operations		**(1,807)**	2,936	**(3,808)**	3,656
Total comprehensive income / (loss) for the period		**(9,461)**	15,437	**(13,482)**	21,212
Basic and diluted income / (loss) per share	15	**$ (0.04)**	$ 0.06	**$ (0.05)**	$ 0.09
Weighted average number of shares outstanding					
Basic	15	**201,631,431**	201,573,076	**201,631,431**	201,573,076
Diluted	15	**201,631,431**	205,614,402	**201,631,431**	205,614,402

See accompanying notes to the consolidated financial statements

PREMIER Gold Mines Limited

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Stated in thousands of United States Dollars)
(Unaudited)

	Note	Three months ended June 30, **2018**	Three months ended June 30, 2017	Six months ended June 30, **2018**	Six months ended June 30, 2017 (restated - Note 2(c))
OPERATING ACTIVITIES					
Income / (loss) for the period		**(7,654)**	12,501	**(9,674)**	17,556
Items not affecting cash					
Depletion, depreciation and amortization	9	**8,208**	12,420	**16,484**	34,970
Greenstone Gold non-cash operating expenses		**3,403**	1,421	**5,092**	2,710
Non-cash share-based payments		**23**	28	**2,249**	2,090
Re-measurement of environmental rehabilitation provision		**-**	12	**-**	(109)
Loss / (gain) on derivatives		**(162)**	52	**(972)**	969
Loss / (gain) on sale of investments		**37**	462	**89**	98
Loss / (gain) on sale of property, plant and equipment		**(323)**	-	**(323)**	-
Foreign exchange (gain) / loss		**993**	(2,995)	**1,453**	(1,530)
Gain attributable to Greenstone Gold development commitment		**(3,403)**	(1,421)	**(5,092)**	(2,710)
Finance expense	20	**1,099**	1,953	**2,438**	3,900
Deferred tax recovery		**(1,395)**	(5,032)	**(1,182)**	(2,482)
Deferred revenue on metal agreements		**(3,389)**	(3,467)	**(6,858)**	(6,789)
Change in non-cash working capital balances related to operations					
Receivables		**(2,367)**	(5,269)	**(6,255)**	(3,762)
Prepaids and deposits		**515**	(688)	**771**	(880)
Inventory		**4,187**	3,930	**4,027**	2,208
Accounts payable and accrued liabilities		**1,894**	(1,459)	**486**	(5,511)
Taxes payable		**(2,640)**	(839)	**(3,328)**	491
Share-based payment liability		**236**	213	**236**	213
Cash provided by / (used in) operating activities		**(738)**	11,822	**(359)**	41,432
INVESTMENT ACTIVITIES					
Proceeds from the sale of investments		**101**	430	**155**	640
Purchase / settlement of derivative investments		**-**	-	**-**	364
Capital expenditures on property, plant and equipment	9	**(6,057)**	(4,411)	**(11,389)**	(8,934)
Environmental liability security placed		**(524)**	677	**(667)**	310
Proceeds on disposal of property, plant and equipment		**11**	-	**11**	-
Reclamation expenditures charged to the provision for environmental rehabilitation		**(92)**	22	**(92)**	(54)
Cash used in investment activities		**(6,561)**	(3,282)	**(11,982)**	(7,674)
FINANCING ACTIVITIES					
Interest paid		**(526)**	(1,274)	**(1,283)**	(2,585)
Proceeds from the exercise of stock options		**-**	48	**483**	153
Repayment of long term debt		**(20,000)**	-	**(20,000)**	(2,000)
Cash used in financing activities		**(20,526)**	(1,226)	**(20,800)**	(4,432)
Change in cash and cash equivalents during the period		**(27,825)**	7,314	**(33,141)**	29,326
Cash and cash equivalents, beginning of the period		**98,428**	110,657	**103,046**	89,152
Effect of exchange rate changes on cash held		**(2,841)**	3,017	**(2,143)**	2,510
Cash and cash equivalents, end of period		**67,762**	120,988	**67,762**	120,988

Supplemental cash flow information [Note 16]

See accompanying notes to the consolidated financial statements

PREMIER Gold Mines Limited

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(Stated in thousands of United States Dollars, except for share data)
(Unaudited)

		Share Capital		Reserves				
Issued and outstanding	**Note**	**Number of shares**	**Share capital**	**Equity settled employee benefits**	**Contributed surplus**	**Foreign currency translation**	**Deficit**	**Total equity**
Balance as at January 1, 2017		201,473,187	533,635	31,499	8,267	(67,716)	(227,457)	278,228
Exercise of stock options	14	86,000	281	(103)	-	-	-	178
Equity settled share-based payments		-	-	2,090	-	-	-	2,090
Comprehensive income for the period		-	-	-	-	3,656	17,556	21,212
Balance as at June 30, 2017		201,559,187	533,916	33,486	8,267	(64,060)	(209,901)	301,708
Exercise of stock options		806,900	2,568	(967)	-	-	-	1,601
Equity settled share-based payments		-	-	101	-	-	-	101
Comprehensive income for the period		-	-	-	-	6,464	(1,387)	5,077
Balance as at December 31, 2017		202,366,087	536,484	32,620	8,267	(57,596)	(211,288)	308,487
Impact of adopting IFRS 15 on January 1, 2018	3(a)	-	-	-	-	-	(336)	(336)
Balance as at January 1, 2018 (as restated)	2(c)	202,366,087	536,484	32,620	8,267	(57,596)	(211,624)	308,151
Exercise of stock options	14	225,300	782	(299)	-	-	-	483
Shares issued for termination of option agreement		23,149	58	-	-	-	-	58
Equity settled share based payments		-	-	2,249	-	-	-	2,249
Warrants reclassified to liability on change of functional currency		-	(441)	-	-	-	-	(441)
Comprehensive income (loss) for the period		-	-	-	-	(3,808)	(9,674)	(13,482)
Balance as at June 30, 2018		**202,614,536**	**536,883**	**34,570**	**8,267**	**(61,404)**	**(221,298)**	**297,018**

See accompanying notes to the condensed consolidated financial statements

PREMIER Gold Mines Limited

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in thousands of United States Dollars, except for share data)
(Unaudited)

1. NATURE OF BUSINESS

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

The Company’s principal assets include the Mercedes Mine in Sonora, Mexico, a 40% interest in the South Arturo Mine in Nevada, USA and a 50% interest in the Hardrock Gold Project (Greenstone Gold Mines Partnership) located along the TransCanada highway in Ontario, Canada. Other key property interests include a 44% interest in Rahill Bonanza and a 100% interest in the Hasaga gold properties located in the Red Lake mining district of Northwestern Ontario, Canada and a 100% interest in the McCoy Cove gold property located in Nevada, USA where Barrick Gold Corporation is earning a 60% interest in the area that surrounds the qualified resources.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017.

The unaudited condensed consolidated interim financial statements of the Company for the period ended June 30, 2018 were approved and authorized by the Board of Directors on August 7, 2018.

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

The accounting policies applied in the preparation of these consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2017, except as otherwise noted in Note 2(c), Note 2(d) and Note 3.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company's unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2017 and discussed below.

PREMIER Gold Mines Limited

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in thousands of United States Dollars, except for share data)
(Unaudited)

(b) Basis of consolidation

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

Subsidiary	Percentage of ownership	Jurisdiction	Principal activity
Premier Gold Mines USA Inc.	100%	United States	Mineral exploration
Premier Gold Mines Nevada Inc.	100%	United States	Mineral exploration
Au-reka Gold Corporation	100%	United States	Mineral exploration
Premier Goldbanks LLC	100%	United States	Mineral exploration
Goldcorp Dee LLC	100%	United States	Production
Premier Rye LLC	100%	United States	Mineral exploration
Goldstone Resources Inc.	100%	Canada	Mineral exploration
Premier Gold Mines Hardrock Inc.	100%	Canada	Pre-development
Greenstone Gold Mines GP Inc.	50%	Canada	Pre-development
Premier Gold Mines NWO Inc.	100%	Canada	Mineral exploration
Cherbourg Gold Inc.	85.7%	Canada	Mineral exploration
Barraute Gold Inc.	100%	Canada	Mineral exploration
Oro Premier de Mexico S.A. de C.V.	100%	Mexico	Mineral exploration
Minera Meridian Minerales S.de R.L. de C.V.	100%	Mexico	Production
Meridian Gold Holdings Mexico S.A. de C.V.	100%	Mexico	Production
Minera Meridian Mexico S.de R.L. de C.V.	100%	Mexico	Production
Premier Gold Mines Cayman Ltd.	100%	Cayman Islands	Holding
2401794 Ontario Inc.	100%	Canada	Holding
2536062 Ontario Inc.	100%	Canada	Holding
Premier Gold Mines Netherlands Cooperative U.A.	100%	Netherlands	Holding
Premier Gold Mines Netherlands B.V.	100%	Netherlands	Holding

All transactions and balances between the Company and its subsidiaries are eliminated on consolidation, including unrealized gains and losses on transactions between the companies. Where unrealized losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Company.

(c) Change in functional and presentation currency

Functional currency

Prior to January 1, 2018, the functional currency of Premier Gold Mines Limited, the parent company, was the Canadian dollar (“CAD”). Per IAS 21 - The Effects of Changes in Foreign Exchange Rates (“IAS 21”), an entity’s functional currency should reflect the underlying transactions, events and conditions that are relevant to the entity. Management considered primary and secondary indicators in determining functional currency including the currency that influences sales prices, labour, purchases and other costs. Other indicators including the currency in which funds from financing activities are generated and the currency in which receipts from operations are usually retained.

Based on these factors, management concluded that effective January 1, 2018, the parent company’s functional currency should be the United States dollars (“USD”). One of the main factors affecting the decision was the introduction in 2018 of forward gold sales contracts in USD which had previously been denominated in CAD.

As the Company’s Canadian subsidiaries have not commenced mining operations, primarily operate in CAD and are financed in CAD, management has determined that their functional currency remains CAD. The Company’s USA and Mexico mining and exploration and development operations continue to remain with a functional currency of USD with the sales and majority of costs incurred in USD. For the international operations used for the deferred revenue arrangements related to gold and silver sales, the functional currency also remains USD. The holding companies with debt in Mexican pesos remain in pesos.

The Company has accounted for the change in functional currency prospectively, as provided for under IAS 21 with no impact of this change on prior year comparative information other than in conjunction with the change in presentation currency as discussed below.

Presentation currency

On January 1, 2018, the Company elected to change its presentation currency from CAD to USD. The change in presentation currency is to better reflect the Company's business activities and to improve comparability of the Company's financial results with other publicly traded businesses in the mining industry. The Company applied the change to USD presentation currency retrospectively and restated the comparative financial information as if the new presentation currency had always been the Company's presentation currency in accordance with the guidance in IAS 21 and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

From January 1, 2018, the USD presentation is consistent with the functional currency of the Company. For periods prior to January 1, 2018, the statements of financial position for each period presented have been translated from the CAD functional currency to the new USD presentation currency at the rate of exchange prevailing at the respective financial position date with the exception of equity items which have been translated at accumulated historical rates from the Company's date of incorporation in 2006. The statements of income / (loss) and comprehensive income / (loss) were translated at the average exchange rates for the reporting period, or at the exchange rate prevailing at the date of the transactions. Exchange differences arising in 2017 on translation from the CAD functional currency to the USD presentation currency have been recognized in other comprehensive income / (loss) and accumulated as a separate component of equity. In addition to the comparative financial statements, the Company has presented a third statement of financial position as at January 1, 2017 as required by IFRS.

Equity has been restated using historical average exchange rates other than for significant transactions for which the actual historical rate was used with the difference being presented as an adjustment to the foreign currency exchange reserve.

(d) Share capital and warrants

Share capital represents the fair value of consideration received. Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. Incremental costs directly attributable to the issue of new shares or options are also shown in equity as a deduction.

The Company periodically issues units to investors consisting of common shares and warrants in non-brokered private placements or as additional consideration in a brokered financing or purchase transaction. Each whole warrant issued entitles the holder to acquire a common share of the Company, at a fixed Canadian dollar price over a specified term. These warrants are not transferable from the original investor to a new investor. Prior to January 1, 2018, these warrants were considered equity instruments and not financial liabilities or financial derivatives however, in connection with the change in functional currency described in Note 2(c), they are now considered derivatives because their exercise price is in CAD whereas the Company's functional currency is in USD. Accordingly, the Company now recognizes the warrants at fair value with changes in fair value recognized in profit or loss with the initial recognition of warrants existing at January 1, 2018 recorded as an adjustment to share capital.

When investor or other warrants are exercised, the liability is revalued prior to de-recognition with the change in fair value recognized in profit or loss, proceeds received are added to share capital and the liability is de-recognized.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

(a) Accounting standards issued and effective January 1, 2018

IFRS 9 – *Financial Instruments*

On January 1, 2018, the Company adopted IFRS 9 – *Financial Instruments* ("IFRS 9"). IFRS 9 replaces IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39"), introduces new requirements for the recognition and measurement of financial assets and liabilities, a single, forward looking "expected loss" impairment model and a reformed approach to hedge accounting. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules previously under IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The International Accounting Standards Board ("IASB") requires an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018.

The Company's financial assets have been comprised of Canadian equities and derivatives including put options or forward contracts for the delivery of gold ounces at various prices to manage exposure to fluctuations in gold prices. Financial liabilities include credit facilities with embedded derivatives related to various components of the agreements. The Company does not have hedging relationships which qualify for hedge accounting. The assessment of the impact in applying IFRS 9 is summarized below.

The Company does not hold put options at this time and the forward contracts currently held are intended to be settled using our own production and therefore are accounted for under the own use exemption whereby the value of the contracts is not recognized in the financial statements, this has not changed under IFRS 9.

As most of the requirements in IFRS 9 have been retained for financial liabilities and the Company has accounted for the embedded derivatives at fair value, no adjustments are required.

With respect to term modification of a debt instrument, the Company is in compliance with IFRS 9 by continuing its current practice of assessing change of terms of debt instruments in order to determine if the modification of the terms is substantial and would result in an extinguishment of the original liability and recognition of the amended debt instrument as a new financial liability. The standard requires that when a financial liability at amortized cost is modified or exchanged, and such modification does not result in de-recognition, that the adjustment to amortized cost of the financial liability is recognized in profit or loss.

Application of IFRS 9 on the Company's other financial instruments also has no impact on the Company's financial position or results of operations and there is no financial impact that requires disclosure. The Company did have an early repayment of debt however, there was no change in terms of the debt instrument and an adjustment to the amortized cost was recorded in the year.

IFRS 15 – *Revenue from Contracts with Customers*

On January 1, 2018, the Company has adopted IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 – *Revenue*, IAS 11 – *Construction Contracts* and the related interpretations. In adopting the guidance, the Company has opted to use the modified retrospective basis in accordance with the transitional provisions of IFRS 15 whereby the cumulative effect of initially applying the standard has been recognized as an adjustment to the opening deficit at January 1, 2018 and comparative figures are not restated and continue to be reported under the accounting standards in effect for those periods.

The Company's revenue is generated mainly from the sale of gold and silver through various revenue streams. Typical for the mining industry, each metal sale transaction is stand alone and without multiple element arrangements. For gold and silver sales, revenue is recognized after the related performance obligations have been met which is concluded to be essentially the same under IFRS 15 and IAS 18. In general, the performance obligations of the sale transactions are satisfied at a point in time with reliably measurable transaction prices and no financing consideration due to the nature of the commodity market where the Company operates.

Management has determined that the application of IFRS 15 with respect to sales transactions will not result in an adjustment to the consolidated financial statements except as discussed in the gold prepay and silver stream arrangements below.

Gold prepay and silver stream

The Company entered into a gold prepay and a silver stream arrangement in 2016 with Orion as discussed in Note 4 to the 2017 audited consolidated financial statements. Advance payments were received from Orion on execution of the agreements, with a right to receive deliveries of the gold and silver from the production of certain of the Company's mines based on a predetermined pricing formula during the future delivery date. The advance payments were recorded as deferred revenue, with amounts recognized in revenue as deliveries are made to Orion and as further discussed in Note 12 to the consolidated financial statements. The gold prepay arrangement has an interest component, the silver stream does not.

Under IFRS 15, where consideration is received in advance of the Company's performance of its obligation, there is an inherent financing component. Where the period between receipt of consideration and revenue recognition for these contracts is greater than one year, the Company is required to determine whether a significant financing component exists. The Company performed this assessment on these arrangements and determined that the financing component was significant to the silver stream but was not to the gold prepay.

Accordingly, in accounting for the silver stream under IFRS 15, the transaction price is increased by an imputed interest amount and a corresponding amount of interest expense is recognized in each period.

Also under the standard, an entity is required to estimate the transaction price in a contract. For contracts containing variable consideration the transaction price is to be continually updated and re-allocated to the related revenue. As a result, we have updated our accounting policy for revenue earned on streaming agreements such that we will treat the deferred revenue as variable, requiring an adjustment to the transaction price per unit each time there is a change in the underlying production profile of the mine (typically the last half of each year). The change in the transaction price per unit results in a retroactive adjustment to revenue in the period in which the change is made, reflecting the new production profile expected to be delivered under the streaming agreement.

Based on a combination of the financing component at the rate determined at the inception of the contact and the variable consideration, a retroactive adjustment is made to accretion expense, reflecting the impact of the change in the deferred revenue balance.

The impact of the initial adoption of this change in accounting policy using the modified retrospective approach was an adjustment to reduce the opening deficit on January 1, 2018 of $0.34 million with a corresponding adjustment to reduce the deferred revenue balance. The impact to the net loss for the period was an increase to non-cash silver revenue of $0.12 million and a recognition of silver stream accretion of $0.16 million.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in thousands of United States Dollars, except for share data)
(Unaudited)

(b) Accounting standards issued and effective January 1, 2019

IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16 – *Leases* which replaces the existing lease accounting guidance in IAS 17. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice.

The standard 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 Company is planning to apply IFRS 16 at the date it becomes effective and has yet to decide if it will apply the standard using full retrospective or a modified retrospective approach. The Company is in the process of assessing its current agreements that contain, or may contain, a lease that conveys the right to control an identified asset to determine the quantitative impact of this standard. The Company expects to report more detailed information, including estimated quantitative impacts, if material, in its consolidated financial statements as the effective date approaches.

IFRIC 23 – *Uncertainty over Income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC Interpretation 23 – *Uncertainty over Income Tax Treatments*. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The Company is currently in the process of assessing the impact that the new interpretation will have on its consolidated financial statements.

(c) Significant accounting judgments and estimates

Application of variable consideration constraint in silver stream agreement

The Company determines the amortization of deferred revenue to the statement of operations on a per unit basis using the expected quantity of silver that will be delivered over the term of the contract, which is based on geological reports and the Company's life of mine plan at contract inception. As subsequent changes to the expected quantity of silver to be delivered triggers a retrospective adjustment to revenue, management is required to estimate the ounces to be included in the denominator that will be sufficient such that subsequent changes are not expected to result in a significant revenue reversal. Accordingly, management includes reserves and portion of resources, included in the annual review of life of mine, in the calculation. With this approach, the Company considers that it is highly probable that changes in subsequent reserve and resource estimates will not result in a significant revenue reversal of previously recognized revenue.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and in banks including money market savings accounts and short term deposits that have a one year maturity but that are cashable within 30 days or less into a known amount of cash.

	June 30, 2018	December 31, 2017
Cash	**67,258**	101,149
Short-term money market investments	**504**	1,897
	67,762	103,046

(Stated in thousands of United States Dollars, except for share data)

5. RECEIVABLES

	June 30, 2018	December 31, 2017
Recoverable taxes (i)	**11,405**	7,370
Taxes receivable (ii)	**3,876**	3,876
Trade receivables	**195**	503
Other receivable (iii)	**2,601**	58
	18,077	11,807

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

(ii) Taxes receivable are tax installments paid in excess of current taxes payable for Alternative Minimum Tax ("AMT") in the United States.

(iii) The South Arturo project has a receivable of $2.60 million for an outstanding cash call from the co-owner.

6. INVENTORY

	June 30, 2018	December 31, 2017
Finished goods	**5,270**	8,168
Work-in-process	**156**	188
Current ore stockpiles	**1,119**	3,831
Materials and supplies	**14,313**	14,186
Total current inventory	**20,858**	26,373
Long-term ore stockpiles	**2,203**	5,606
Total inventory	**23,061**	31,979

The amount of inventory recognized as an expense for the three and six months ended June 30, 2018 was $20.54 million and $41.88 million respectively ($21.68 million and $42.18 million, respectively, for the three and six months ended June 30, 2017), and is included in cost of sales excluding depletion, depreciation and amortization. Long-term inventory is comprised of low grade ore not expected to be processed in the next year.

7. OTHER ASSETS

The Company's investments consist of common shares and warrants held in Canadian publicly traded corporations. Fair values of shares are determined at the closing price on June 30, 2018 unless the shares have a hold period in which case the initial fair market value difference from the cost is deferred until the hold period has expired. In the event of a hold period, the value of the shares are determined using the Black Scholes option pricing model taking the restriction into account. Warrants are also valued using the Black Scholes option pricing model taking any restriction into account and are revalued at each reporting period until exercise or expiry.

8. RESTRICTED CASH AND CASH EQUIVALENTS

Property	**June 30, 2018**	December 31, 2017
Hardrock, Ontario (i)	**240**	253
Northern Empire Mill, Ontario (ii)	**1,695**	1,779
McCoy-Cove, Nevada (iii)	**600**	600
Hasaga, Ontario (iv)	**85**	89
South Arturo, Nevada (v)	**2,504**	2,000
	5,124	4,721

(i) The Company has a C$0.63 million ($0.48 million) standby letter of credit outstanding in favour of the Ontario Ministry of Northern Development and Mines ("MNDM") relating to potential reclamation obligations of the Greenstone Gold property in Ontario. Security, in the form of a guaranteed investment certificate, for the standby letter of credit is held with the Royal Bank of Canada. As a result of the 50% divestment of the interest in the Greenstone Gold properties only C$0.32 million ($0.24 million) is recorded on the books of the Company. Upon discharge of all reclamation related obligations 100% of the funds held as security will be returned to the Company.

(Stated in thousands of United States Dollars, except for share data)

(ii) The Company has a total of C$2.23 million ($1.70 million) in restricted cash and cash equivalents relating to reclamation obligations associated with the Northern Empire Mill in Ontario including:

- a C$0.15 million ($0.11 million) standby letter of credit with the Toronto Dominion Bank in the name of the Company's' wholly owned subsidiary, Goldstone Resources Inc., and payable in favour of the MNDM
- a C$1.68 million ($1.27 million) standby letter of credit with the Royal Bank of Canada and payable in favour of the MNDM
- C$0.40 million ($0.31 million) in financial assurance held directly by the MNDM

(iii) The Company's wholly owned subsidiary, Au-reka Gold Corporation, has a total of $0.60 million in restricted cash related to reclamation obligations associated with the McCoy-Cove property in Nevada including $0.25 and $0.35 million held in trust with Lexon Surety Group as security for the surety bonds described in Note 23(c).

(iv) The Company has a C$0.11 million ($0.09 million) standby letter of credit outstanding in favour of the MNDM relating to reclamation obligations for a workshop located on the Hasaga property in Ontario. Security, in the form of a guaranteed investment certificate, for the standby letter of credit is held with the Royal Bank of Canada.

(v) The Company has $2.50 million in restricted cash relating to the reclamation of the Company's 40% ownership of the South Arturo project.

9. PROPERTY, PLANT AND EQUIPMENT

Cost	Mineral properties subject to depletion (i)	Mineral properties not subject to depletion (ii)	Buildings, plant and equipment	Total
Balance, January 1, 2017	151,650	112,353	96,405	360,408
Additions	13,957	22	7,633	21,612
Disposals	-	-	(175)	(175)
Change in estimate of environmental rehabilitation	5,016	899	-	5,915
Write-down of property, plant and equipment	-	(1,475)	-	(1,475)
Foreign currency adjustment	-	4,579	280	4,859
Balance, December 31, 2017	170,623	116,378	104,143	391,144
Additions	5,393	150	5,846	11,389
Disposals (iv)	-	(1,058)	(252)	(1,310)
Change in estimate of environmental rehabilitation	(2,722)	-	-	(2,722)
Foreign currency adjustment	-	(3,138)	(253)	(3,391)
Balance, June 30, 2018	**173,294**	**112,332**	**109,484**	**395,110**
Accumulated depreciation and impairment				
Balance, January 1, 2017	88,593	2,787	7,501	98,881
Depletion, depreciation and amortization (iii)	12,011	-	9,139	21,150
Disposals	-	-	(62)	(62)
Foreign currency adjustment	-	155	261	416
Balance, December 31, 2017	100,604	2,942	16,839	120,385
Depletion, depreciation and amortization (iii)	6,836	-	4,758	11,594
Disposals (iv)	-	(1,058)	(198)	(1,256)
Foreign currency adjustment	-	(81)	(193)	(274)
Balance, June 30, 2018	**107,440**	**1,803**	**21,206**	**130,449**
Carrying amounts				
Balance, December 31, 2017	70,019	113,436	87,304	270,759
Balance, June 30, 2018	**65,854**	**110,529**	**88,278**	**264,661**

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in thousands of United States Dollars, except for share data)
(Unaudited)

(i) Mineral properties subject to depletion

Property	**December 31, 2017**	**Additions**	**Change in estimate of environmental provision**	**Depletion**	**June 30, 2018**
South Arturo, Nevada	1,764	27	(161)	(373)	**1,257**
Mercedes, Mexico	68,255	5,366	(2,561)	(6,463)	**64,597**
	70,019	5,393	(2,722)	(6,836)	**65,854**

Property	January 1, 2017	Additions	Change in estimate of environmental provision	Depletion	December 31, 2017
South Arturo, Nevada	5,973	1,120	(1,877)	(3,452)	1,764
Mercedes, Mexico	57,084	12,837	6,893	(8,559)	68,255
	63,057	13,957	5,016	(12,011)	70,019

(ii) Mineral properties not subject to depletion

Property	**December 31, 2017**	**Additions**	**Change in estimate of environmental provision**	**Write-downs and disposals**	**Currency Adjustment**	**June 30, 2018**
Rahill-Bonanza, Ontario	14,306	17	-	-	(677)	**13,646**
Hasaga, Ontario	10,604	(42)	-	-	(500)	**10,062**
Greenstone Gold, Ontario	39,743	-	-	-	(1,880)	**37,863**
McCoy-Cove, Nevada	48,756	145	-	-	-	**48,901**
Rye, Nevada	27	30	-	-	-	**57**
	113,436	150	-	-	(3,057)	**110,529**

Property	January 1, 2017	Additions	Change in estimate of environmental provision	Write-downs and disposals	Currency Adjustment	December 31, 2017
Rahill-Bonanza, Ontario	13,366	1	-	-	939	14,306
Hasaga, Ontario	9,949	-	(43)	-	698	10,604
Greenstone Gold, Ontario	37,133	-	-	-	2,610	39,743
McCoy-Cove, Nevada	47,814	-	942	-	-	48,756
Cristina, Mexico	1,304	(6)	-	(1,475)	177	-
Rye, Nevada	-	27	-	-	-	27
	109,566	22	899	(1,475)	4,424	113,436

(iii) Depreciation, depletion and amortization on property, plant and equipment during the periods ended June 30, 2018 and 2017 include amounts allocated to:

	Three months ended June 30,		**Six months ended June 30,**	
	2018	2017	**2018**	2017
Depreciation, depletion and amortization	**8,126**	12,363	**16,323**	34,867
Recorded in exploration, evaluation and pre-development	**23**	20	**45**	37
Recorded in general and administrative	**58**	36	**114**	64
Recorded in property maintenance	**1**	1	**2**	2
	8,208	12,420	**16,484**	34,970
Inventory movement	**(2,116)**	(6,139)	**(4,890)**	(22,640)
Total depletion, depreciation and amortization	**6,092**	6,281	**11,594**	12,330

(iv) During the quarter ended June 30, 2018, the Company sold the Faymar Deloro non-core, fully impaired, exploration property for a total gain of $0.34 million which included a reduction of the total provision for environmental rehabilitation of $0.38 million (Note 12).

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in thousands of United States Dollars, except for share data)
(Unaudited)

10. DEFERRED REVENUE

	June 30, 2018	December 31, 2017
Gold prepay (i)	**22,291**	27,805
Silver stream agreement (ii)	**7,927**	8,482
Total deferred revenue	**30,218**	36,287
Less: current portion	**14,053**	13,775
Total long term portion	**16,165**	22,512

(i) As part of the financing arrangement discussed in Note 4 of the audited consolidated financial statements for the year ended December 31, 2017, the Company entered into a gold prepay agreement. In exchange for $42.19 million the Company will deliver to Orion 2,450 troy ounces of gold per quarter for a period of 15 consecutive quarters commencing December 31, 2016 for a total of 36,750 ounces. The gold prepay has an annual interest rate of 6.5% payable on the principal balance quarterly which has been recorded as a liability based on the present value of the future interest payments. Subject to certain exceptions, the Company has the option to satisfy four interest payments in common shares issued at the then 10 day volume weighted average closing price. As of June 30, 2018, the Company has delivered 17,150 troy ounces of gold towards the gold prepay agreement with Orion.

	June 30, 2018	December 31, 2017
Opening balance	**27,805**	38,764
Recognition of revenue during the period	**(5,625)**	(11,250)
Amortization of costs	**111**	291
	22,291	27,805

(ii) For the silver streaming agreement, in exchange for $11.50 million the Company will deliver to Orion 50% of the silver production from the Mercedes Mine for the first year following closing, 60% for the subsequent year, and 70% thereafter until the delivery of 1.25 million ounces of silver, after which the delivery will be reduced to 25% of the silver production until the delivery of 2.0 million ounces, and reduced further to 12.5% thereafter. Orion will pay an ongoing cash purchase price equal to 20% of the prevailing silver price. As of June 30, 2018, the Company has delivered 284,400 ounces of silver towards the silver streaming agreement with Orion.

	June 30, 2018	December 31, 2017
Opening balance	**8,482**	10,770
Impact of adopting IFRS 15 on January 1, 2018 (Note 3(a))	**336**	-
Adjusted balance at January 1, 2018	**8,818**	10,770
Recognition of revenue during the period	**(1,233)**	(2,381)
Amortization of costs	**22**	93
Interest accretion	**320**	-
	7,927	8,482

11. LONG TERM DEBT

	June 30, 2018	December 31, 2017
Promissory note payable (i)	**50**	50
Credit facility (ii)	**-**	20,000
Total obligation	**50**	20,050
Less interest and debt agreement costs to be accreted	**-**	845
Present value of the obligation	**50**	19,205
Current portion of long-term debt	**50**	19,205

(i) Promissory note payable

The Company, through its wholly owned subsidiary, Premier Gold Mines Nevada Inc. holds a non-interest bearing promissory note secured by a deed of trust on the Blue Sage property. The outstanding principal of the promissory note of $0.05 million at June 30, 2018 was fully repaid on July 19, 2018, the scheduled repayment date.

(Stated in thousands of United States Dollars, except for share data)

(ii) Credit facility

In conjunction with the financing arrangement related to the acquisition of the Mercedes mine in 2016, the Company drew $45 million on the senior unsecured term facility ("credit facility") with Orion. The credit facility had interest at a rate of 6.0% annually, payable only on the amount drawn and paid quarterly. There was no stand-by interest payable under the credit facility, but loan commitment and other fees that were paid upon closing were $2.80 million. The credit facility principal was due upon maturity at June 30, 2018. On November 6, 2017, the Company paid $25 million to Orion on exercise of the option to repay a portion of the term facility leaving a balance outstanding of $20 million at December 31, 2017. On May 4, 2018, the Company paid the remaining principal balance of $20 million along with accrued interest owing.

12. PROVISION FOR ENVIRONMENTAL REHABILITATION

The Company estimates that the undiscounted uninflated future value of the cash flows required to settle the provision is $2.90 million for the Hasaga and Northern Empire Mill properties in Canada, $2.30 million for the McCoy-Cove property, $11.72 million for the South Arturo Mine project in the United States and $14.20 million for the Mercedes Mine project in Mexico. In calculating the best estimate of the Company's provision, management used risk free interest rates ranging from 1.67% to 7.65%. A reconciliation of the discounted provision is provided below:

	Northern Empire Mill	**Faymar Deloro**	**Hasaga**	**McCoy-Cove**	**South Arturo**	**Mercedes Mine**	**Total**
Balance, December 31, 2017	1,566	391	186	1,713	4,805	14,648	23,309
Change in estimate capitalized	-	-	-	-	(157)	(2,560)	(2,717)
Accretion expense	16	3	2	23	65	479	588
Reclamation expenditures	-	-	-	(93)	-	-	(93)
Currency adjustment	(74)	(18)	(9)	-	-	-	(101)
Disposal (Note 9 (iv))	-	(376)	-	-	-	-	(376)
Balance, June 30, 2018	**1,508**	**-**	**179**	**1,643**	**4,713**	**12,567**	**20,610**
Less current portion	107	-	-	240	-	-	347
Long-term portion	1,401	-	179	1,403	4,713	12,567	20,263

	Northern Empire Mill	Faymar Deloro	Hasaga	McCoy-Cove	South Arturo	Mercedes Mine	Total
Balance, January 1, 2017	1,588	575	212	884	6,530	5,727	15,516
New obligation	-	-	-	1,096	-	3,615	4,711
Change in estimate expensed	(147)	(150)	-	-	-	-	(297)
Change in estimate capitalized	-	-	(43)	(154)	(1,905)	3,725	1,623
Accretion expense	30	9	4	29	180	680	932
Reclamation expenditures	(11)	(79)	-	(142)	-	-	(232)
Currency adjustment	106	36	13	-	-	901	1,056
Balance, December 31, 2017	1,566	391	186	1,713	4,805	14,648	23,309
Less current portion	-	128	4	302	6	-	440
Long term portion	1,566	263	182	1,411	4,799	14,648	22,869

13. OTHER LIABILITIES

	June 30, 2018	December 31, 2017
Financial liability (i)	**1,383**	2,113
Offtake obligation (ii)	**1,902**	2,434
Share based payment liability (iii)	**471**	235
Total other liabilities	**3,756**	4,782
Less current portion	**1,495**	1,721
Long term portion	**2,261**	3,061

(i) Financial liability

The financial liability represents the present value of the interest component of the gold prepay agreement discussed in Note 10. $1.21 million of the liability represents the amount of interest to be amortized within the next year and is included within the current portion of other liabilities.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in thousands of United States Dollars, except for share data)
(Unaudited)

(ii) Offtake obligation

The Company originally entered into an agreement to sell up to 20,000 ounces of gold annually for a period of 90 months from the date of the first out-turn from the South Arturo mine, subsequently amended to an additional 20,000 ounces for Mercedes gold production as described in Note 4 to the December 31, 2017 audited financial statements, limited to an annual aggregate maximum of 35,000 ounces of gold from all properties. The final purchase price to be paid by Orion will be, at Orion's option, a market referenced gold price in US dollars per ounce during a defined pricing period before and after the date of each sale. In the event that the Company does not produce 35,000 ounces in any given year, the obligation is limited to those ounces actually produced.

The Company has determined the offtake obligation represents a derivative liability for the gold price option feature included in the agreement and as such is re-measured at fair value at each balance sheet date with changes in fair value being recorded in profit or loss. The offtake obligation had an unrealized gain of $0.11 million and $0.53 million for the three and six months ended June 30, 2018 respectively (a $0.05 million loss and a $0.38 million gain for the three and six months ended June 30, 2017 respectively) included in the unrealized gain on derivatives.

(iii) Share based payment liability

The Company recognized a share based payment liability of $0.47 million at June 30, 2018 ($0.24 million at December 31, 2017) under the Company's restricted share unit plan as discussed in Note 14. The current portion of the liability is $0.29 million at June 30, 2018 ($0.15 million at December 31, 2017) representing the cash settlement expected on the next vesting date.

(iv) Warrant liability

On January 1, 2018, the Company had 4 million Common Share Purchase Warrants outstanding, of which each are exercisable into one fully paid and non-assessable common share of the Company. One million of the warrants were exercisable into 1 million common shares at C$5.46 per share until June 30, 2018 and 3 million of the warrants are exercisable into 3 million common shares at C$4.75 per share until September 30, 2018. The warrants are considered derivatives because their exercise price is in CAD whereas the Company's functional currency is in USD. Accordingly, the Company recognizes the warrants at fair value with changes in fair value recognized in profit or loss.

At January 1, 2018, on the change in functional currency discussed in Note 2(c), the Company recognized an initial fair value warrant liability of $0.44 million (C$0.55 million) with a corresponding reduction in share capital.

For the three and six months ended June 30, 2018, the Company recognized a reduction in the liability of $0.05 million and $0.44 million respectively based on the expiration of 1 million warrants and a fair value on the remaining 3 million warrants of $nil at June 30, 2018. The fair value for the warrants at June 30, 2018 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	June 30, 2018	January 1, 2018
Risk free rate	**1.5%**	1.5%
Warrant expected life	**0.5 years**	0.75 years
Expected volatility	**43% to 46%**	36% to 42%
Expected dividend	**0%**	0%
Share price	**C$2.82**	C$3.52

14. CAPITAL

(a) Authorized share capital

At June 30, 2018, the authorized share capital consisted of an unlimited number of common shares and an unlimited number of preferred shares without par value.

(b) Normal course issuer bid

On July 20, 2017, the Company 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. No shares have been purchased under the bid to date.

(Stated in thousands of United States Dollars, except for share data)

(c) Share option plan

The Company has a share purchase compensation plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Company. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 1% with respect to any one optionee of the number of issued and outstanding common shares of the Company at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

(d) Stock options

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

	Options outstanding #	Weighted average exercise price CAD
Outstanding at January 1, 2017	9,593,900	3.04
Granted	1,991,000	3.07
Exercised	(892,900)	2.52
Expired	(1,900,000)	4.61
Forfeited	(38,000)	2.53
Outstanding at December 31, 2017	8,754,000	2.77
Granted	2,011,000	3.21
Exercised	(225,300)	2.76
Expired	(311,400)	3.07
Forfeited	(71,300)	2.97
Outstanding at June 30, 2018	**10,157,000**	**2.84**

The weighted average share price at the date of exercise in 2018 was C$3.18 (C$3.72 at December 31, 2017).

At June 30, 2018 the following options were outstanding and outstanding and exercisable:

	Outstanding			Outstanding and Exercisable		
Exercise price (CAD)	Options #	Weighted average exercise price (CAD)	Weighted average remaining life in years	Options #	Weighted average exercise price (CAD)	Weighted average remaining life in years
1.40 - 1.79	652,000	1.64	0.25	652,000	1.64	0.25
2.03 - 2.85	3,445,000	2.40	1.76	3,400,000	2.40	1.76
3.02 - 3.65	5,830,000	3.17	3.74	5,630,000	3.17	3.71
4.28 - 4.78	230,000	4.71	3.10	180,000	4.70	3.10
	10,157,000	2.84	2.83	9,862,000	2.83	2.80

Total vested stock options at June 30, 2018 were 9,862,000 with a weighted average exercise price of C$2.83 (8,489,000 at December 31, 2017 with a weighted average exercise price of C$2.75).

The Company applies the fair value method of accounting for all stock based compensation awards and accordingly, $0.11 million and $2.25 million was recorded for options issued as compensation during the three and six months ended June 30, 2018 respectively ($0.03 million and $2.03 million for the three and six months ended June 30, 2017 respectively). The options had a weighted average grant date fair value of C$1.43 (C$1.35 at June 30, 2017). As of June 30, 2018, there were 295,000 unvested stock options (265,000 at December 31, 2017).

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

	June 30, 2018	December 31, 2017
Risk-free interest rate	**1.465% - 1.631%**	0.97% - 1.02%
Annualized volatility based on historic volatility	**57%**	57%
Expected dividend	**Nil**	Nil
Forfeiture rate	**1.35%**	Nil
Expected option life	**4 years**	4 years

(Stated in thousands of United States Dollars, except for share data)

(e) Restricted Share Unit Plan

The Company adopted the Restricted Share Unit ("RSU") plan to allow the Board of Directors to grant its employees non-transferable share units based on the value of the Company's share price at the date of grant. The awards have a graded vesting schedule over a three year period.

Under the RSU plan, the awards can be equity or cash settled immediately upon vesting. The following table summarizes the changes in the RSUs for the period ended June 30, 2018:

	RSUs outstanding #	Weighted average exercise price CAD
Outstanding at January 1, 2017	-	-
Granted	302,000	3.06
Settled	(97,000)	3.86
Forfeited	(11,000)	3.08
Outstanding at December 31, 2017	194,000	3.60
Granted	311,500	3.24
Settled	(2,500)	3.23
Forfeited	(13,000)	3.30
Outstanding at June 30, 2018	490,000	2.61

As the options are expected to be settled in cash, at June 30, 2018 a current liability of $0.29 million and a long term liability of $0.18 million was outstanding and included in other liabilities as disclosed in Note 13 (0.15 million and $0.09 million respectively at December 31, 2017). For the three and six months ended June 30, 2018, $0.17million and $0.26 million respectively has been recorded as an expense and included in share-based payments ($0.21 million and $0.27 million for the three and six months ended June 30, 2017 respectively). The fair value of the RSUs at June 30, 2018 was C$1.28 million (C$0.70 million at December 31, 2017).

For purposes of the RSUs granted, the fair value of the liability was estimated using the share price of the valuation date and an expected forfeiture rate of 6%.

(f) Share-based payments

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Stock option valuation	**113**	31	**2,249**	2,034
RSU valuation	**166**	208	**256**	267
	279	239	**2,505**	2,301

15. BASIC AND DILUTED INCOME PER SHARE

Basic income / (loss) per share is calculated based on the weighted average number of common shares and common share equivalents outstanding during the three and six months ended ended June 30, 2018 and 2017. Diluted income per share is based on the assumption that stock options that have an exercise price less than the average market price of the Company's common shares during the period have been exercised on the later of the beginning of the year and the date granted. Net income / (loss) and basic weighted average shares outstanding are reconciled to diluted net income and diluted weighted average shares outstanding, respectively, as follows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Net income / (loss) for the year	**(7,654)**	12,501	**(9,674)**	17,556
Basic weighted average shares outstanding	**201,631,431**	201,573,076	**201,631,431**	201,573,076
Dilution adjustment for stock options	**-**	4,041,326	**-**	4,041,326
Diluted weighted average shares outstanding	**201,631,431**	205,614,402	**201,631,431**	205,614,402
Basic and diluted income per share	**(0.04)**	0.06	**(0.05)**	0.09

An amount of 9,862,000 stock options (Note 14(d)) and 3,000,000 warrants (Note 13(iv)) were excluded from the computation of weighted average shares outstanding for the period ended June 30, 2018 (6,217,400 and 4,000,000 (Note 13(iv)) respectively, for the period ended June 30, 2017), as their effect would be anti-dilutive.

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16. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Fair value of shares issued for termination of option agreement	-	-	58	-
Fair value of stock options allocated to share capital upon exercise	-	29	299	103
Fair value gain / (loss) on offtake derivative liability	111	(52)	532	377
Fair value loss on forward contract	-	-	-	1,364

17. EXPLORATION, EVALUATION AND PRE-DEVELOPMENT

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Rahill-Bonanza, Ontario	**10**	5	**26**	57
Hasaga, Ontario	**1,410**	1,243	**2,354**	2,341
Greenstone Gold, Ontario	**3,090**	1,213	**4,597**	2,369
McCoy-Cove, Nevada	**332**	3,923	**2,679**	7,731
Goldbanks, Nevada (i)	**374**	687	**1,240**	788
South Arturo, Nevada	**632**	97	**690**	97
Cristina, Mexico	**-**	459	**-**	945
Mercedes, Mexico	**43**	243	**664**	510
Rye, Nevada (ii)	**15**	-	**16**	-
Technical services	**296**	102	**350**	102
	6,202	7,972	**12,616**	14,940

(i) On July 26, 2016, the Company entered into an agreement with Kinross Gold USA Inc. ("Kinross") to explore the Goldbanks project, the Company will have the right to earn up to a 50% interest in the project if they meet the spending requirements of $20 million by December 31, 2021. The Company has a minimum spending requirement of $3.50 million.

(ii) On December 11, 2017, the Company and its wholly owned subsidiary Premier Rye LLC signed an agreement to earn a 100% interest in Barrick's Rye Vein property ("Rye") in Pershing County, Nevada subject to a minimum of $3 million in exploration expenditures on the property before December 31, 2019. Barrick will retain a 1% NSR on Rye where there is no existing royalty. Barrick will also retain a back-in right to purchase a 51% interest in Rye in return for a cash payment equal to three times the cumulative work expenditures on the property under certain timelines and conditions which, if not met, could result in lump sum payments to Barrick on a production decision by the Company.

18. GENERAL AND ADMINISTRATION

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Corporate administration	**622**	466	**1,222**	1,120
Corporate salaries and benefits	**994**	767	**1,909**	1,394
Professional fees	**265**	326	**498**	620
Project administration (i)	**426**	434	**649**	466
	2,307	1,993	**4,278**	3,600

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

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19. OTHER INCOME / (EXPENSE)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Investment and other income / (expense)	**24**	25	**48**	**(33)**
Interest earned	**210**	201	**437**	**214**
Gain / (loss) on disposal of property, plant and equipment	**299**	(11)	**323**	**(3)**
Gain / (loss) on derivatives	**162**	(52)	**972**	**(969)**
Gain / (loss) on investments	**(37)**	(462)	**(89)**	**(98)**
Gain / (loss) on foreign exchange	**(1,855)**	114	**(2,316)**	**(363)**
Gain attributable to Greenstone Gold development commitment	**3,403**	1,421	**5,092**	**2,710**
	2,206	1,236	**4,467**	**1,458**

20. FINANCE EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	**2018**	2017
Environmental rehabilitation accretion	**289**	159	**588**	**310**
Interest paid	**526**	1,274	**1,283**	**2,585**
Amortization of finance costs	**471**	1,016	**974**	**2,036**
Amortization of gold prepay interest	**(346)**	(499)	**(730)**	**(1,037)**
Silver stream accretion	**157**	-	**320**	**-**
Amortization of discount	**2**	3	**3**	**6**
	1,099	1,953	**2,438**	**3,900**

21. SEGMENTED INFORMATION

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

Operating mine properties and exploration projects

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

Three months ended June 30, 2018	**Mercedes**	**South Arturo**	**Exploration**	**Corporate and other**	**Total**
Revenue	19,602	7,868	-	-	27,470
Cost of sales	(17,681)	(2,858)	-	-	(20,539)
Depletion, depreciation and amortization	(6,595)	(1,531)	-	-	(8,126)
Exploration, maintenance and rehabilitation	(43)	(632)	(5,135)	(426)	(6,236)
Overhead costs	(97)	(12)	(317)	(2,160)	(2,586)
Other income / (expense)	162	6	3,755	(1,717)	2,206
Finance income / (expense)	(234)	(33)	(24)	(808)	(1,099)
Income / (loss) before income taxes	(4,886)	2,808	(1,721)	(5,111)	(8,910)
Current tax recovery / (expense)	44	162	-	(345)	(139)
Deferred tax recovery / (expense)	1,014	-	381	-	1,395
Income / (loss) for the year	**(3,828)**	**2,970**	**(1,340)**	**(5,456)**	**(7,654)**

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Three months ended June 30, 2017	Mercedes	South Arturo	Exploration	Corporate and other	Total
Revenue	34,433	21,099	-	-	55,532
Cost of sales	(16,036)	(5,640)	-	-	(21,676)
Depletion, depreciation and amortization	(4,514)	(7,849)	-	-	(12,363)
Exploration, maintenance and rehabilitation	(243)	(97)	(7,608)	(99)	(8,047)
Overhead costs	(184)	(14)	(248)	(1,798)	(2,244)
Other income / (expense)	(422)	2	1,414	242	1,236
Finance income / (expense)	(95)	(50)	(17)	(1,791)	(1,953)
Income / (loss) before income taxes	12,939	7,451	(6,459)	(3,446)	10,485
Current tax recovery / (expense)	(2,034)	(699)	-	(283)	(3,016)
Deferred tax recovery / (expense)	4,613	-	-	420	5,032
Income / (loss) for the year	15,518	6,752	(6,459)	(3,309)	12,501

Six months ended June 30, 2018	**Mercedes**	**South Arturo**	**Exploration**	**Corporate and other**	**Total**
Revenue	42,847	23,799	-	-	66,646
Cost of sales	(34,179)	(7,697)	-	-	(41,876)
Depletion, depreciation and amortization	(10,927)	(5,396)	-	-	(16,323)
Exploration, maintenance and rehabilitation	(663)	(690)	(10,770)	(662)	(12,785)
Overhead costs	(113)	(24)	(511)	(6,135)	(6,783)
Other income / (expense)	(904)	8	5,431	(69)	4,467
Finance income / (expense)	(479)	(65)	(47)	(1,847)	(2,438)
Income / (loss) before income taxes	(4,418)	9,935	(5,897)	(8,713)	(9,092)
Current tax expense	(466)	(601)	-	(697)	(1,764)
Deferred tax recovery / (expense)	528	-	655	-	1,182
Income / (loss) for the year	**(4,356)**	**9,334**	**(5,242)**	**(9,410)**	**(9,674)**

Six months ended June 30, 2017	Mercedes	South Arturo	Exploration	Corporate and other	Total
Revenue	55,897	64,182	-	-	120,079
Cost of sales	(28,026)	(14,149)	-	-	(42,175)
Depletion, depreciation and amortization	(8,276)	(26,591)	-	-	(34,867)
Exploration, maintenance and rehabilitation	(510)	(97)	(14,384)	(99)	(15,090)
Overhead costs	6	(29)	(334)	(5,435)	(5,792)
Other income / (expense)	(1,888)	2	2,714	631	1,458
Finance income / (expense)	(181)	(101)	(34)	(3,584)	(3,900)
Income / (loss) before income taxes	17,022	23,217	(12,038)	(8,487)	19,713
Current tax expense	(2,034)	(1,986)	-	(619)	(4,639)
Deferred tax recovery / (expense)	1,738	-	-	743	2,482
Income / (loss) for the year	16,726	21,231	(12,038)	(8,363)	17,556

As at June 30, 2018	**Mercedes**	**South Arturo**	**Exploration**	**Corporate and Other**	**Total**
Capital expenditures	8,764	2,033	345	247	11,389
Property, plant & equipment	144,993	3,552	113,934	2,182	264,661
Total assets	179,694	6,911	124,421	72,009	383,035
Total liabilities	31,876	4,713	14,494	34,934	86,017

As at December 31, 2017	Mercedes	South Arturo	Exploration	Corporate and Other	Total
Capital expenditures	16,699	1,186	155	2,143	20,183
Property, plant & equipment	149,752	2,024	116,869	2,114	270,759
Total assets	185,554	11,534	125,856	104,644	427,589
Total liabilities	36,864	11,534	14,377	63,057	119,102

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Geographic segments

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

Three months ended June 30, 2018	**Canada**	**United States**	**Mexico**	**Corporate and other**	**Total**
Revenue	-	7,868	19,602	-	27,470
Cost of sales	-	(2,858)	(17,681)	-	(20,539)
Depletion, depreciation and amortization	-	(1,531)	(6,595)	-	(8,126)
Exploration, maintenance and rehabilitation	(4,582)	(1,185)	(43)	(426)	(6,236)
Overhead costs	(315)	(13)	(98)	(2,160)	(2,586)
Other income / (expense)	3,742	6	175	(1,717)	2,206
Finance income / (expense)	(10)	(47)	(234)	(808)	(1,099)
Income / (loss) before income taxes	(1,165)	2,240	(4,874)	(5,111)	(8,910)
Current tax recovery / (expense)	-	162	44	(345)	(139)
Deferred tax recovery / (expense)	381	-	1,014	-	1,395
Income / (loss) for the year	**(784)**	**2,402**	**(3,816)**	**(5,456)**	**(7,654)**

Three months ended June 30, 2017	Canada	United States	Mexico	Corporate and other	Total
Revenue	-	21,099	34,433	-	55,532
Cost of sales	-	(5,640)	(16,036)	-	(21,676)
Depletion, depreciation and amortization	-	(7,849)	(4,514)	-	(12,363)
Exploration, maintenance and rehabilitation	(2,523)	(4,724)	(701)	(99)	(8,047)
Overhead costs	(245)	(15)	(186)	(1,798)	(2,244)
Other income / (expense)	1,421	2	(429)	242	1,236
Finance income / (expense)	(9)	(58)	(95)	(1,791)	(1,953)
Income / (loss) before income taxes	(1,356)	2,815	12,472	(3,446)	10,485
Current tax recovery / (expense)	-	(699)	(2,034)	(283)	(3,016)
Deferred tax recovery / (expense)	-	-	4,613	420	5,032
Income / (loss) for the year	(1,356)	2,116	15,051	(3,309)	12,501

Six months ended June 30, 2018	**Canada**	**United States**	**Mexico**	**Corporate and other**	**Total**
Revenue	-	23,799	42,847	-	66,646
Cost of sales	-	(7,697)	(34,179)	-	(41,876)
Depletion, depreciation and amortization	-	(5,396)	(10,927)	-	(16,323)
Exploration, maintenance and rehabilitation	(7,140)	(4,320)	(663)	(662)	(12,785)
Overhead costs	(501)	(27)	(120)	(6,135)	(6,783)
Other income / (expense)	5,430	8	(903)	(69)	4,467
Finance income / (expense)	(21)	(91)	(479)	(1,847)	(2,438)
Income / (loss) before income taxes	(2,232)	6,276	(4,424)	(8,713)	(9,092)
Current tax expense	-	(601)	(466)	(697)	(1,764)
Deferred tax recovery / (expense)	653	-	530	-	1,182
Income / (loss) for the year	**(1,579)**	**5,675**	**(4,360)**	**(9,410)**	**(9,674)**

Six months ended June 30, 2017	Canada	United States	Mexico	Corporate and other	Total
Revenue	-	64,182	55,897	-	120,079
Cost of sales	-	(14,149)	(28,026)	-	(42,175)
Depletion, depreciation and amortization	-	(26,591)	(8,276)	-	(34,867)
Exploration, maintenance and rehabilitation	(4,898)	(8,633)	(1,460)	(99)	(15,090)
Overhead costs	(313)	(32)	(12)	(5,435)	(5,792)
Other income / (expense)	2,711	11	(1,894)	631	1,458
Finance income / (expense)	(18)	(117)	(181)	(3,584)	(3,900)
Income / (loss) before income taxes	(2,518)	14,671	16,048	(8,487)	19,713
Current tax expense	-	(1,986)	(2,034)	(619)	(4,639)
Deferred tax recovery / (expense)	-	-	1,738	743	2,482
Income / (loss) for the year	(2,518)	12,685	15,752	(8,363)	17,556

(Stated in thousands of United States Dollars, except for share data)

As at June 30, 2018	**Canada**	**United States**	**Mexico**	**Corporate and Other**	**Total**
Capital expenditures	22	2,356	8,764	247	11,389
Property, plant & equipment	61,825	55,660	144,994	2,182	264,661
Total assets	63,032	67,910	180,084	72,009	383,035
Total liabilities	8,294	10,912	31,877	34,934	86,017

As at December 31, 2017	Canada	United States	Mexico	Corporate and Other	Total
Capital expenditures	8	1,339	16,693	2,143	20,183
Property, plant & equipment	64,913	53,980	149,752	2,114	270,759
Total assets	65,930	71,063	185,952	104,644	427,589
Total liabilities	8,445	10,736	36,864	63,057	119,102

Sales by customer

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

	Three months ended June 30,		**Six months ended June 30,**	
	2018	2017	**2018**	2017
Orion	**26,205**	18,420	**65,381**	82,967
Scotia Mocatta	**1,265**	37,112	**1,265**	37,112
	27,470	55,532	**66,646**	120,079

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

22. RELATED PARTY TRANSACTIONS

Related parties include key management personnel and entities over which they have control or significant influence as described in Note 2 (b).

For the year ended December 31, 2017, related parties included DRAX Services Limited, The Alyris Group and Alyris leasing Inc. Service contracts with DRAX Services Limited, The Alyris Group and Alyris Leasing Inc. were terminated prior to January 1, 2018 and therefore there are no transactions with these entities to report for the period ended June 30, 2018.

The transactions identified below are shown for comparative purposes only. They relate to the period ended June 30, 2017 and were recorded at the exchange amount agreed to by the parties.

(i) Included in general and administrative expenses are amounts totaling $0.01 million for corporate secretarial services by DRAX Services Limited related to the Company through Shaun Drake, Corporate Secretary of the Company.

(ii) Included in general and administrative expenditures are amounts totaling $0.04 million for IT support services provided by The Alyris Group, a company related to the Company through Ewan Downie, Director, President and Chief Executive Officer of the Company, and Steve Filipovic, Chief Financial Officer of the Company.

(iii) Included in general and administrative expenditures are amounts totaling $0.06 million for rental charges paid to Alyris Leasing Inc., a company related to the Company through Ewan Downie, Director, President and Chief Executive Officer of the Company, and Steve Filipovic, Chief Financial Officer of the Company.

Transactions with key management personnel

Key management personnel remuneration includes the following amounts:

	Three months ended June 30		**Six months ended June 30**	
	2018	2017	**2018**	2017
Salary, wages and benefits	**650**	591	**1,512**	1,101
Share-based payments	**-**	-	**1,824**	1,209
	650	591	**3,336**	2,310

(Stated in thousands of United States Dollars, except for share data)

23. COMMITMENTS

(a) Contractual obligations

The Company has commitments relating to facilities and other operating leases extending to 2022. The minimum annual contractual and lease payments for the five years are as follows:

	$
2018	1,770
2019	549
2020	223
2021	17
2022	1
	2,560

(b) Gold forward contracts

At June 30, 2018, the Company held forward contracts requiring the delivery of 1,500 ounces of gold per month at a price of $1,280 per ounce from July 2018 to December 2018.

The contracts required no cash or other consideration and are intended to be settled with production from the Company's mining operations. If the contracted ounces are not delivered on the delivery date, as per the terms of the agreement, the Company will compensate the counterparty for the difference between the contract price and the market price per ounce on the delivery date.

(c) Surety bonds

At June 30, 2018, the Company has outstanding surety bonds in the amount of $7.02 million 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 $0.60 million 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 Company 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.

24. FINANCIAL INSTRUMENTS

Fair value

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

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

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

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets and liabilities measured at fair value by level within the fair value hierarchy:

	Level 1		Level 2		Level 3		Total	
	June 30, 2018	December 31, 2017	**June 30, 2018**	December 31, 2017	**June 30, 2018**	December 31, 2017	**June 30, 2018**	December 31, 2017
Canadian equity investments	**162**	318	**-**	-	**-**	-	**162**	318
Offtake obligation (i)	**-**	-	**-**	-	**1,902**	2,434	**1,902**	2,434
Share-based payment liability	**-**	-	**471**	235	**-**	-	**471**	235
	162	318	**471**	235	**1,902**	2,434	**2,535**	2,987

(i) The offtake obligation entered into during 2016 has been classified as level 3 as the valuation includes significant unobservable inputs.

(Stated in thousands of United States Dollars, except for share data)

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

	Fair value through profit or loss		Loans and receivables		Total	
	June 30, 2018	December 31, 2017	**June 30, 2018**	December 31, 2017	**June 30, 2018**	December 31, 2017
Cash and cash equivalents	**-**	-	**67,762**	103,046	**67,762**	103,046
Receivables	**-**	-	**18,077**	11,807	**18,077**	11,807
Canadian equity investments	**162**	318	**-**	-	**162**	318
Restricted cash and cash equivalents	**-**	-	**5,124**	4,721	**5,124**	4,721
	162	318	**90,963**	119,574	**91,125**	119,892

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

	Fair value through profit or loss		Other financial liabilities		Total	
	June 30, 2018	December 31, 2017	**June 30, 2018**	December 31, 2017	**June 30, 2018**	December 31, 2017
Accounts payable and accrued liabilities	**-**	-	**18,960**	18,471	**18,960**	18,471
Long term debt	**-**	-	**50**	19,205	**50**	19,205
Offtake obligation	**1,902**	2,434	**-**	-	**1,902**	2,434
Share-based payment liability	**471**	235	**-**	-	**471**	235
Other liability	**-**	-	**1,383**	2,113	**1,383**	2,113
	2,373	2,669	**20,393**	39,789	**22,766**	42,458

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

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

25. MANAGEMENT OF CAPITAL

The Company manages its share capital, equity settled employee benefits reserve, warrant reserve and contributed surplus as capital, the balance of which is $579.72 million at June 30, 2018 ($577.37 million at December 31, 2017). The Company's objectives when managing capital are to safeguard the Company'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 Company 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 Company may attempt to issue new shares, acquire or dispose of assets or acquire new debt.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company'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 Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company expects its current capital resources will be sufficient to carry out its exploration and evaluation plans through 2018.

26. CONTINGENCIES

Legal claims

On December 17, 2017, a claim was filed against the Company and certain of its affiliates (collectively "Premier") for approximately $4.6 million in connection with a share purchase transaction that closed on September 30, 2016. The claim relates to a dispute over certain post-closing adjustments which based on the terms of the agreement result in a payment to Premier of $1.26 million. Premier has filed a Statement of Defence denying liability and counterclaiming for the $1.26 million. Premier is awaiting delivery of the reply and defence to the counterclaim. Based on facts currently known to us, we believe that Premier has a strong defence and that there is significant merit to the counterclaim.