PREMIER
Gold Mines Limited

Management's Discussion and Analysis

For the Quarter ended June 30, 2018

TABLE OF CONTENTS

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 "Company" or "Premier") should be read in conjunction with the unaudited condensed consolidated interim financial statements for the three months ended June 30, 2018 and the notes thereto. The Company'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 U.S. dollars. This MD&A was prepared as of August 7, 2018 and all information is current as of such date. Readers are encouraged to read the Company'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, the United States and Mexico. The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol PG and its head office is located at Suite 200, 1100 Russell Street, Thunder Bay, Ontario, P7B 5N2.

The Company's principal mining 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 advanced exploration properties include:

- A 100% interest in the Cove gold property located in Nevada, USA,
- An earn-in agreement with Barrick Gold, related to the McCoy-Cove 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.

Functional and Presentation Currency Change

Effective January 1, 2018, the Company changed the presentation currency from the Canadian dollar ("CAD") to the United States dollar ("USD"). The Company applied the change to USD presentation currency retrospectively and restated the comparative financial information as if the USD has always been the Company's presentation currency. The functional currency of Premier, the parent company, changed from CAD to USD commencing on January 1, 2018. Unless otherwise stated, all amounts discussed herein are denominated in U.S. dollars. Refer to the "Critical Accounting Judgements and Estimates, Polices and Changes" section of this Management's Discussion and Analysis.

Quarterly Operating and Financial Highlights

- Production of 16,007 ounces of gold and 51,746 ounces of silver
- Sales of 20,642 ounces of gold at an average realized price[1] of $1,283 per ounce
- Cash costs[1] of $963 per ounce of gold sold
- AISC[1] of $1,088 per ounce of gold sold
- Revenue of $27.5 million
- Operating loss of $1.2 million
- Net loss of $7.7 million
- Debt repayment of $20.0 million
- Cash balance of $67.8 million
- Inventory of 3,956 ounces of gold and 17,073 ounces of silver

[1] See "Non-IFRS Measures" section of this Management's Discussion and Analysis.

PREMIER Gold Mines Limited

Key Operating and Financial Statistics

(in millions of U.S. dollars, unless otherwise stated) [iv]		Three months ended June 30 2018	Three months ended June 30 2017	Six months ended June 30 2018	Six months ended June 30 2017
Ore milled	*tonnes*	177,821	290,349	491,671	611,192
Gold produced	*ounces*	16,007	37,617	46,556	88,596
Silver produced	*ounces*	51,746	97,007	111,572	195,388
Gold sold	*ounces*	20,642	43,212	49,916	94,806
Silver sold	*ounces*	58,098	97,356	124,308	171,190
Realized Price *(2017 as restated)* [iii]					
Average realized gold price [i,ii]	*$/ounce*	1,283	1,251	1,293	1,239
Average realized silver price [i,ii]	*$/ounce*	16	17	17	17
Non-IFRS Performance Measures					
Co-product cash costs per ounce of gold sold [i,ii]	*$/ounce*	963	481	811	427
Co-product all in sustaining costs per ounce of gold sold [i,ii]	*$/ounce*	1,088	607	934	511
Co-product cash costs per ounce of silver sold [i,ii]	*$/ounce*	12	10	11	9
Co-product all in sustaining costs per ounce of silver sold [i,ii]	*$/ounce*	13	12	13	10
By-product cash costs per ounce of gold sold [i,ii]	*$/ounce*	949	465	798	412
By-product all in sustaining costs per ounce of gold sold [i,ii]	*$/ounce*	1,079	596	924	498
Financial Measures *(2017 as restated)* [iii]					
Gold revenue	*m $*	26.4	53.9	64.4	117.2
Silver revenue	*m $*	1.1	1.6	2.3	2.9
Total revenue	*m $*	27.5	55.5	66.6	120.1
Mine operating income / (loss)	*m $*	(1.2)	21.5	8.4	43.0
Net income / (loss)	*m $*	(7.7)	12.5	(9.7)	17.6
Earnings / (loss) per share	*/share*	(0.04)	0.06	(0.05)	0.09
EBITDA [i,ii]	*m $*	0.4	24.9	9.8	58.6
Cash & cash equivalents balance	*m $*	67.8	121.0	67.8	121.0
Cash flow from operations	*m $*	(0.7)	11.8	(0.4)	41.4
Free cash flow [i,ii]	*m $*	(6.8)	7.4	(11.7)	32.5
Exploration expenditures	*m $*	6.2	8.0	12.6	14.9
Capital expenditures - sustaining [i,ii]	*m $*	1.8	2.3	3.6	4.2
Capital expenditures - expansionary [i,ii]	*m $*	4.3	2.6	7.8	4.4

[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, free cash flow, EBITDA, sustaining and expansionary capital expenditures 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.

[iii] 2017 restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.

[iv] May not add due to rounding.

PREMIER
Gold Mines Limited

2018 Guidance

Production estimates for 2018 were derived from life of mine operating plans prepared on the basis of mineral reserves associated with each property. As indicated in its July 12, 2018 press release, the Company has revised its full-year consolidated gold production guidance from 85,000 - 95,000 to 90,000 - 100,000 ounces. Accordingly, the following table represents the assumptions and guidance for 2018.

Gold Guidance 2018				
Mine	Production ounces	Realized Gold Price per ounce (i)	Cash Cost per ounce (i)	AISC per ounce (i)
South Arturo	15,000 - 20,000	$1,200	$600 - $650	$620 - $670
Mercedes	75,000 - 80,000	$1,200	$700 - $750	$820 - $870
Consolidated	**90,000 - 100,000**	**$1,200**	**$690 - $740**	**$800 - $850**

Mercedes is forecasting 300,000 - 325,000 oz silver for 2018.

(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

Selected Quarterly Information

The following is a summary of selected financial information which reflects the activity related to operations, investment, acquisition and divestment activities undertaken by the Company over the past eight quarters.

	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Gold sales (ounces) (ii)	20,642	29,275	23,000	37,920	43,212	51,594	82,188	8,075
Silver sales (ounces) (ii)	58,098	66,210	77,096	90,545	97,356	73,834	65,380	-

(in thousands of U.S. dollars, unless otherwise stated) (iv)	Q2 2018	Q1 2018	Q4 2017 *Restated(i)*	Q3 2017 *Restated(i)*	Q2 2017 *Restated(i)*	Q1 2017 *Restated(i)*	Q4 2016 *Restated(i)*	Q3 2016 *Restated(i)*
Revenue	27,470	39,176	30,240	49,989	55,532	64,547	103,108	10,525
Costs of sales	(20,539)	(21,337)	(17,107)	(26,286)	(21,676)	(20,499)	(26,545)	(2,981)
Depletion, depreciation and amortization	(8,126)	(8,197)	(5,927)	(9,936)	(12,363)	(22,504)	(46,149)	(4,938)
Mine operating income	(1,195)	9,641	7,207	13,766	21,493	21,545	30,415	2,606
Other significant income / (loss):								
Gain on divestment of mineral property interests	-	-	-	-	-	-	-	-
Gain attributable to Greenstone Gold development commitment	3,403	1,690	1,592	991	1,421	1,290	3,593	2,532
Transaction costs for the acquisition of Mercedes Mine (iii)	-	-	-	-	-	-	(1,276)	(2,639)
Income / (loss) for the period	(7,654)	(2,020)	(3,709)	2,322	12,501	5,055	20,394	(3,826)
Basic and diluted income / (loss) per share	(0.04)	(0.01)	(0.02)	0.01	0.06	0.02	0.12	(0.02)

(i) Restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.
(ii) May not total to annual ounces sold due to rounding.
(iii) Transaction costs originally reported in Q1 2017 were reclassified to other income or expense.
(iv) May not add due to rounding.

Sales

A total of 20,642 gold ounces were sold for the second quarter of 2018, with 5,969 ounces from South Arturo and 14,673 ounces from Mercedes down in total 8,632 ounces from the first quarter due to the expected reduction in processing at South Arturo and the lower production results at Mercedes.

Historical gold sales over the past eight quarters follow the beginning of production at South Arturo in the third quarter of 2016 and the purchase of the Mercedes mine in the fourth quarter of 2016. Production at South Arturo in 2016 benefited from mining higher grade ores and accelerated processing compared to 2017 and as expected, the overall production and ounces sold has been trending downward following completion of Phase 2 open pit mining. While the transition from the completed Phase 2 open pit to the El Nino underground extension and the next Phase 1 pit has begun, 2018 saw higher gold sales from South Arturo as compared to the fourth quarter of 2017 due to the processing of stockpiles from the Phase 2 open pit. Mercedes production has been impacted by the requirement to redesign stopes in new mining zones following changes in geologic interpretations. These changes resulted in lower mined grades during the transition period. Production will be weighted toward the second half of 2018 following the completion of stope designs in the new Diluvio, Lupita, and Rey de Oro deposits.

Revenue

Revenue of $27.5 million for the second quarter of 2018 is consistent with lower quarterly sales ounces at an average realized gold price of $17 per ounce lower than in the first quarter of 2018.

Net Income / (Loss)

Net income / (loss) presented over the eight quarters generally reflects the level of exploration, evaluation and pre-development activity and general and administrative costs up until gold production began at South Arturo during the third quarter of 2016 and the purchase of the Mercedes mine at the end of the third quarter of 2016. Net income in 2017 is directly related to the short mine life of the South Arturo Phase 2 pit impacting results as production from the pit wound down throughout 2017 and an increased level of exploration and pre-development. Higher production than expected in the first half of 2018 for South Arturo was offset by a decrease in Mercedes production and the exploration and pre-development activity on the other U.S. properties.

Quarter Results

(in thousands of U.S. dollars)[ii]	Three months ended June 30		Six months ended June 30	
	2018	2017 *as restated*[i]	2018	2017 *as restated*[i]
Revenue	**27,470**	**55,532**	**66,646**	**120,079**
Cost of sales	(20,539)	(21,676)	(41,876)	(42,175)
Depletion, depreciation and amortization	(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	6,202	7,972	12,616	14,940
Property maintenance	34	75	169	150
General and administrative	2,307	1,993	4,278	3,600
Share-based payments	279	239	2,505	2,301
Remeasurement of environmental rehabilitation provision	-	12	-	(109)
Operating income / (loss)	**(10,017)**	**11,202**	**(11,121)**	**22,155**

[i] 2017 restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.

[ii] May not add due to rounding.

Certain items within the statements of income / (loss) and comprehensive income / (loss) have been reclassified in the current period, prior periods have been reclassified to reflect the change in presentation.

PREMIER
Gold Mines Limited

Revenue and Mine Operating Income

The decrease in revenue for the three and six months ended June 30, 2018 compared with the prior-year periods was due to the decrease in sales volume of 22,520 and 44,890 gold ounces respectively offset by an increase in the average realized gold selling price of $32 per ounce for the quarter and $54 per ounce year to date respectively. Cost of sales on a per ounce basis for both the quarter and year to date is higher than 2017 due to the weighting of Mercedes mine sales to South Arturo sales which are at a lower cost. Depletion is at a lower cost per ounce again due to the weighting of Mercedes with the longer life of mine.

Expenses

Exploration, evaluation and pre-development expense for the three and six months ended June 30, 2018 was $6.2 million compared to $8.0 million for the quarter and $12.6 million compared to $14.9 million for the year to date. See further discussion on the Exploration, Evaluation and Pre-development section below.

Property maintenance costs are incurred for environmental reviews and maintenance of non-core properties. Although there were no significant items to report for the three or six months ended June 30, 2018 or the prior-year periods, one of the non-core properties (Faymar-Deloro) requiring minimal care and maintenance was disposed of this quarter resulting in a gain of $0.3 million mainly on the elimination of the associated environmental obligation.

General and administrative expenditures for the three and six months ended June 30, 2018 were $2.3 million compared to $2.0 million and $4.3 million compared to $3.6 million in the prior-year periods respectively.

Share based payments are related to the annual grant and vesting of stock options and restricted share units and have varied significantly for both the three and six months ended June 30, 2018 compared to the prior-year periods.

	Three months ended June 30		Six months ended June 30	
(in thousands of U.S. dollars)[(ii)]	2018	2017 *as restated[(i)]*	2018	2017 *as restated[(i)]*
Other income / (expense)				
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
Other income	**2,206**	**1,236**	**4,467**	**1,458**

(i) 2017 restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.

(ii) May not add due to rounding.

Other Income / Expense

Interest income is comparable to the prior-year period for the three months ended June 30, 2018, although up on a year to date basis due to the increased level of cash balances held during 2018 compared to the same period in 2017.

A gain on disposal of property, plant and equipment included in the three months ended June 30, 2018 is related to the disposal of a non-core mineral interest for minimal proceeds less costs and the elimination of the related environmental rehabilitation obligation of $0.4 million.

The gain on derivatives of $0.2 million for the three months ended June 30, 2018 includes a fair value gain for the offtake obligation of $0.1 million and a fair value adjustment for the warrant liability of $0.1 million. The slight loss in the prior-year period was for the fair value adjustment to the offtake obligation.

A loss on investments of $0.5 million for the three months ended June 30, 2017 was reflective of the activity in Canadian equities held in 2017 which is much lower for 2018.

Canadian dollars and Mexican pesos and other monetary balances are impacted by fluctuations in the valuation of the U.S. dollar against the Canadian dollar and the Peso. For the three months ended June 30, 2018, the U.S. dollar strengthened by 3 basis points, causing a foreign exchange loss on CAD denominated cash balances, the U.S dollar also strengthened against the Peso by 153 basis points causing an additional loss on Peso denominated cash balances. Year to date for 2018, the U.S dollar strengthened against the Canadian dollar by 6 basis points which accounts for most of the loss as the gain on the Peso in the first quarter was offset by the loss in the second quarter.

The gain attributable to the Greenstone Gold development commitment for the three months ended June 30, 2018 was $3.4 million compared to $1.4 million in the prior-year period directly attributable to the level of exploration and pre-development work being carried out on the property fully funded by the co-ownership partner, Centerra.

Interest and Finance Cost

Environmental accretion has increased in 2018 compared to 2017 as a direct result of the increase in the provision for Mercedes mine as well as increases in the long term risk free rates. Interest costs and amortization of finance costs for the three month period ending June 30, 2018 decreased when compared to the prior-year period due to the lower level of debt held; $20 million in 2018 versus $45 million in 2017. In addition, the $20 million remaining debt was repaid on May 4, 2018. The amortization of the gold prepay interest is declining as the deferred revenue balance is drawn down reflected in the decreasing expense for the three and six months ended June 30, 2018. Finance cost also now includes accretion on the silver stream deferred revenue arrangement considered to have a significant financing component as required under the new IFRS 15 standard as discussed in the 'Critical Accounting Judgements and Estimates, Policies and Changes section of this MD&A. As this change has been applied using the modified retrospective approach, there is no comparative for 2017.

	Three months ended June 30		Six months ended June 30	
(in thousands of U.S. dollars)[ii]	2018	2017 *as restated*[i]	2018	2017 *as restated*[i]
Finance cost				
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
Finance cost total	**1,099**	**1,953**	**2,438**	**3,900**

(i) 2017 restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.
(ii) May not add due to rounding.

Current and Deferred Taxes

Current income taxes are comprised of net proceeds tax in Nevada related to the South Arturo mine operation, mining royalty tax at Mercedes operations and Mercedes withholding tax and include a current provision for income taxes for the Mexico service company.

The deferred tax recovery of $1.4 million for the three months ended June 30, 2018 is comprised of a reversal of the deferred tax liability for Premier Gold Mines NWO Inc. of $0.7 million due to exploration expensed for accounting purposes but capitalized for tax purposes and a recovery of mining royalty deferred taxes for Mercedes Mine of $0.5 million. Mercedes experienced larger deferred tax recoveries in 2017 on both regular and royalty taxes due to the use of previously unrecognized loss carryovers. Also included in 2017 was a deferred tax recovery related to the deferred flow-through premium on flow-through financing from 2016 of $0.7 million.

	Three months ended June 30		Six months ended June 30	
(in thousands of U.S. dollars)[ii]	2018	2017 *as restated*[i]	2018	2017 *as restated*[i]
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**

(i) 2017 restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.

(ii) May not add due to rounding.

Other Comprehensive Income / (Loss)

Other comprehensive income / (loss) includes the exchange gain or loss on the translation of foreign operations and is now impacted by the Premier subsidiaries that have a functional currency of CAD and MXN as a result of the change in presentation currency discussed in Note 2(c) to the unaudited condensed consolidated interim financial statements of the Company. The exchange loss for the three months ended June 30, 2018 is $3.8 million compared to a gain of $3.7 million for the prior-year period as a result of a 6 basis point swing for the CAD to USD rate, a strengthening of 3 basis points for 2017 and a weakening of 3 basis points in 2018.

The MXN rate does not impact the exchange gain / (loss) on translation of foreign operations to the same extent as the Mercedes mine has a functional currency of U.S. dollars.

Mining Operations

The following tables provide financial and non-financial information for the three months ended June 30, 2018 and 2017 respectivly.

				For the three months ended June 30, 2018
(in millions of U.S. dollars, unless otherwise stated) (v)		Mercedes	South Arturo	Total
Ore & Metals				
Ore milled	*tonnes*	154,442	23,379	177,821
Gold produced	*ounces*	13,780	2,227	16,007
Silver produced	*ounces*	44,366	7,380	51,746
Gold sold	*ounces*	14,673	5,969	20,642
Silver sold	*ounces*	58,098	-	58,098
Average gold grade	*grams/t*	2.90	3.58	
Average silver grade	*grams/t*	23.82	-	
Average gold recovery rate	*%*	95.8	82.8	
Average silver recovery rate	*%*	37.5	-	
Realized Price *(2017 as restated)* (iv)				
Average realized gold price (i,ii)	*$/ounce*	1,269	1,318	1,283
Average realized silver price (i,ii)	*$/ounce*	16	-	16
Non-IFRS Performance Measures				
Co-product cash costs per ounce of gold sold (i,ii)	*$/ounce*	1,161	475	963
Co-product all in sustaining costs per ounce of gold sold (i,ii)	*$/ounce*	1,325	506	1,088
Co-product cash costs per ounce of silver sold (i,ii)	*$/ounce*	12	-	12
Co-product all in sustaining costs per ounce of silver sold (i,ii)	*$/ounce*	13	-	13
By-product cash costs per ounce of gold sold (i,ii,iii)	*$/ounce*	1,142	475	949
By-product all in sustaining costs per ounce of gold sold (i,ii,iii)	*$/ounce*	1,312	506	1,079
Financial Measures *(2017 as restated)* (iv)				
Gold revenue	*m $*	18.5	7.9	26.4
Silver revenue	*m $*	1.1	-	1.1
Total revenue	*m $*	19.6	7.9	27.5
Mine operating income	*m $*	(4.7)	3.5	(1.2)
Exploration expenditures	*m $*	0	0.6	0.7
Capital expenditures - sustaining (i,ii)	*m $*	1.8	-	1.8
Capital expenditures - expansionary (i,ii)	*m $*	2.6	1.6	4.2

(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, sustaining and expansionary capital expenditures 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.

(iii) Given the small nature and timing of South Arturo silver output, no silver by-product credits are reported, with any revenues offsetting costs.

(iv) 2017 restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.

(v) May not add due to rounding.

(in millions of U.S. dollars, unless otherwise stated) (v)		Mercedes	South Arturo	For the three months ended June 30, 2017 Total
Ore & Metals				
Ore milled	tonnes	177,883	112,466	290,349
Gold produced	ounces	21,893	15,724	37,617
Silver produced	ounces	89,474	7,533	97,007
Gold sold	ounces	26,379	16,833	43,212
Silver sold	ounces	97,356	-	97,356
Average gold grade	grams/t	4.03	5.01	
Average silver grade	grams/t	36.47	-	
Average gold recovery rate	%	94.9	86.7	
Average silver recovery rate	%	43.0	-	
Realized Price *(2017 as restated)* (iv)				
Average realized gold price (i,ii)	$/ounce	1,249	1,253	1,251
Average realized silver price (i,ii)	$/ounce	17	-	17
Non-IFRS Performance Measures				
Co-product cash costs per ounce of gold sold (i,ii)	$/ounce	577	332	481
Co-product all in sustaining costs per ounce of gold sold (i,ii)	$/ounce	707	451	607
Co-product cash costs per ounce of silver sold (i,ii)	$/ounce	10	-	10
Co-product all in sustaining costs per ounce of silver sold (i,ii)	$/ounce	12	-	12
By-product cash costs per ounce of gold sold (i,ii,iii)	$/ounce	550	332	465
By-product all in sustaining costs per ounce of gold sold (i,ii,iii)	$/ounce	688	451	596
Financial Measures *(2017 as restated)* (iv)				
Gold revenue	m $	32.8	21.1	53.9
Silver revenue	m $	1.6	-	1.6
Total revenue	m $	34.4	21.1	55.5
Mine operating income	m $	13.9	7.6	21.5
Exploration expenditures	m $	0.2	0.1	0.3
Capital expenditures - sustaining (i,ii)	m $	2.3	-	2.3
Capital expenditures - expansionary (i,ii)	m $	2.6	-	2.6

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(ii) Cash costs, all in sustaining costs, sustaining and expansionary capital expenditures 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.

(iii) Given the small nature and timing of South Arturo silver output, no silver by-product credits are reported, with any revenues offsetting costs.

(iv) 2017 restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.

(v) May not add due to rounding.

Production

Production for the three months ended June 30, 2018 of 16,007 ounces of gold and 51,746 ounces of silver was lower when compared to 37,617 and 97,007 respectively in the prior-year period. Lower production at South Arturo output was expected, as mining has transitioned from the completed Phase 2 open pit to processing stockpiles during the development of the El Nino underground extension and the Phase 1 pit. South Arturo average recovery for the three months ended June 30, 2018 was 82.8%, down slightly from the prior-year period of 86.7%.

Mercedes production was impacted by the requirement to redesign stopes in new mining zones following changes in geologic interpretations. This resulted in lower mined grades during the transition period. Average recovery for the three months ended June 30, 2018 was 95.8%, up slightly from the prior-year period of 94.9%. Production will be weighted toward the second half of 2018 following the completion of stope designs in the new Diluvio, Lupita and Rey de Oro deposits.

Revenue

Gold revenue of $26.4 million and silver revenue of $1.1 million for the three months ended June 30, 2018 was lower when compared to $53.9 million and $1.6 million respectively in the prior-year period. The decrease is mainly attributable to the required production changes at Mercedes as described above which was partially offset by a higher gold sales price.

Cash Costs[1]

Cash costs per ounce of gold sold were $963 for the three months ended June 30, 2018 compared to $481 in the prior-year period. The increase relative to the prior-year period was primarily due to lower production and grades during transition periods at both operations. A higher proportion of the total production came from Mercedes as South Arturo production was from lower grade stockpiles during the transition underground and into the next open pit phase.

All in Sustaining Costs[1]

All in sustaining costs per ounce of gold sold were $1,088 for the three months ended June 30, 2018 compared to $607 in the prior-year period. The increase relative to the prior-year period was primarily due to lower production and grades during transition periods at both operations as well as the higher proportion of production from Mercedes as the mining operations at South Arturo transition from one deposit to the next.

For a detailed review of the Company’s operating mines, refer to the “Mining Operating Segments” section of this MD&A.

Exploration

Exploration activity at the mines sites for the quarter continued as planned with a greater focus on reserve and resource additions and/or replacement than in the previous quarter. Adjustments to the plan remain results driven.

[1] See “Non-IFRS Measures” section of this Management’s Discussion and Analysis.

The following tables provide financial and non-financial information for the six months ended June 30, 2018 and 2017 respectivly.

				For the six months ended June 30, 2018
(in millions of U.S. dollars, unless otherwise stated) (v)		Mercedes	South Arturo	Total
Ore & Metals				
Ore milled	*tonnes*	322,756	168,915	491,671
Gold produced	*ounces*	28,789	17,767	46,556
Silver produced	*ounces*	101,736	9,836	111,572
Gold sold	*ounces*	31,853	18,064	49,916
Silver sold	*ounces*	124,308	-	124,308
Average gold grade	*grams/t*	2.91	3.90	
Average silver grade	*grams/t*	27.97	-	
Average gold recovery rate	*%*	95.5	83.9	
Average silver recovery rate	*%*	35.1	-	
Realized Price *(2017 as restated)* (iv)				
Average realized gold price (i,ii)	*$/ounce*	1,279	1,318	1,293
Average realized silver price (i,ii)	*$/ounce*	17	-	17
Non-IFRS Performance Measures				
Co-product cash costs per ounce of gold sold (i,ii)	*$/ounce*	1,031	424	811
Co-product all in sustaining costs per ounce of gold sold (i,ii)	*$/ounce*	1,201	461	934
Co-product cash costs per ounce of silver sold (i,ii)	*$/ounce*	11	-	11
Co-product all in sustaining costs per ounce of silver sold (i,ii)	*$/ounce*	13	-	13
By-product cash costs per ounce of gold sold (i,ii,iii)	*$/ounce*	1,010	424	798
By-product all in sustaining costs per ounce of gold sold (i,ii,iii)	*$/ounce*	1,187	461	924
Financial Measures *(2017 as restated)* (iv)				
Gold revenue	*m $*	40.6	23.8	64.4
Silver revenue	*m $*	2.3	-	2.3
Total revenue	*m $*	42.8	23.8	66.6
Mine operating income	*m $*	(2.3)	10.7	8.4
Exploration expenditures	*m $*	0.7	0.7	1.4
Capital expenditures - sustaining (i,ii)	*m $*	3.6	-	3.6
Capital expenditures - expansionary (i,ii)	*m $*	5.2	2.0	7.2

(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, sustaining and expansionary capital expenditures 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.

(iii) Given the small nature and timing of South Arturo silver output, no silver by-product credits are reported, with any revenues offsetting costs.

(iv) 2017 restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.

(v) May not add due to rounding.

(in millions of U.S. dollars, unless otherwise stated) [v]		Mercedes	South Arturo	For the six months ended June 30, 2017 Total
Ore & Metals				
Ore milled	tonnes	344,673	266,519	611,192
Gold produced	ounces	44,057	44,539	88,596
Silver produced	ounces	178,045	17,343	195,388
Gold sold	ounces	43,272	51,533	94,806
Silver sold	ounces	171,190	-	171,190
Average gold grade	grams/t	4.18	5.90	
Average silver grade	grams/t	40.07	-	
Average gold recovery rate	%	95.2	88.10	
Average silver recovery rate	%	40.2	-	
Realized Price *(2017 as restated)* [iv]				
Average realized gold price [i,ii]	$/ounce	1,232	1,246	1,239
Average realized silver price [i,ii]	$/ounce	17	-	17
Non-IFRS Performance Measures				
Co-product cash costs per ounce of gold sold [i,ii]	$/ounce	613	272	427
Co-product all in sustaining costs per ounce of gold sold [i,ii]	$/ounce	735	322	511
Co-product cash costs per ounce of silver sold [i,ii]	$/ounce	9	-	9
Co-product all in sustaining costs per ounce of silver sold [i,ii]	$/ounce	10	-	10
By-product cash costs per ounce of gold sold [i,ii,iii]	$/ounce	580	272	412
By-product all in sustaining costs per ounce of gold sold [i,ii,iii]	$/ounce	709	322	498
Financial Measures *(2017 as restated)* [iv]				
Gold revenue	m $	53.0	64.2	117.2
Silver revenue	m $	2.9	-	2.9
Total revenue	m $	55.9	64.2	120.1
Mine operating income	m $	19.6	23.4	43.0
Exploration expenditures	m $	0.5	0.1	0.6
Capital expenditures - sustaining [i,ii]	m $	4.1	0.1	4.2
Capital expenditures - expansionary [i,ii]	m $	4.4	-	4.4

(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, sustaining and expansionary capital expenditures 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.

(iii) Given the small nature and timing of South Arturo silver output, no silver by-product credits are reported, with any revenues offsetting costs.

(iv) 2017 restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.

(v) May not add due to rounding.

PREMIER Gold Mines Limited

Exploration, Evaluation and Pre-development

The Company has nine properties in various stages of the exploration, evaluation and pre-development phase.

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

(i) 2017 restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.

(ii) May not add due to rounding.

Hasaga

A total of 10,819 metres of drilling was completed at Hasaga during the second quarter for a total of 18,261 meters year to date. The drilling continues to infill and expand mineralization within the C-Zone and to test and define the D-Zone. The completion of a mineral resource estimate for the underground deposit located down-plunge of the historic Hasaga gold mine is contemplated at year end. An expanded follow-up drilling program is being considered based on excellent assay results on the C and D-Zones and also as result of the better understanding of the structural controls. The 1.6 km gap west of Hasaga zones to the Buffalo zone provides for significant potential for additional new discoveries.

Greenstone

Expenditures totalled $6.2 million in the second quarter (contributed by Centerra on a 100% basis) on a range of project activities. Key expenditures included Definitive Agreement payments to Long Lake #58 First Nation (“LL58”), legal consultation & operating support in reaching the Definative Agreement, development work related to engineering on public infrastructure programs, geotechnical investigation, support permit applications, responding to information requests related to the Environmental Assessment , and the RC Drilling campaign.

McCoy - Cove

A Preliminary Economic Assessment (“PEA”) was completed in the first half of 2018 on the Cove project. Preliminary engineering, dewatering studies and baseline studies have been initiated to advance an underground exploration program planned in the second half of 2018. Dewatering simulations, including a pump test of the proposed underground advanced exploration areas around the Helen Zone were completed during 2017 and further optimization and validation of the dewatering scenario is ongoing. During the quarter, spending focused on pre-development activities mainly in engineering design changes to the regulatory agencies, such as the portal and power line locations. Bids for underground development were received during the quarter and construction will start during the third quarter.

A McCoy-Cove “Earn-in” agreement was signed with Barrick Gold in December 2017 to explore the claims surrounding the Cove project. During the quarter, the Earn-in completed 3,129 meters of drilling with a focus on an initial test of two target areas that have little historic drilling straddling the Cove pit. The drilling was split between the Windy Point and Lakeside east extension target areas, both with encouraging results.

South Arturo

During the quarter 5,444 meters were drilled in 15 holes mostly on the East Dee target and a lesser amount on resource definition at Phase 3. This does not include 835 meters drilled in 31 holes to evaluate the Phase 3 mine dumps. Assay results from all of this drilling are expected during the third quarter.

Goldbanks

A total of 689 meters were drilled on the Goldbanks JV earn-in property during the second quarter. The results of this drilling phase have been compiled and additional drill holes have been planned for the second half of the year.

Mercedes

Exploration drilling continued during the second quarter with 14,165 meters completed for a total drilling of 25,666 meters for the year. An average of six drill rigs were on site for the quarter. Drilling continued to target the Diluvio, Marianas and Barrancas veins with encouraging results that may lead to the replacement of reserves. Surface drilling on the Aida vein focused on confirming the continuity of the veining with the goal of converting resources to reserves.

The 2018 exploration program will follow a similar pattern as the 2017 program with preliminary testing of several targets early in the year and the focus on resource to reserve conversion for the remainder of the year. The focus remains on adding near mine resources and reserves, supporting mine production, extensions of the main mine trend and testing new geological targets.

Expensed exploration of $0.04 million is related to access road fees for 46 concessions covering 70,865 hectares and includes exploration project administration. Capital exploration expenditures of $1.7 million include drilling, geology and other related costs.

The following table represents the cumulative exploration, evaluation and pre-development expenses to date by project.

as restated [1] *(in thousands of U.S. dollars)*	Status	Cumulative to December 31, 2016	Year ended December 31, 2017	Cumulative to December 31, 2017	Period ending June 30, 2018	Cumulative life of project to date
Rahill-Bonanza, Ontario, Canada	Active	16,375	73	16,448	26	16,474
East Bay, Ontario, Canada	Swap (i)	1,625	-	1,625	-	1,625
PQ North, Ontario, Canada	Swap (i)	9,884	-	9,884	-	9,884
Hasaga, Ontario, Canada	Swap (i)	12,237	3,579	15,815	2,354	18,169
Brookbank, Ontario, Canada	50% sold (ii)	1,489	-	1,489	-	1,489
Hardrock, Ontario, Canada	50% sold (ii)	96,672	-	96,672	-	96,672
Greenstone Gold, Ontario, Canada	Active (ii)	23,508	4,507	28,015	4,597	32,613
McCoy-Cove, Nevada, USA	Active	32,302	11,359	43,660	2,679	46,339
South Arturo, Nevada, USA	Active	1,107	831	1,938	690	2,628
Goldbanks, Nevada, USA	Active	1,518	3,207	4,725	1,240	5,965
Mercedes Mine, Sonora, Mexico	Active	-	1,121	1,121	664	1,784
Cristina, Mexico	Inactive (iii)	476	1,156	1,632	-	1,632
Rye, Nevada, USA	Active	-	-	-	16	16
Other	(iv)	4,046	417	4,464	350	4,814
		201,239	**26,251**	**227,489**	**12,616**	**240,105**

[1] Restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis. 2016 translated at a 10-year annual average rate.

(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) Cristina property located in Mexico was under an exploration agreement that was not renewed in 2017.

(iv) Other includes inactive mineral interests and current charges for regional technical services costs not charged to a property, the inactive properties include:

- Faymar property located in Deloro Township in the Timmins Gold Camp. This property was sold in April 2018.
- 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 (claims under an option to purchase agreement).
- Raingold property comprised of 6 patented mining claims.
- Bartec property located in Barraute Township, in the Val D'or district of Quebec in 2015 (claim not renewed).

Selected Financial Data

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

		For the years ending		
(in thousands of U.S. dollars, unless otherwise stated)		**2017** as restated [i]	**2016** as restated [i]	**2015** as restated [i]
Revenue				
Gold ounces sold	*ounces*	155,727	90,263	-
Revenue	*000 $*	194,638	112,485	-
Realized price	*$/ounce*	1,254	1,246	-
Silver ounces sold	*ounces*	338,831	65,380	-
Revenue	*000 $*	5,669	1,125	-
Realized price	*$/ounce*	17	17	-
Total revenue		200,308	113,610	-
Cost of goods sold				
Mining cost	*000 $*	85,567	29,519	-
Depletion, depreciation and amortization	*000 $*	50,730	51,075	-
Total cost of sales		136,297	80,595	-
Other operating expenses				
Exploration, evaluation and pre-development	*000 $*	26,251	26,206	21,228
General and administration	*000 $*	7,893	8,720	6,327
Other income / (expense)		-	-	-
Gain / (loss) on investments	*000 $*	(337)	1,624	(563)
Loss on derivatives	*000 $*	(1,127)	(842)	(106)
Gain on divestment of mineral property interests	*000 $*	-	-	35,885
Gain on ongoing development commitment	*000 $*	5,294	11,742	9,888
Transaction costs on acquisition of mine	*000 $*	-	(3,910)	-
Finance costs	*000 $*	8,884	(2,362)	(530)

[i] Restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.

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

The onset of production from South Arturo and Mercedes in the last half of 2016 had a significant impact on operations and the Company's 2016 cash position. Production from both sites for most of 2017 accounts for the significant increase in revenue. The variance in other income / (expense) from 2015 to 2017 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.

PREMIER Gold Mines Limited

FINANCIAL POSITION

Balance Sheet Review

The following review compares December 31, 2017 results to June 30, 2018.

Assets

The decrease in cash and cash equivalents of $35.3 million was primarily the result of the repayment of debt of $20 million and capital expenditures on property, plant and equipment for the South Arturo and Mercedes mines given minimal cash generated from operating activities.

The increase in receivables of $6.3 million was due to an increase in recoverable taxes in Mexico of $4.0 million and $2.6 million owed to the South Arturo joint venture.

Due to the minimal South Arturo production inventory, current inventory levels decreased causing a reduction of $5.5 million. Long term stockpile inventory also decreased by $3.4 million as South Arturo 2018 production was generated from ore stockpiles.

Property, plant and equipment reduced by $6.1 million during the period mainly due to a change in estimate on the Mercedes environmental rehabilitation of $2.7 million (related to rate) and the foreign currency effect on Canadian held assets of $3.4 million. The Company spent $11.4 million on capital, with the primary focus on sustaining and growth capital expenditures offset by a similar amount taken for depletion, depreciation and amortization.

Liabilities

Within current liabilities, accounts payables increased slightly by $0.5 million, mainly due to operational activities at Mercedes. Taxes payable decreased by $3.3 million, impacted by a decrease in net proceeds tax due to reduced production at South Arturo of $1.8 million and a reduction of $1.5 million due to mining royalty taxes paid by Mercedes. The current portion of long term debt was reduced by the $20 million Orion debt repayment made on May 4, 2018.

Deferred taxes remained relatively constant with a decrease of $0.5 million. Deferred royalty taxes at Mercedes increased slightly by $0.4 million due to an increase in the deferred royalty tax related to timing differences on provisions. Regular deferred tax decreased for Premier Gold Mines NWO Inc. by $0.9 million due to the capitalization of exploration expenditures for tax purposes but expensed for accounting purposes typically offset by the reduction in the tax pool for flow-through funding but which was completed in 2017.

Deferred revenue decreased $6.3 million for the long-term portion of deferred revenue due to the quarterly settlements of the gold prepay and silver stream. The long term provision for environmental rehabilitation decreased by $2.6 million due mainly to the change in estimate of the Mercedes rehabilitation provision.

Working Capital

Working capital ratio of 3.03:1 improved slightly compared to 2.49:1 at December 31, 2017 due in part to the debt repayment coming out of current liabilities.

Non-current assets decreased by $9.1 million including:

- $6.1 million decrease in property plant and equipment with $11.4 million in capital additions, $2.7 million reduction due to a change in estimate on the environmental rehabilitation provision and a currency adjustment of $3.4 million; and
- $11.6 million in depletion, depreciation and amortization offset by a currency adjustment of $0.3 million

Liquidity and Capital Resources

For the period ending June 30, 2018, the Company had cash and cash equivalents of $67.8 million, a decrease of $35.3 million from December 31, 2017.

$0.4 million used in operating activities including:

- $6.0 million from mining operations after adding back non-cash depletion included in inventory;
- $12.6 million spent in exploration and pre-development activities (offset by the Greenstone Gold development commitment gain of $5.1 million);
- $6.9 million deducted for deferred revenue on metal agreements included in operating revenue;
- $4.3 million spent in general and project administration expenditures; and

- $4.1 million in working capital decreases due to the increase in accounts receivable of $6.3 million, a reduction in accounts payable, accrued liabilities and taxes payable of $2.8 million offset by a reduction in cash inventory costs of $4.0 million.

Investment activities were almost solely related to capital investment of $11.4 million focused on mining operations.

Financing activities included interest of $1.2 million paid on the gold prepay and the Orion debt offset by $0.5 million cash received from the exercise of stock options.

Liquidity Outlook

	For the period ending	
(in millions of U.S. dollars)	**June 30, 2018**	**December 31, 2017 restated [i]**
Cash and cash equivalents	67,762	103,046
Working capital	72,404	85,826
Long term debt and deferred revenue	16,165	22,512

[i] 2017 restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.

Premier funds current exploration, evaluation, pre-development and development expenditures through existing cash and financings. The Company 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).

Premier periodically 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. All of the flow-through financing completed on October 14, 2016 has been spent prior to the December 31, 2017 deadline and no flow-through financing has been entered into for 2018.

Equity

The Company is authorized to issue an unlimited number of common shares of which 202,614,536 were outstanding at June 30, 2018 and 202,779,036 at the date of this report, August 7, 2018. At June 30, 2018 and August 7, 2018, the Company had outstanding options to purchase an aggregate of 10,157,000 and 9,992,500 common shares under its share incentive plan with exercise prices ranging from C$1.40 to C$4.78 per share and expiry dates ranging from August 8, 2018 to February 23, 2023. 164,500 options at C$1.79 that were set to expire on August 8, 2018 were exercised subsequent to June 30, 2018 but prior to issuing this report. At June 30, 2018, there were 295,000 unvested stock options.

During the six months ended June 30, 2018, 311,500 restricted share units ("RSU"s) were issued under the restricted share unit plan of the Company. 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 of each year. The RSUs are expected to settle in cash. During the period, 13,000 RSUs were forfeited and 2,500 RSUs were settled.

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 from July 25, 2017 until July 24, 2018. No shares were purchased under the bid which has now expired.

PREMIER Gold Mines Limited

MINE OPERATING SEGMENTS

Mercedes Mine

Mercedes mine is located 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 narrow vein 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.

		Three months ended June 30		Six months ended June 30	
(in millions of U.S. dollars, unless otherwise stated) (iv)		2018	2017	2018	2017
Ore milled	*tonnes*	154,442	177,883	322,756	344,673
Gold produced	*ounces*	13,780	21,893	28,789	44,057
Silver produced	*ounces*	44,366	89,474	101,736	178,045
Gold sold	*ounces*	14,673	26,379	31,853	43,272
Silver sold	*ounces*	58,098	97,356	124,308	171,190
Average gold grade	*grams/t*	2.90	4.03	2.91	4.18
Average silver grade	*grams/t*	23.82	36.47	27.97	40.07
Average gold recovery rate	*%*	95.8	94.9	95.5	95.2
Average silver recovery rate	*%*	37.5	43.0	35.1	40.2
Realized Price *(2017 as restated)* (iii)					
Average realized gold price (i,ii)	*$/ounce*	1,269	1,249	1,279	1,232
Average realized silver price (i,ii)	*$/ounce*	16	17	17	17
Non-IFRS Performance Measures					
Co-product cash costs per ounce of gold sold (i,ii)	*$/ounce*	1,161	577	1,031	613
Co-product all in sustaining costs per ounce of gold sold (i,ii)	*$/ounce*	1,325	707	1,201	735
Co-product cash costs per ounce of silver sold (i,ii)	*$/ounce*	12	10	11	9
Co-product all in sustaining costs per ounce of silver sold (i,ii)	*$/ounce*	13	12	13	10
By-product cash costs per ounce of gold sold (i,ii)	*$/ounce*	1,142	550	1,010	580
By-product all in sustaining costs per ounce of gold sold (i,ii)	*$/ounce*	1,312	688	1,187	709
Financial Measures *(2017 as restated)* (iii)					
Gold revenue	*m $*	18.5	32.8	40.6	53.0
Silver revenue	*m $*	1.1	1.6	2.3	2.9
Total revenue	*m $*	19.6	34.4	42.8	55.9
Mine operating income \ (loss)	*m $*	(4.7)	13.9	(2.3)	19.6
Exploration expenditures	*m $*	0.0	0.2	0.7	0.5
Capital expenditures - sustaining (i,ii)	*m $*	1.8	2.3	3.6	4.1
Capital expenditures - expansionary (i,ii)	*m $*	2.6	2.6	5.2	4.4

(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, sustaining and expansionary capital expenditures 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.

(iii) 2017 restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.

(iv) May not add due to rounding.

Production

Mercedes production for the three months ended June 30, 2018 of 13,780 ounces of gold and 44,366 ounces of silver was lower when compared to 21,893 and 89,474 respectively in the prior-year period.

Mercedes production was impacted by differences in the orebody geometries as compared to the original models in the new ore zones Diluvio and Rey de Oro which led to additional delineation drilling and required adjustments to stope designs. This resulted in lower mined grades from the processing of development ore and less stope ore during the transition period. Average gold grade for the three months ended June 30, 2018 was 2.90 g/t compared to 4.03 g/t in the prior-year period. As a result, production is weighted to the second half of 2018.

Sales and Revenue

Gold ounces sold were 14,673 and silver ounces sold were 58,098 for the three months ended June 30, 2018, compared to 26,379 ounces and 97,356 ounces respectively in the prior-year period due mainly to lower production. Gold revenue of $18.5 million and silver revenue of $1.1 million for the three months ended June 30, 2018 compared to $32.8 million and $1.6 million respectively in the prior-year period due to the lower production at Mercedes and the transition in production at South Arturo.

Cash Costs[1]

Co-product cash cost per ounce gold sold were $1,161 per ounce for the three months ended June 30, 2018 compared to $577 per ounce in the prior-year period. Co-product cash cost per ounce silver sold were $12 per ounce for the three months ended June 30, 2018 compared to $10 per ounce in the prior-year period. The increase in cash costs relative to the prior-year period was primarily driven by lower production and ore grade, as described above.

All in Sustaining Costs[1]

All in sustaining cost per ounce of gold sold were $1,325 per ounce for the three months ended June 30, 2018 compared to $707 per ounce in the prior-year period. The increase relative to the prior-year period was primarily driven by higher cash costs as described above.

Exploration Activities

Exploration drilling continued during the second quarter with 14,165 meters completed for a total drilling of 25,666 meters for the year. An average of six drill rigs were on site for the quarter. Drilling continued to target the Diluvio, Marianas and Barrancas veins with encouraging results for replacing reserves. Surface drilling on the Aida vein focused on confirming the continuity of the veining with the goal of converting resources in the vein to reserves.

The 2018 exploration program will follow a similar pattern as the 2017 program with preliminary testing of several targets early in the year and converting resources to reserves later in the year. The focus remains on adding near mine resources and reserves, supporting mine production, extensions of the main mine trend and testing new geological targets.

Expensed exploration of $0.04 million is related to access road fees for 46 concessions covering 70,865 hectares as well as for exploration project administration. Capital exploration expenditures of $1.7 million include drilling, geology and other related costs.

Capital Expenditures

In both the current and prior-year periods, capital expenditures were primarily related to mine development and capitalized exploration. For the three months ended June 30, 2018, total capital expenditures at Mercedes were $4.4 million including $1.7 million on sustaining capital, $1.7 million on exploration capital and $0.9 million on expansionary capital. Spending in the quarter was similar to the prior-year period which totaled $4.9 million.

[1] See "Non-IFRS Measures" section of this Management's Discussion and Analysis.

Operational and financial information for the current and previous quarters is as follows:

(in millions of U.S. dollars, unless otherwise stated) (iv)		Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
						Years 2018 and 2017	
Ore & Metals							
Ore milled	*tonnes*	154,442	168,314	182,470	156,402	177,883	166,790
Gold produced	*ounces*	13,780	15,009	19,913	18,564	21,893	22,164
Silver produced	*ounces*	44,366	57,370	77,082	82,856	89,474	88,572
Gold sold	*ounces*	14,673	17,180	17,119	24,894	26,379	16,894
Silver sold	*ounces*	58,098	66,210	77,096	90,545	97,356	73,834
Average gold grade	*grams/t*	2.90	2.91	3.52	3.88	4.03	4.34
Average silver grade	*grams/t*	23.82	31.78	33.95	36.50	36.47	43.90
Average gold recovery rate	*%*	95.8	95.2	96.5	95.4	94.9	95.4
Average silver recovery rate	*%*	37.5	33.4	38.7	45.2	43.0	37.3
Realized Price *(2017 as restated)* (iii)							
Average realized gold price (i,ii)	*$/ounce*	1,269	1,287	1,258	1,292	1,249	1,204
Average realized silver price (i,ii)	*$/ounce*	16	17	16	17	17	17
Non-IFRS Performance Measures							
Co-product cash costs per ounce of gold sold (i,ii)	*$/ounce*	1,161	921	760	793	577	675
Co-product all in sustaining costs per ounce of gold sold (i,ii)	*$/ounce*	1,325	1,096	894	998	707	785
Co-product cash costs per ounce of silver sold (i,ii)	*$/ounce*	12	11	10	10	10	7
Co-product all in sustaining costs per ounce of silver sold (i,ii)	*$/ounce*	13	13	11	13	12	8
By-product cash costs per ounce of gold sold (i,ii)	*$/ounce*	1,142	897	731	772	550	632
By-product all in sustaining costs per ounce of gold sold (i,ii)	*$/ounce*	1,312	1,081	871	988	688	746
Financial Measures *(2017 as restated)* (iii)							
Gold revenue	*m $*	18.5	22.0	21.4	32.0	32.8	20.2
Silver revenue	*m $*	1.1	1.2	1.3	1.5	1.6	1.3
Total revenue	*m $*	19.6	23.2	22.7	33.5	34.4	21.5
Mine operating income / (loss)	*m $*	(4.7)	2.4	8.0	3.5	13.9	5.7
Exploration expenditures	*m $*	0.0	0.6	0.3	0.3	0.2	0.3
Capital expenditures - sustaining (i,ii)	*m $*	1.8	1.8	1.1	4.0	2.3	1.8
Capital expenditures - expansionary (i,ii)	*m $*	2.6	2.6	1.7	2.9	2.6	1.8

(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, sustaining and expansionary capital expenditures 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.

(iii) 2017 restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.

(iv) May not add due to rounding.

South Arturo Mine

The mine is 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 holds the remaining 60% and is the operator.

(in millions of U.S. dollars, unless otherwise stated) (v)		Three months ended June 30		Six months ended June 30	
		2018	2017	2018	2017
Ore & Metals					
Ore milled	*tonnes*	23,379	112,466	168,915	266,519
Gold produced	*ounces*	2,227	15,724	17,767	44,539
Gold sold	*ounces*	5,969	16,833	18,064	51,533
Silver produced	*ounces*	7,380	7,533	9,836	17,343
Average gold grade	*grams/t*	3.58	5.01	3.90	5.90
Average gold recovery rate	*%*	82.8	86.7	83.9	88.1
Realized Price *(2017 as restated)* (iv)					
Average realized gold price (i,ii)	*$/ounce*	1,318	1,253	1,318	1,246
Non-IFRS Performance Measures					
Co-product cash costs per ounce of gold sold (i,ii)	*$/ounce*	475	332	424	272
Co-product all in sustaining costs per ounce of gold sold (i,ii)	*$/ounce*	506	451	461	322
By-product cash costs per ounce of gold sold (i,ii,iii)	*$/ounce*	475	332	424	272
By-product all in sustaining costs per ounce of gold sold (i,ii,iii)	*$/ounce*	506	451	461	322
Financial Measures *(2017 as restated)* (iv)					
Gold revenue	*m $*	7.9	21.1	23.8	64.2
Mine operating income	*m $*	3.5	7.6	10.7	23.4
Exploration expenditures	*m $*	0.6	0.1	0.7	0.1
Capital expenditures - sustaining (i,ii)	*m $*	0.0	-	-	0.1
Capital expenditures - expansionary (i,ii)	*m $*	1.6	-	2.0	-

(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, sustaining and expansionary capital expenditures 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.

(iii) Given the small nature and timing of South Arturo silver output, no silver by-product credits are reported.

(iv) 2017 restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.

(v) May not add due to rounding.

Production

South Arturo production for the three months ended June 30, 2018 of 2,227 ounces of gold was lower when compared to 15,724 ounces in the prior-year period. Lower production at South Arturo output was expected, as mining has transitioned from the completed Phase 2 open pit to processing of lower grade stockpiled ore during the planning and development of the underground extension and the next Phase 1 pit.

Sales and Revenue

Gold ounces sold were 5,969 for the three months ended June 30, 2018, compared to 16,833 ounces in the prior-year period due to the planned transition from the completed Phase 2 open pit to the El Nino underground extension and the Phase 1 pit as outlined above. Gold revenue of $7.9 million for the three months ended June 30, 2018 compared to $21.1 million in the prior-year period. The decrease in gold revenue was due to the lower production as explained above, partially offset by a higher average realized gold price.

PREMIER Gold Mines Limited

Cash Costs[1]

Co-product cash cost per ounce gold sold were $475 per ounce for the three months ended June 30, 2018 compared to $332 per ounce in the prior-year period. The increase in cash costs reflect the planned processing of lower grade stockpiled ore.

All in Sustaining Costs[1]

All in sustaining cost per ounce gold sold were $506 per ounce for the three months ended June 30, 2018 compared to $451 per ounce in the prior-year period. The increase relative to the prior-year period was primarily driven by higher cash costs.

Exploration Activities

Exploration drilling activity for the second quarter focused mainly on near pit and underground expansion.

Capital Expenditures

Capital expenditures of $1.6 million for the three months ended June 30, 2018 was mainly related to stripping for Phase 1 and machinery and equipment.

Operational and financial information for the current and previous quarters is as follows:

						Years 2018 and 2017	
(in millions of U.S. dollars, unless otherwise stated) (v)		Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Ore & Metals							
Ore milled	*tonnes*	23,379	145,536	44,883	79,479	112,466	154,053
Gold produced	*ounces*	2,227	15,541	4,472	8,113	15,724	28,815
Gold sold	*ounces*	5,969	12,095	5,882	13,026	16,833	34,700
Silver produced	*ounces*	7,380	2,456	-	2,575	7,533	9,810
Average gold grade	*grams/t*	3.58	3.95	3.75	3.79	5.01	6.55
Average gold recovery rate	*%*	82.8	84.1	82.7	83.8	86.7	88.8
Realized Price *(2017 as restated)* (iv)							
Average realized gold price (i,ii)	*$/ounce*	1,318	1,317	1,287	1,264	1,253	1,242
Non-IFRS Performance Measures							
Co-product cash costs per ounce of gold sold (i,ii)	*$/ounce*	475	398	386	363	332	244
Co-product all in sustaining costs per ounce of gold sold (i,ii)	*$/ounce*	506	439	497	371	451	261
By-product cash costs per ounce of gold sold (i,ii,iii)	*$/ounce*	475	398	386	363	332	244
By-product all in sustaining costs per ounce of gold sold (i,ii,iii)	*$/ounce*	506	439	497	371	451	261
Financial Measures *(2017 as restated)* (iv)							
Gold revenue	*m $*	7.9	15.9	7.6	16.5	21.1	43.1
Mine operating income	*m $*	3.5	7.2	2.7	6.7	7.6	15.8
Exploration expenditures	*m $*	0.6	0.1	0.3	0.4	0.1	-
Capital expenditures - sustaining (i,ii)	*m $*	0.0	-	0.3	-	-	0.1
Capital expenditures - expansionary (i,ii)	*m $*	1.6	0.5	0.2	0.6	-	-

(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, free cash flow, EBITDA, sustaining and expansionary capital expenditures 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.

(iii) Given the small nature and timing of South Arturo silver output, no silver by-product credits are reported, with any revenues offsetting costs.

(iv) 2017 restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.

(v) May not add due to rounding.

[1] See "Non-IFRS Measures" section of this Management's Discussion and Analysis.

COMMITMENTS AND CONTINGENCIES

Environmental Rehabilitation Provision

During the quarter, the company sold the Faymar-Deloro property leaving five active environmental rehabilitation obligations related to past and current mining activities. As per the table below, the provisions for each project are updated regularly for a change to the risk-free discount rate, accretion and currency adjustments if applicable. Changes in estimate on the projects are applied where an engineering assessment on the project has been carried out.

(in thousands of U.S. dollars) [(ii)]	Six months ended June 30, 2018	Year ended December 31, 2017 As restated [(i)]
Northern Empire Mill, Ontario, Canada	1,508	1,566
Faymar-Deloro, Ontario, Canada	-	391
Hasaga, Ontario, Canada	179	186
McCoy-Cove, Nevada, USA	1,643	1,713
South Arturo, Nevada, USA	4,713	4,805
Mercedes, Sonora, Mexico	12,567	14,648
	20,610	**23,309**

[(i)] 2017 restated for the presentation currency change as discussed in the "Critical Accounting Judgement and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.

[(ii)] May not add due to rounding.

Northern Empire Mill, Ontario

There were no reclamation expenditures during the second quarter with changes in the provision due to accretion and currency adjustments. There is no rehabilitation program scheduled for 2018 and various activities have been scheduled in 2019.

Faymar-Deloro, Ontario

The Company sold the Faymar-Deloro exploration property during the second quarter. Additional information is disclosed in Note 12 of the June 30, 2018 unaudited condensed consolidated interim financial statements.

Hasaga, Ontario

There were no reclamation expenditures during the second quarter with changes in the provision due to accretion and currency adjustments. 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 $0.09 million in expenditures during the second quarter with the rest of the provision impacted by accretion. The McCoy-Cove reclamation obligation is in part 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 dam and the cleanup of the old pads. Structural reclamation is on hold for several years pending a new mine plan for the property. The other portion is related to the Cove-Helen underground project and will not commence reclamation for several years and its provision was only impacted by accretion.

South Arturo, Nevada

The South Arturo reclamation obligation is managed by Barrick Gold 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 first quarter. The change in provision is mainly due to updated risk-free discount rates and accretion. The Company updated the projected rehabilitation cost and decreased the provision based on its new estimations.

Mercedes, Mexico

There were no reclamation expenditures related to closure activities during the second quarter. The only change during the quarter in the provision was due to accretion and updated risk-free discount rates. Based on the current life of mine projection no expenditures are anticipated in the immediate future as the mine will continue in operation.

Contractual Obligations and Commitments

The following is a summary of the commitments of the Company at June 30, 2018:

							As at June 30, 2018
(in thousands of U.S. dollars) *as restated (i) (iii)*	2018	2019	2020	2021	2022	2023 and later	Total
Contracts and operating leases	1,770	549	223	17	1	-	2,560
Debt repayment	50	-	-	-	-	-	50
Exploration expenditure commitment - Rye Vein project	-	3,000	-	-	-	-	3,000
Provisions for environmental rehabilitation (ii)	289	418	244	310	3,911	18,950	24,122
	2,109	**3,967**	**467**	**327**	**3,912**	**18,950**	**29,732**

(i) 2017 restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.

(ii) Amounts presented in the table for the provisions for environmental rehabilitation represent the undiscounted uninflated future payments for the expected cost of the rehabilitation. Timing of expected expenditures has been updated based on the most current estimate of the provision.

(iii) May not add due to rounding.

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. 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.

Surety Bonds

At June 30, 2018, the Company has outstanding surety bonds in the amount of $7.0 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 $0.6 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.

Off Balance Sheet Arrangements

The Company 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 disclosed in Note 22 of the June 30, 2018 unaudited condensed consolidated interim financial statements with no significant changes for the quarter.

<u>Transactions with Key Management Personnel</u>

Key management personnel remuneration includes the following amounts:

	Three months ended June 30		Six months ended June 30	
(in thousands of U.S. dollars) *as restated (i)*	2018	2017 *as restated(i)*	2018	2017 *as restated(i)*
Salary, wages and benefits	650	591	1,512	1,101
Share-based payments	-	-	1,824	1,209
	650	**591**	**3,336**	**2,310**

(i) 2017 restated for the presentation currency change as discussed in the "Critical Accounting Judgements and Estimates, Policies and Changes" section of this Management's Discussion and Analysis.

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES, POLICIES AND CHANGES

Functional and Presentation Currency Change

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 measured using 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 required 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.

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 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 derecognition with the change in fair value recognized in profit or loss, proceeds received are added to share capital and the liability is derecognized.

Accounting Standards Adopted 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 Arrangements

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 $0.3 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 $0.1 million and a recognition of silver stream accretion of $0.2 million.

Recent Accounting Pronouncements

<u>IFRS 16 - *Leases*</u>

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 it using full retrospective or a modified retrospective approach. The Company is in the process of assessing its current agreements that are 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.

<u>IFRIC 23, Uncertainty over Income Tax Treatments</u>

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.

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 Company 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 Company 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 Company 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 Company to obtain necessary financing to complete the development of such reserves and future profitable production or proceeds from the disposition thereof. The Company 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 amount for each of the Company's mining properties 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 Company'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 Company's financial position and results of operation.

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 mineral reserves and portion of mineral 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.

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 Company operates in, the timing of these expenditures, and the impact of changes in the discount rate. The actual future expenditures may differ from the amounts currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and / or regulatory requirements in the future.

Valuation of Financial Instruments

The fair value of derivative financial liabilities that are not traded in an active market, including the offtake agreement entered into during the period, is determined using valuation techniques. The Company 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 Company 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 Company also issued warrants either in connection with a private placement or as purchase consideration in a business combination that, effective January 1, 2018 the date of the functional currency change of the parent company, are recorded as a financial liability. 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 Company's stock price, stock price variability, trading volumes and risk-free rates of return.

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 Company 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 Company 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:

- Inputs used in accounting for share purchase option expense in the consolidated statements of income / (loss);
- Estimated useful lives of property, plant and equipment which are included in the consolidated statements of financial position and related depreciation included in the consolidated statements of income / (loss) and comprehensive income / (loss); and
- Discount rate used to determine the carrying value of long term debt and deferred revenue if applicable.

NON-IFRS MEASURES

The Company 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: co-product and by-product cash cost per ounce sold, co-product and by-product all in sustaining cost ("AISC") per ounce sold, earnings before interest, tax, depreciation and amortization ("EBITDA"), free cash flow, capital expenditures (growth), capital expenditures (sustaining) 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 Company'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 represents the sale price of gold per ounce before deducting mining duty (Mexico).

Average realized silver price represents the sale price of silver per ounce before deducting mining duty (Mexico).

By-product credits include revenues from the sale of by-products from our operating mines.

Capital expenditure (expansionary) is a capital expenditure intended to expand the business or operations by increasing production capacity beyond current levels of performance and includes capitalized exploration.

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 the attributable cost of sales by the attributable ounces sold.

EBITDA - Earnings before interest, tax, depreciation and amortization (including accretion).

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

Free cash flow is calculated as cash flow from operating activities less capital expenditures.

Rehabilitation – accretion and amortization include 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 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, community site relations, royalties and royalty tax. State of Nevada net proceeds taxes are excluded. Cash costs incorporate the Company'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 Company 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 Company's stakeholders.

Cash cost: by-product - When deriving the cash costs: by product associated with an ounce of gold, the Company includes by-product credits, as the Company 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 Company 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 and cash cost per ounce, the Company has considered the guidelines provided by the World Gold Council, a non-regulatory, non-profit market development organization for the gold industry. A Company'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.

<u>All in Sustaining Costs</u>

AISC include total production cash costs incurred at the Company's mining operations, which forms the basis of the Company's by-product and co-product cash costs. Additionally, the Company 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, general and administrative (excluding stock compensation) and exploration and evaluation expenses. The measure seeks to reflect the full cost of 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 Company reports AISC on a per 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 Company has considered the guidelines provided by the World Gold Council, a non-regulatory, non-profit market development organization for the gold industry. A Company's adoption of the standard is voluntary and other companies may quantify these measures differently as a result of different underlying principles and policies applied.

The following table provides a reconciliation on a co-product basis for cash cost and AISC cost for the three months ended June 30, 2018:

For the three months ended June 30, 2018

in thousands of U.S. dollars, except per ounce information in dollars (i)

	Mercedes		South Arturo		Consolidated Gold		Mercedes		
Co-Product	**Gold 000$**	**Per gold ounce sold**	**Gold 000$**	**Per gold ounce sold**	**Gold 000$**	**Per gold ounce sold**	**Silver 000$**	**Per silver ounce sold**	**Total 000$**
Cost of sales excluding depletion, depreciation and amortization	17,009	1,159	2,858	479	19,867	962	672	12	20,539
Depletion, depreciation and amortization	6,344	432	1,531	257	7,875	382	251	4	8,126
Total cost of sales	**23,353**	**1,592**	**4,390**	**735**	**27,743**	**1,344**	**922**	**16**	**28,665**
Depletion, depreciation and amortization	(6,344)	(432)	(1,531)	(257)	(7,875)	(382)	(251)	(4)	(8,126)
Royalty tax	85	6	-	-	85	4	3	0	89
Other costs (ii)	(58)	(4)	(22)	(4)	(80)	(4)	(2)	(0)	(82)
Cash cost : co-product	**17,036**	**1,161**	**2,836**	**475**	**19,872**	**963**	**673**	**12**	**20,546**
General and administrative	300	20	123	21	423	20	12	0	435
Rehabilitation - accretion and amortization	348	24	33	6	382	18	14	0	395
Sustaining capital expenditures	1,712	117	-	-	1,712	83	68	1	1,780
Sustaining exploration and evaluation expense	41	3	31	5	72	3	2	0	73
All in sustaining cost : co-product	**19,439**	**1,325**	**3,023**	**506**	**22,461**	**1,088**	**768**	**13**	**23,230**
Total ounces produced		**13,780**		**2,227**		**16,007**		**44,366**	
Total ounces sold (iii)		**14,673**		**5,969**		**20,642**		**58,098**	

(i) Results may not add due to rounding
(ii) General and administrative expenses that align with all in sustaining costs
(iii) Given the smaller nature of South Arturo silver output, any silver revenue received offset costs

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:

For the three months ended June 30, 2017

in thousands of U.S. dollars, except per ounce information in dollars (i)

	Mercedes		South Arturo		Consolidated Gold		Mercedes		
Co-Product	**Gold 000$**	**Per gold ounce sold**	**Gold 000$**	**Per gold ounce sold**	**Gold 000$**	**Per gold ounce sold**	**Silver**	**Per silver ounce sold**	**Total 000$**
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 (ii)	-	-	(117)	(7)	(117)	(3)	-	-	(117)
Cash cost : co-product	**15,212**	**577**	**5,591**	**332**	**20,803**	**481**	**941**	**10**	**21,744**
General and administrative	-	-	129	8	129	3	-	-	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

The following table provides a reconciliation on a co-product basis for cash cost and AISC cost for the six months ended June 30, 2018:

For the six months ended June 30, 2018

in thousands of U.S. dollars, except per ounce information in dollars [(i)]

	Mercedes		South Arturo		Consolidated Gold		Mercedes		
Co-Product	**Gold 000$**	**Per gold ounce sold**	**Gold 000$**	**Per gold ounce sold**	**Gold 000$**	**Per gold ounce sold**	**Silver 000$**	**Per silver ounce sold**	**Total 000$**
Cost of sales excluding depletion, depreciation and amortization	32,798	1,030	7,697	426	40,495	811	1,381	11	41,876
Depletion, depreciation and amortization	10,490	329	5,396	299	15,886	318	437	4	16,323
Total cost of sales	**43,288**	**1,359**	**13,094**	**725**	**56,381**	**1,130**	**1,818**	**15**	**58,200**
Depletion, depreciation and amortization	(10,490)	(329)	(5,396)	(299)	(15,886)	(318)	(437)	(4)	(16,323)
Royalty tax	182	6	-	-	182	4	8	0	190
Other costs [(ii)]	(128)	(4)	(47)	(3)	(175)	(4)	(5)	(0)	(180)
Cash cost : co-product	**32,851**	**1,031**	**7,651**	**424**	**40,502**	**811**	**1,384**	**11**	**41,886**
General and administrative	600	19	208	12	808	16	25	0	834
Rehabilitation - accretion and amortization	751	24	415	23	1,166	23	32	0	1,198
Sustaining capital expenditures	3,431	108	0	0	3,431	69	145	1	3,576
Sustaining exploration and evaluation expense	635	20	55	3	690	14	28	0	719
All in sustaining cost : co-product	**38,269**	**1,201**	**8,329**	**461**	**46,598**	**934**	**1,614**	**13**	**48,212**
Total ounces produced		**28,789**		**17,767**		**46,556**		**101,736**	
Total ounces sold [(iii)]		**31,853**		**18,064**		**49,916**		**124,308**	

[(i)] Results may not add due to rounding

[(ii)] General and administrative expenses that align with all in sustaining costs

[(iii)] Given the smaller nature of South Arturo silver output, any silver revenue received offset costs

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:

For the six months ended June 30, 2017

in thousands of U.S. dollars, except per ounce information in dollars (i)

	Mercedes		South Arturo		Consolidated Gold		Mercedes		
Co-Product	**Gold 000$**	**Per gold ounce sold**	**Gold 000$**	**Per gold ounce sold**	**Gold 000$**	**Per gold ounce sold**	**Silver**	**Per silver ounce sold**	**Total 000$**
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 (ii)	-	-	(155)	(3)	(155)	(2)	-	-	(155)
Cash cost : co-product	**26,531**	**613**	**13,997**	**272**	**40,528**	**427**	**1,476**	**9**	**42,005**
General and administrative	-	-	182	4	182	2	-	-	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

The following table provides a reconciliation on a by-product basis for gold cash cost and AISC for the three months ended June 30, 2018:

For the three months ended June 30, 2018						
in thousands of U.S. dollars, except per ounce information in dollars [i]	Mercedes		South Arturo		Total	
By-Product	000$	Per gold ounce sold	000$	Per gold ounce sold	000$	Per gold ounce sold
Cost of sales excluding depletion, depreciation and amortization	17,681	1,205	2,858	479	20,539	995
Depletion, depreciation and amortization	6,595	449	1,531	257	8,126	394
Total cost of sales	**24,275**	**1,654**	**4,390**	**735**	**28,665**	**1,389**
Depletion, depreciation and amortization	(6,595)	(449)	(1,531)	(257)	(8,126)	(394)
Royalty tax	89	6	-	-	89	4
By-product credits	(956)	(65)	-	-	(956)	(46)
Other costs [ii]	(60)	(4)	(22)	(4)	(82)	(4)
Cash cost : by-product	**16,753**	**1,142**	**2,836**	**475**	**19,590**	**949**
General and administrative	312	21	123	21	435	21
Rehabilitation - accretion and amortization	362	25	33	6	395	19
Sustaining capital expenditures	1,780	121	-	-	1,780	86
Sustaining exploration and evaluation expense	43	3	31	5	73	4
All in sustaining cost : by-product	**19,250**	**1,312**	**3,023**	**506**	**22,274**	**1,079**
Total gold ounces produced		**13,780**		**2,227**		**16,007**
Total gold ounces sold		**14,673**		**5,969**		**20,642**

[i] Results may not add due to rounding
[ii] General and administrative expenses that align with all in sustaining costs

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

For the three months ended June 30, 2017						
in thousands of U.S. dollars, except per ounce information in dollars (i)	Mercedes		South Arturo		Total	
By-Product	000$	Per gold ounce sold	000$	Per gold ounce sold	000$	Per gold ounce sold
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)	-	-	(1,648)	(38)
Other costs (ii)	-	-	(117)	(7)	(117)	(3)
Cash cost : by-product	**14,506**	**550**	**5,591**	**332**	**20,097**	**465**
General and administrative	-	-	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

The following table provides a reconciliation on a by-product basis for gold cash cost and AISC for the six months ended June 30, 2018:

	For the six months ended June 30, 2018					
in thousands of U.S. dollars, except per ounce information in dollars [i]	Mercedes		South Arturo		Total	
By-Product	000$	Per gold ounce sold	000$	Per gold ounce sold	000$	Per gold ounce sold
Cost of sales excluding depletion, depreciation and amortization	34,179	1,073	7,697	426	41,876	839
Depletion, depreciation and amortization	10,927	343	5,396	299	16,323	327
Total cost of sales	**45,106**	**1,416**	**13,094**	**725**	**58,200**	**1,166**
Depletion, depreciation and amortization	(10,927)	(343)	(5,396)	(299)	(16,323)	(327)
Royalty tax	190	6	-	-	190	4
By-product credits	(2,064)	(65)	-	-	(2,064)	(41)
Other costs [ii]	(134)	(4)	(47)	(3)	(180)	(4)
Cash cost : by-product	**32,171**	**1,010**	**7,651**	**424**	**39,822**	**798**
General and administrative	626	20	208	12	834	17
Rehabilitation - accretion and amortization	783	25	415	23	1,198	24
Sustaining capital expenditures	3,575	112	0	0	3,576	72
Sustaining exploration and evaluation expense	663	21	55	3	719	14
All in sustaining cost : by-product	**37,819**	**1,187**	**8,329**	**461**	**46,148**	**924**
Total gold ounces produced		**28,789**		**17,767**		**46,556**
Total gold ounces sold		**31,853**		**18,064**		**49,916**

(i) Results may not add due to rounding

(ii) General and administrative expenses that align with all in sustaining costs

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

	For the six months ended June 30, 2017					
in thousands of U.S. dollars, except per ounce information in dollars (i)	Mercedes		South Arturo		Total	
By-Product	000$	Per gold ounce sold	000$	Per gold ounce sold	000$	Per gold ounce sold
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)	-	-	(2,909)	(31)
Other costs (ii)	-	-	(155)	(3)	(155)	(2)
Cash cost : by-product	**25,098**	**580**	**13,997**	**272**	**39,096**	**412**
General and administrative	-	-	182	4	182	2
Rehabilitation - accretion and amortization	905	21	2,309	45	3,214	34
Sustaining capital expenditures	4,661	108	93	2	4,755	50
All in sustaining cost : by-product	**30,665**	**709**	**16,582**	**322**	**47,247**	**498**
Total gold ounces produced		**44,057**		**44,539**		**88,596**
Total gold ounces sold		**43,273**		**51,534**		**94,806**

(i) Results may not add due to rounding

(ii) Corporate general and administrative expenses that align with all in sustaining costs

RISKS AND RISK MANAGEMENT

Financial Instruments and Related Risks

The Company'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, 2018 and December 31, 2017, 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 Company, please refer to the Company's audited annual consolidated financial statements, notes and information for the year ended December 31, 2017.

Management of Capital Risk

The Company manages its share capital, equity settled employee benefits reserve, warrant reserve and contributed capital as capital. 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, utilize existing credit facilities or acquire new debt.

In order to maximize ongoing exploration and development 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.

Risks and Uncertainties

Fluctuating Commodity Prices

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

Dependence on Key Personnel

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

Dependence on Third Parties

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

No Assurance of Title

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

Construction and Start-up of New Mines

The success of construction projects and the start up of new mines by the Company 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 Company 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 Company will be successful, that the Company 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 Company 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 Company. Any of the foregoing factors could adversely impact the operations and financial condition of the Company.

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 Company'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 portion of Premier's current and proposed expenditures are made in Canadian dollars and Mexican Pesos.

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 Canadian dollars or Mexican Pesos. 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 Company 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 Company’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 Company’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 Company’s control.

If there is a significant and sustained increase in the cost of certain commodities, the Company may decide that it is not economically feasible to continue all of the Company’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 Company’s ability to acquire them and lead to delays in delivery and unanticipated cost increases, which could have an effect on the Company’s operating costs, capital expenditures and production schedules.

Further, the Company 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 Company’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 Company. 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 Company.

Uncertainty of Production Estimates

Future estimates of gold production for the Company'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 Company'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 Company's projected cash flow and its ability to use the cash to fund capital expenditures.

Financing Risk

The ability of the Company 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 Company 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 Company.

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

In addition, failure to comply with covenants under the Company'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 Company'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 Company 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 Company's financial position and results of operations.

Although the Company 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 Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company 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 Company'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 Company 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 Company and its future operations.

Tax Matters

The Company'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 Company'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 Company's business, results of operations and financial condition.

The Company 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 Company'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 Company's business. There is no assurance that the Company's current financial condition will not be materially adversely affected in the future due to such changes.

Information Technology

The Company 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 Company. Protection against cyber security incidents and cloud security, and security of all of the Company's IT systems are critical to the operations of the Company. 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 Company.

The Company'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 Company'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 Company's business. This would have a negative effect on the Company's business and results of operations which might result in the Company 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 Company'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 Company's mineral reserves. Should reductions in mineral resources or mineral reserves occur, the Company 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 Company's ability to extract these mineral reserves, could have a material adverse effect on the Company'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 Ontario Business Company's Act ("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 Company to obtain equity or debt financing in the future and, if obtained, such financing may not be on terms favourable to the Company. If increased levels of volatility and market turmoil continue, the Company'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, 2018, 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 dividends or other payments to holders of Premier Common Shares.

MANAGEMENT’S REPORT ON INTERNAL CONTROLS

Internal Control over Financial Reporting

No changes occurred in current period of the Company’s internal controls over financial reporting (“ICFR”) that have materially affected or are reasonably likely to materially affect the Company’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.

CAUTIONARY STATEMENT ON FORWARD LOOKING STATEMENTS

Certain information set forth in this MD&A, including management's assessment of the Company'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 Company'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 Company can be found on SEDAR at www.sedar.com, or on the Company's web-site at www.premiergoldmines.com.

"Steve Filipovic"
(Signed) Steve Filipovic
Chief Financial Officer
Thunder Bay, Canada
August 7, 2018