PREMIER
GOLD MINES LIMITED

Consolidated Financial Statements

December 31, 2018

(Stated in thousands of United States Dollars)

Grant Thornton LLP
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Independent auditor's report

To the Shareholders of Premier Gold Mines Limited

Opinion

We have audited the consolidated financial statements of Premier Gold Mines Limited and its subsidiaries ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017 and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis and the Annual Report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of this auditor's report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mark Irwin.

Grant Thornton LLP

Toronto, Canada
March 6, 2019

Chartered Professional Accountants
Licensed Public Accountants

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in thousands of United States Dollars)

	Note	December 31, 2018	December 31, 2017 (As restated Note 2(f))	January 1, 2017 (As restated Note 2(f))
ASSETS				
Current assets				
Cash and cash equivalents	4	**$ 43,882**	$ 103,046	$ 89,152
Receivables	5	**23,571**	11,807	8,879
Inventory	6	**17,384**	26,373	66,437
Prepaids and deposits		**1,776**	2,026	1,452
Other assets	7	**110**	318	3,991
Total current assets		**86,723**	143,570	169,911
Non-current assets				
Restricted cash and cash equivalents	8	**5,581**	4,721	3,208
Long-term inventory	6	**2,266**	5,606	-
Long-term receivable	9	**2,933**	2,933	-
Property, plant and equipment	10	**268,983**	270,759	261,527
Total non-current assets		**279,763**	284,019	264,735
Total assets		**$ 366,486**	$ 427,589	$ 434,646
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		**$ 17,870**	$ 18,471	$ 22,893
Taxes payable		**1,122**	4,132	3,708
Current portion of deferred revenue	11	**12,977**	13,775	13,784
Current portion of long-term debt	12	**-**	19,205	2,043
Current provision for environmental rehabilitation	13	**389**	440	705
Current portion of other liabilities	14	**805**	1,721	3,097
Total current liabilities		**33,163**	57,744	46,230
Non-current liabilities				
Deferred taxes	23	**10,715**	12,916	15,712
Deferred revenue	11	**11,386**	22,512	35,750
Long-term debt	12	**-**	-	39,521
Provision for environmental rehabilitation	13	**21,007**	22,869	14,811
Other liabilities	14	**2,380**	3,061	4,393
Total non-current liabilities		**45,488**	61,358	110,187
Total liabilities		**78,651**	119,102	156,417
EQUITY				
Share capital		**538,129**	536,484	533,635
Reserves		**(18,244)**	(16,709)	(27,949)
Deficit		**(232,050)**	(211,288)	(227,457)
Total equity		**287,835**	308,487	278,229
Total liabilities and equity		**$ 366,486**	$ 427,589	$ 434,646

Commitments [Note 25]

Contingencies [Note 28]

Subsequent events [Note 29]

See accompanying notes to the consolidated financial statements

Approved by the Board of Directors and authorized for issue on March 6, 2019

"John Seaman"
Director

"Ewan Downie"
Director

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

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

	Note	Year ended December 31, 2018	2017 (restated - Note 2(f))
Revenue		**$ 113,867**	$ 200,308
Cost of sales		**(71,763)**	(85,567)
Depletion, depreciation and amortization	10	**(25,568)**	(50,730)
Mine operating income		**16,536**	64,011
Expenses			
Exploration, evaluation, and pre-development	18	**22,233**	26,251
Property maintenance		**243**	328
General and administrative	19	**9,528**	7,893
Share-based payments	15(f)	**2,571**	2,716
Re-measurement of environmental rehabilitation provision	13	**(99)**	(297)
Income / (loss) before the following		**(17,940)**	27,120
Other income	20	**2,087**	2,328
Finance expense	21	**(3,744)**	(8,885)
Income / (loss) before income taxes		**(19,597)**	20,563
Current tax expense	23	**(2,781)**	(5,166)
Deferred tax recovery	23	**1,952**	772
Income / (loss) for the year		**(20,426)**	16,169
Other comprehensive income / (loss)			
Exchange gain / (loss) on translation of foreign operations		**(3,086)**	6,684
Deferred tax recovery	23	**-**	3,436
Total comprehensive income / (loss) for the year		**$ (23,512)**	$ 26,289
Basic and diluted income / (loss) per share	16	**$ (0.10)**	$ 0.08
Weighted average number of shares outstanding			
Basic	16	**202,744,999**	202,626,958
Diluted	16	**202,744,999**	207,790,330

See accompanying notes to the consolidated financial statements

PREMIER GOLD MINES LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in thousands of United States Dollars)

	Note	Year ended December 31, 2018	2017 (restated - Note 2(f))
OPERATING ACTIVITIES			
Income / (loss) for the year		**$ (20,426)**	$ 16,169
Items not affecting cash			
Depletion, depreciation and amortization	10	**25,905**	50,955
Greenstone Gold non-cash operating expenses		**9,891**	5,294
Non-cash share-based payments		**2,271**	2,426
Re-measurement of environmental rehabilitation provision	13	**(99)**	(297)
Loss / (gain) on derivatives	20	**(637)**	1,127
Loss on investments	20	**110**	337
Gain on disposal of property, plant and equipment	20	**(321)**	(38)
Foreign exchange loss		**1,814**	501
Write-down of property, plant and equipment	20	**-**	1,584
Gain attributable to Greenstone Gold development commitment	20	**(9,891)**	(5,294)
Finance expense	21	**3,744**	8,885
Deferred tax recovery	23	**(1,952)**	(772)
Deferred revenue on metal agreements		**(13,202)**	(13,631)
Change in non-cash working capital balances related to operations	17(i)	**(7,899)**	(3,200)
Cash provided by / (used in) operating activities		**$ (10,692)**	$ 64,046
INVESTMENT ACTIVITIES			
Proceeds from the sale of investments		**178**	1,792
Purchase / settlement of derivative investments		**-**	364
Capital expenditures on property, plant and equipment	10	**(26,873)**	(21,612)
Purchase of investments		**-**	(165)
Environmental liability security placed		**(1,031)**	(1,373)
Proceeds on disposal of property, plant and equipment		**14**	-
Reclamation expenditures charged to the provision for environmental rehabilitation	13	**(264)**	(232)
Cash used in investment activities		**$ (27,976)**	$ (21,226)
FINANCING ACTIVITIES			
Interest paid	21	**(1,984)**	(4,798)
Proceeds from the exercise of stock options		**1,285**	1,779
Repayment of long-term debt		**(20,050)**	(27,050)
Cash provided by / (used in) financing activities		**$ (20,749)**	$ (30,069)
Change in cash and cash equivalents during the year		**(59,417)**	12,751
Cash and cash equivalents, beginning of the year		**103,046**	89,152
Effect of exchange rate changes on cash held		**253**	1,143
Cash and cash equivalents, end of year		**$ 43,882**	$ 103,046

Supplemental cash flow information [Note 17]

See accompanying notes to the consolidated financial statements

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

		Share Capital		Reserves				
Issued and outstanding	**Note**	**Number of shares**	**Share capital**	**Equity settled employee benefits**	**Contributed surplus**	**Foreign currency translation**	**Deficit**	**Total equity**
Balance as at January 1, 2017 (as restated - Note 2(c))		201,473,187	$ 533,635	$ 31,499	$ 8,267	$ (67,716)	$ (227,457)	$ 278,228
Exercise of stock options	17(ii)	892,900	2,849	(1,070)	-	-	-	1,779
Equity settled share-based payments		-	-	2,191	-	-	-	2,191
Comprehensive income for the year		-	-	-	-	10,120	16,169	26,289
Balance as at December 31, 2017(as restated - Note 2(c))		202,366,087	536,484	32,620	8,267	(57,596)	(211,288)	308,487
Impact of adopting IFRS 15 on January 1, 2018	3(a)	-	-	-	-	-	(336)	(336)
Balance as at January 1, 2018 (as restated - Note 2(c))	2(f)	202,366,087	536,484	32,620	8,267	(57,596)	(211,624)	308,151
Exercise of stock options	17(ii)	824,800	2,028	(801)	-	-	-	1,227
Shares issued for termination of option agreement		23,149	58	-	-	-	-	58
Equity settled share-based payments		-	-	2,352	-	-	-	2,352
Warrants reclassified to liability on change of functional currency		-	(441)	-	-	-	-	(441)
Comprehensive loss for the year		-	-	-	-	(3,086)	(20,426)	(23,512)
Balance as at December 31, 2018		**203,214,036**	**$ 538,129**	**$ 34,171**	**$ 8,267**	**$ (60,682)**	**$ (232,050)**	**$ 287,835**

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. NATURE OF BUSINESS

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Accounting policies are consistently applied to all periods presented, unless otherwise stated. Certain items within the statement of income have been reclassified in the current year. The prior periods have been restated to reflect the change in presentation.

The consolidated financial statements of the Company for the year ended December 31, 2018 were approved and authorized for issue by the Board of Directors on March 6, 2019.

(b) Basis of presentation

The consolidated annual financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. Measurement bases are more fully described in the accounting policies below.

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

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

(c) Basis of consolidation

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

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

(i) In accordance with the acquisition agreement for the purchase of the Mercedes mine in 2016, the Company was required to change the name of the acquired companies. As a result, Minera Meridian Minerales S. de R.L. de C.V was changed to Minera Mercedes Minerales S. de R.L. de C.V, Meridian Gold Holdings Mexico S. de R.L. de C.V was changed to Mercedes Gold Holdings Mexico S. de R.L. de C.V, and Minera Meridian Mexico S. de R.L. de C.V was changed to Premier Mining Mexico S. de R.L. de C.V.

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

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the period are recognized from the effective date of acquisition, or up to the effective date of disposal, as applicable.

(d) Joint and co-ownership arrangements

A joint arrangement is defined as one over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. There are two types of joint arrangements, joint operations ("JO") and joint ventures ("JV").

A JO is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. In relation to our interests in joint operations, we recognize our share of any assets, liabilities, revenues and expenses of the JO.

A JV is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. These types of investments in JVs are accounted for using the equity method.

The Company also participates in co-ownership agreements with other parties which are labeled joint venture agreements. These agreements do not constitute joint arrangements for purposes of applying IFRS 11 in that the percentage ownership in the jointly held property is such that control resides with the majority ownership interest. In that case, the Company records their share of the assets, liabilities, income and the expenses related to the venture.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Amounts reported in the financial statements for joint operations have been adjusted where necessary to ensure consistency with the accounting policies of the Company.

Outlined below is information related to our joint arrangements and entities other than 100% owned subsidiaries of the Company at December 31, 2018:

Property	Entity type	Economic interest (i)	Method (ii)
Rahill-Bonanza, Ontario	Co-ownership	44%	Our share
Greenstone Gold, Ontario (iii)	Joint operation	50%	Our share
South Arturo, Nevada	Co-ownership	40%	Our share

(i) Our joint arrangements are funded by contributions made by the partners in proportion to their economic interest other than for Greenstone Gold as discussed in Note 10.
(ii) We recognize our share of any assets, liabilities, revenues and expenses of the JO.
(iii) The Company has joint control given that decisions about relevant activities require unanimous consent of the parties to the joint operation.

(e) Business combinations

The consideration transferred by the Company to obtain control of a subsidiary is calculated as the sum of the acquisition date fair values of assets transferred, liabilities incurred and the equity interests issued by the Company, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Company recognizes identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) acquisition date fair value of any existing equity interest in the acquiree, over the acquisition date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized as profit immediately.

(f) Change in functional and presentation currency

Functional currency

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

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

As the Company’s Canadian subsidiaries have not commenced mining operations, primarily operate in CAD and are financed in CAD, management has determined that their functional currency remains CAD. The Company’s USA and Mexico mining, 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 ("MXN") remain in pesos.

The Company has accounted for the change in functional currency prospectively, as provided for under IAS 21 with no impact of this change on prior period 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 years prior to January 1, 2018, the statements of financial position for each year 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.

(g) Financial instruments

Financial instruments are measured on initial recognition at fair value, plus, in the case of financial instruments other than those classified as fair value through profit or loss ("FVPL"), directly attributable transaction costs. Financial instruments are recognized when the Company become party to the contracts that give rise to them and are classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income, as appropriate. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at fair value through profit or loss and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets not designated upon initial recognition as amortized cost or fair value through other comprehensive income ("FVOCI"). A financial asset is classified in this category principally for the purpose of selling in the short term, or if so designated by management. Transaction costs are expensed as incurred. On initial recognition, a financial asset that otherwise meets the requirements to be measured at amortized cost or FVOCI may be irrevocably designated as FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Financial assets measured at FVPL are measured at fair value with changes in fair value recognized in the consolidated statements of operations. Warrant investments are classified as FVPL.

Financial assets at FVOCI

On initial recognition of an equity investment that is not held for trading, an irrevocable election is available to measure the investment at fair value upon initial recognition plus directly attributable transaction costs and at each period end, changes in fair value are recognized in other comprehensive income ("OCI") with no reclassification to the consolidated statements of earnings. The election is available on an investment-by-investment basis. Investments in equity securities, where the Company cannot exert significant influence, are designated as financial assets at FVOCI.

Financial assets at amortized cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and is not designated as FVPL. Financial assets classified as amortized cost are measured subsequent to initial recognition at amortized cost using the effective interest method. Cash, restricted cash, trade receivables and certain other assets are classified as and measured at amortized cost.

Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in net earnings when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date. Accounts payable and accrued liabilities and finance leases are classified as and measured at amortized cost.

Derivative instruments

Derivative instruments, including embedded derivatives, are measured at fair value on initial recognition and at each subsequent reporting period. Any gains or losses arising from changes in fair value on derivatives are recorded in net earnings.

Fair values

The fair value of quoted investments is determined by reference to market prices at the close of business on the statement of financial position date. Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis; and, pricing models.

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy based on the degree to which the fair value is observable as follows:

Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Impairment of financial assets

A loss allowance for expected credit losses in recognized in OCI for financial assets measured at amortized cost. At each balance sheet date, on a forward-looking basis, the Company assesses the expected credit losses associated with its financial assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The impairment model does not apply to investment in equity instruments.

The expected credit losses are required to be measured through a loss allowance at an amount equal to the 12- month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) or full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument). A loss allowance for full lifetime expected credit losses is required for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition.

Derecognition of financial assets and liabilities

A financial asset is derecognised when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party. If neither the rights to receive cash flows from the asset have expired nor the Company has transferred its rights to receive cash flows from the asset, the Company will assess whether it has relinquished control of the asset or not. If the Company does not control the asset then derecognition is appropriate.

A financial liability is derecognised when the associated obligation is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in net earnings.

(h) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Inventory

Material extracted from our mines is classified as either ore or waste. Ore represents material that, at the time of extraction, is expected to be processed into a saleable form and sold at a profit. Raw materials are comprised of both ore in stockpiles and ore on leach pads as processing is required to extract benefit from the ore. Ore is accumulated in stockpiles that are subsequently processed into gold and silver in a saleable form. The recovery of gold from certain oxide ores is achieved through the heap leaching process. Work-in-process represents gold and silver in the processing circuit that has not completed the production process, and is not yet in a saleable form. Finished goods inventory represents gold and silver in saleable form. Mine operating supplies represent commodity consumables and other raw materials used in the production process, as well as spare parts and other maintenance supplies that are not classified as capital items.

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes all costs incurred, based on a normal production capacity, in bringing each product to its present location and condition. Cost of inventories comprises direct labor, materials and contractor expenses, including non-capitalized stripping costs; depreciation on property, plant and equipment including capitalized stripping costs; and an allocation of general and administrative costs. As ore is removed for processing, costs are removed based on the average cost per ounce/pound in the stockpile.

Provisions to reduce inventory to net realizable value are recorded to reflect changes in economic factors that impact inventory value and to reflect present intentions for the use of slow moving and obsolete supplies inventory. Net realizable value is determined with reference to relevant market prices less applicable variable selling expenses. Provisions recorded also reflect an estimate of the remaining costs of completion to bring the inventory into its saleable form. Provisions are also recorded to reduce mine operating supplies to net realizable value, which is generally calculated by reference to its salvage or scrap value, when it is determined that the supplies are obsolete. Provisions are reversed to reflect subsequent recoveries in net realizable value where the inventory is still on hand.

(j) Property, plant and equipment

General

Property, plant and equipment are recorded at cost less accumulated depreciation, depletion and impairment charges.

Major overhaul expenditures and the cost of replacement of a component of plant and mobile equipment are capitalized and depreciated over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of mobile equipment are charged to the cost of production.

Directly attributable costs, including capitalized borrowing costs, incurred for major capital projects and site preparation are capitalized until the asset is in a location and condition necessary for operation as intended by management. These costs include dismantling and site restoration costs to the extent these are recognized as a provision. Management annually reviews the estimated useful lives, residual values and depreciation methods of the Company's property, plant and equipment and also when events and circumstances indicate that such a review should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such review are accounted for prospectively.

An item of property, plant and equipment is de-recognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between any proceeds received and the carrying amount of the asset) is included in the statements of income / (loss) and comprehensive income / (loss) in the period the asset is de-recognized.

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Exploration, evaluation and predevelopment expenditure

The exploration, evaluation and predevelopment expenditure policy is to charge exploration and evaluation expenditures within an area of interest as expense until management conclude that the technical feasibility and commercial viability of extracting a mineral resource are demonstrable and that future economic benefits are probable. In making this determination, the extent of exploration, as well as the degree of confidence in the mineral resource is considered. Once a project has been established as commercially viable and technically feasible and has been subject to an impairment analysis, further expenditures are capitalized and classified as development properties.

Exploration, evaluation and predevelopment expenditure consist of:

- gathering exploration data through topographical and geotechnical studies;
- exploratory drilling, trenching and sampling;
- determining the volume and grade of the resource;
- test work on geology, metallurgy, mining, geotechnical and environmental; and
- conducting engineering, marketing and financial studies.

Exploration and evaluation assets acquired are initially recognized at fair value as exploration rights within tangible assets.

Development properties (underground and open pit)

A property, either open pit or underground, is classified as a development property when a mine plan has been prepared and technical feasibility has been established, a permit has been obtained and a decision is made to commercially develop the property. Development expenditure is accumulated separately for each area of interest for which economically recoverable mineral reserves and resources have been identified.

All expenditures incurred prior to the commencement of commercial levels of production from each development property are capitalized. In addition, capitalized costs are assessed for impairment when there is an indicator of impairment.

Development properties are not amortized until they are reclassified as mine property assets following the achievement of commercial levels of production.

Mine properties

After a mine property has been brought into commercial production, costs of any additional mining, in-pit drilling and related work on that property are expensed as incurred. Mine development costs incurred to expand operating capacity, develop new ore bodies or develop mine areas in advance of current production, including the stripping of waste material, are deferred and then amortized on a unit-of-production basis.

Deferred stripping costs

Stripping costs incurred in the production phase of a mining operation are accounted for as variable production costs and are included in the costs of inventory produced. Stripping activity that improves access to ore in a future period is accounted for as an addition to or enhancement of an existing asset. The Company recognizes stripping activity assets when it is probable that the future economic benefit associated with the stripping activity will flow to the Company; the component of the ore body for which access has been improved can be identified; and the costs relating to the stripping activity associated with that component can be measured reliably.

Stripping activity assets are amortized on a unit of production basis in subsequent periods over the proven and probable reserves to which they relate.

Depreciation and depletion

The carrying amounts of mine properties, plant and equipment are depreciated or depleted to their estimated residual value over the estimated economic life of the specific assets to which they relate, using the depreciation methods or depletion rates as indicated below. Estimates of residual values or useful lives and depreciation methods are reassessed annually and any change in estimate is taken into account in the determination of the remaining depreciation or depletion rate. Depreciation or depletion commences on the date the asset is available for its use as intended by management.

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Depreciation or depletion is computed using the following rates:

Item	Methods	Rates
Mine properties	Units of production	Estimated proven and probable mineral reserves
Equipment, facilities under finance leases, leasehold improvements	Straight line	Lesser of lease term and estimated useful life
Furniture, office equipment and software	Straight line	2 – 5 years
Plant and equipment	Straight line, units of production	4 – 10 years, estimated proven and probable mineral reserves
Mining equipment	Straight line	1 – 10 years based on life of mine
Deferred stripping costs	Units of production	Estimated proven and probable mineral reserves accessible due to stripping activity

(k) Deferred revenue

The Company recognizes deferred revenue in the event it receives payments from customers in consideration for future commitments to deliver metals and before such sale meets the criteria for revenue recognition. The Company recognizes amounts in revenue as the metals are delivered to the customer.

Specifically, for the metal agreements entered into with OMF Fund II SO LTD. ("Orion"), the Company determines the amortization of deferred revenue to the consolidated statement of income (loss) on a per unit basis using the estimated total quantity of metal expected to be delivered to Orion over the term of the contract. The Company estimates the current portion of deferred revenue based on quantities anticipated to be delivered over the next twelve months.

(l) Provisions

Provisions are recognized when the Company or its subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. Contingent liabilities are not recognized in the financial statements, if not estimable and probable, and are disclosed in notes to the financial information unless their occurrence is remote. Contingent assets are not recognized in the financial statements, but are disclosed in the notes if their recovery is deemed probable.

<u>Environmental rehabilitation</u>

Provisions for environmental rehabilitation are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include the dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pretax rate, and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalized and is depreciated over future production from the mining property to which it relates. The provision is reviewed each reporting period for changes in cost estimates, discount rates and operating lives. Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the carrying value, that portion of the increase is charged directly to expenses. For closed sites, changes to estimated costs are recognized immediately in profit and loss.

(m) 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(f), 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 as a liability at fair value with changes in fair value recognized in profit or loss with the initial recognition of warrants existing at January 1, 2018 recorded as an adjustment to share capital.

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

(n) Share-based compensation

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is determined at the grant date.

All share-based remuneration is ultimately recognized as an expense in profit or loss with a corresponding credit to 'reserves'.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if share options ultimately exercised are fewer than that estimated on vesting.

The Company has three share-based compensation plans: The Share option plan, Deferred share unit plan and Restricted share unit plan, as noted below, and as further discussed in Note 15 of these consolidated financial statements.

Share Option Plan

Stock options are equity-settled share-based compensation awards. The fair value of stock options at the grant date is estimated using the Black-Scholes option pricing model. Compensation expense is recognized over the stock option vesting period based on the number of units estimated to vest. Vesting periods range from immediate to five years. This expense is recognized as share-based compensation expense with a corresponding increase in contributed surplus. When options are exercised, the proceeds received by the Company, together with the amount in contributed surplus, are credited to common shares.

Deferred Share Unit Plan

Deferred share units ("DSU") granted to eligible members of the Board of Directors are settled in cash or shares at the discretion of the Company. The DSUs are subject on grant to terms and conditions set out in a Deferred Share Unit Grant letter that will determine the vesting conditions. DSUs are paid in full in the form of a lump sum payment no later than December 31 of the calendar year immediately following the calendar year of termination of service. The Company may issue shares in lieu of a cash payment.

Restricted Share Unit Plan

Restricted share units ("RSU") are granted to eligible members of the Board of Directors, eligible employees and eligible contractors. The RSUs are settled in cash or equity at the option of the Company. The RSUs vest subject to a RSU award letter but no later than December 31, of the third calendar year following the service year determined based on date of grant. The RSUs granted are accounted for under the equity method where the RSU grant letter specifies settlement in shares.

(o) Impairment of non-financial assets

At each financial position reporting date the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs of disposal and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(p) Revenue

Revenue from the sale of precious metals, gold and silver, is recognized at the fair value of the consideration received:

- When all significant risks and rewards of ownership pass to the purchaser including delivery of the product;
- There is a fixed or determinable selling price and collectability is reasonably assured; and
- The costs incurred or to be incurred in respect of the sale can be reliably measured.

Gold and silver revenue is recorded at the time of physical delivery and transfer of title. Sale prices are either fixed at the delivery date based on the terms of the contract or at spot prices or are determined based on existing offtake agreements and adjusted to fair value through the related derivative liability.

The above revenue recognition policy was applied to all revenue transactions completed in 2017. On January 1, 2018, the Company adopted IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"). All revenue transactions completed in 2018 have been accounted for in accordance with IFRS 15 and as further discussed in Note 3(a) of these consolidated financial statements.

(q) Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit or other current tax activities, which differs from profit or loss in the financial statements. Calculation of current tax expense is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and co-ownership is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. To the extent that the Company does not consider it probable that a future tax asset will be recovered, it is not recognized in the financial statements.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to offset current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of taxable income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(r) Income / (loss) per share

The Company presents basic income / (loss) per share data for its common shares, calculated by dividing the income / (loss) attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income per share is determined using the treasury stock method and the weighted average number of common shares outstanding for the effects of all dilutive stock options.

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(s) Segment reporting

An operating segment is a component of an entity (i) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (ii) whose operating results are regularly reviewed by the entity's management, and (iii) for which discrete financial information is available. The Company has identified its reportable segments on the basis of their geographic location. As a result the Company discloses information geographically based on the location of each of its operations.

(t) Interest

Interest income and expenses are reported on an accrual basis using the effective interest method.

(u) Operating expenses

Operating expenses are recognized in profit or loss upon utilization of the service or at the date of their origin.

(v) Flow-through shares

Under Canadian income tax legislation, a company is permitted to issue flow-through shares whereby the company agrees to incur qualifying expenditures and renounce the related income tax deductions to the investors. The Company allocates the proceeds from the issuance of these shares between the offering of shares and the sale of tax benefits. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the shares. A deferred flow-through premium liability is recognized for the difference. The liability is reversed when the expenditures are made and is recorded in deferred tax expense. The spending also gives rise to a deferred tax timing difference between the carrying value and tax value of the qualifying expenditure.

(w) Significant accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make judgments, 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 judgments and estimates used in the preparation of these 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 judgments 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 cost 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.

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

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*, issued by the Canadian Securities Administrators. This National Instrument lays out the standards of disclosure for mineral projects including rules relating to the determination of mineral reserves and mineral resources. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the 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.

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 amount currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and / or regulatory requirements in the future.

Valuation of financial instruments

The fair value of derivative financial liabilities that are not traded in an active market 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 and are recorded within share capital. Where the warrants are issued in non-brokered private placements, the warrants are equity instruments and not financial liabilities. Where the warrants are issued in conjunction with a business combination, the warrants are fair valued as one of the instruments included in the consideration. As such, in determining fair value, management judgement is required in respect to input variables of the financial model used for estimation purposes. These variables include such inputs as the Company's stock price, stock price variability, trading volumes and risk-free rates of return.

Deferred revenue

The Company entered into a gold prepay and silver stream agreement with Orion in 2016 in conjunction with the acquisition of the Mercedes mine and as further discussed in Note 11 of these consolidated financial statements.

The upfront payment for the gold prepay facility with Orion has been accounted for as deferred revenue as management has determined that the agreement is not a derivative as it will be satisfied through the delivery of non-financial items (i.e. gold commodity from the Company's production), rather than cash or financial assets.

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The upfront payment for the silver stream arrangement has also been accounted for as deferred revenue, as management has determined that the agreement is not a derivative as it will be satisfied through the delivery of non-financial items (i.e. silver commodity from the Company's production), rather than cash or financial assets.

As a result of the application of IFRS 15, management has determined that the deferred revenue component of the streaming agreement is considered to be variable and is subject to a cumulative current adjustment when there is a change in the underlying production profile of the mine and as further discussed in Note 3(a) of these consolidated financial statements.

Commercial Production

The determination of the date on which a mine enters the commercial production stage is a significant judgement since capitalization of certain costs ceases and the recording of revenues and expenses commences upon entering commercial production. As a mine is constructed, certain costs are capitalized and proceeds from sales are offset against the capitalized costs. This continues until the mine is available for use in the manner intended by management, which requires significant judgement.

Functional currency of foreign subsidiaries

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:

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

3. ADOPTION OF NEW ACCOUNTING STANDARDS

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

IFRS 9 – *Financial Instruments*

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

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

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

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

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

Application of IFRS 9 to 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 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 did not result in an adjustment to the consolidated financial statements except as discussed in the gold prepay and silver stream arrangements below.

Gold prepay and silver stream

The Company entered into a gold prepay and silver stream agreement with Orion in 2016 in conjunction with the acquisition of the Mercedes mine. 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 11 of these consolidated financial statements. The gold prepay agreement has an interest component, the silver stream does not.

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

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

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

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

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

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

IFRS 16 – *Leases*

In January 2016, the IASB issued IFRS 16 – Leases which replaces the existing lease accounting guidance in IAS 17. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exemptions 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 has planned to apply IFRS 16 at the date it becomes effective and will adopt it using the modified retrospective approach, resulting in no restatement of prior year comparatives and the cumulative impact of applying IFRS 16 will be recognized at January 1, 2019. The Company has completed the assessment of it's equipment and building rentals, land leases and service agreements and therefore will recognize additional right of use assets and lease liabilities as well as a decrease in lease expense and a corresponding increase in both depreciation expense and finance charges.
Upon adoption, the Company has elected to apply the available exemptions as permitted by IFRS 16 to recognize a lease expense on a straight line basis for short-term leases (lease term of 12 months or less) and low value assets ($5,000 or less). There was close attention paid to all of the Company's development, mining and drilling contracts to ensure that they did not contain embedded leases for property, plant and equipment. None of those contracts resulted in right of use of an asset. The quantitative impact of adopting IFRS 16 will be provided in the Company's first 2019 quarterly report.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

IFRIC 23 – *Uncertainty over Income Tax Treatments*

On June 7, 2017, the IASB issued IFRIC Interpretation 23 – *Uncertainty over Income Tax Treatments*. The Interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation is applicable for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The Company intends to adopt the Interpretation in its financial statements for the annual period beginning on January 1, 2019. The Company has completed its analysis of the impact of the adoption of IFRIC 23 on the Company's consolidated financial statements and has determined there will be no material impact.

(c) Significant accounting judgments and estimates

Application of variable consideration constraint in silver stream agreement

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

4. CASH AND CASH EQUIVALENTS

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

	December 31, 2018	December 31, 2017
Cash	**$ 41,677**	$ 101,149
Short-term money market investments	**2,205**	1,897
	$ 43,882	$ 103,046

5. RECEIVABLES

	December 31, 2018	December 31, 2017
Recoverable taxes (i)	**$ 18,353**	$ 7,370
Taxes receivable (ii)	**3,876**	3,876
Trade receivables (iii)	**263**	503
Other receivable	**1,079**	58
	$ 23,571	$ 11,807

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

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

(iii) Trade receivables are outstanding gold and silver invoices under contracts with Orion.

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

6. INVENTORY

	December 31, 2018	December 31, 2017
Finished goods	**$ 2,061**	$ 8,168
Work-in-process	**174**	188
Current ore stockpiles	**266**	3,831
Materials and supplies	**14,883**	14,186
Total current inventory	**17,384**	26,373
Long-term ore stockpiles	**2,266**	5,606
Total inventory	**$ 19,650**	$ 31,979

The amount of inventory recognized as an expense for the year ended December 31, 2018 was $80.02 million ($85.57 million for the year ended December 31, 2017), of which $71.76 million is included in cost of sales excluding depletion, depreciation and amortization and $8.26 million is included in other income as a write-down of finished goods inventory. The write-down is a result of the Republic Metals Corporation (“RMC”) bankruptcy further discussed in Note 20 and 28 of these consolidated financial statements. Long-term inventory is comprised of low grade ore not expected to be processed in the next year.

7. OTHER ASSETS

The Company's investments consist of common shares and warrants held in Canadian publicly traded companies. Fair values of shares are determined at the closing price on December 31, 2018 unless the shares have a hold year in which case the initial fair market value difference from the cost is deferred until the hold year has expired. In the event of a hold period, the value of the shares are determined using the Black-Scholes option pricing model taking the restriction into account. Warrants are also valued using the Black Scholes option pricing model taking any restriction into account and are revalued at each reporting period until exercise or expiry.

8. RESTRICTED CASH AND CASH EQUIVALENTS

Property	December 31, 2018	December 31, 2017
Hardrock, Ontario (i)	**$ 232**	$ 253
Northern Empire Mill, Ontario (ii)	**1,641**	1,779
McCoy-Cove, Nevada (iii)	**600**	600
Hasaga, Ontario (iv)	**82**	89
South Arturo, Nevada (v)	**3,026**	2,000
	$ 5,581	$ 4,721

(i) The Company has a C$0.63 million ($0.46 million) standby letter of credit outstanding in favour of the Ontario Ministry of Northern Development and Mines ("MNDM") relating to potential reclamation obligations of the Greenstone Gold property in Ontario. Security for the standby letter of credit, in the form of a guaranteed investment certificate, is held with the Royal Bank of Canada. As a result of the 50% divestment of the interest in the Greenstone Gold properties only C$0.32 million ($0.23 million) is recorded on the books of the Company. Upon discharge of all reclamation related obligations 100% of the funds held as security will be returned to the Company.

(ii) The Company has a total of C$2.23 million ($1.64 million) in restricted cash and cash equivalents relating to reclamation obligations associated with the Northern Empire Mill in Ontario including:

- a C$0.15 million ($0.11 million) standby letter of credit with the Toronto Dominion Bank in the name of the Company's wholly owned subsidiary, Goldstone Resources Inc., and payable in favour of the MNDM;
- a C$1.68 million ($1.23 million) standby letter of credit with the Royal Bank of Canada and payable in favour of the MNDM; and
- C$0.40 million ($0.30 million) in financial assurance held directly by the MNDM.

(iii) The Company's wholly owned subsidiary, Au-reka Gold Corporation, has a total of $0.60 million in restricted cash related to reclamation obligations associated with the McCoy-Cove property in Nevada including $0.25 and $0.35 million held in trust with Lexon Surety Group as security for the surety bonds described in Note 25(c).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(iv) The Company has a C$0.11 million ($0.08 million) standby letter of credit outstanding in favour of the MNDM relating to reclamation obligations for a workshop located on the Hasaga property in Ontario. Security for the standby letter of credit, in the form of a guaranteed investment certificate, is held with the Royal Bank of Canada.

(v) The Company has $3.03 million in restricted cash relating to the reclamation of the Company's 40% ownership of the South Arturo project.

9. LONG-TERM RECEIVABLE

The Company has $2.93 million in AMT credits which are expected to be realized over the next four years. The receivable includes a recovery of $0.28 million of AMT paid for 2016 and $2.65 million incurred in 2017. The recovery is due to the enactment of U.S. Tax Reform legislation on December 22, 2017.

10. PROPERTY, PLANT AND EQUIPMENT

Cost	Mineral properties subject to depletion (i)	Mineral properties not subject to depletion (ii)	Buildings, plant and equipment	Total
Balance, January 1, 2017	$ 151,650	$ 112,353	$ 96,405	$ 360,408
Additions	13,957	22	7,633	21,612
Disposals	-	-	(175)	(175)
Change in estimate of environmental rehabilitation	5,016	899	-	5,915
Write-down of property, plant and equipment	-	(1,475)	-	(1,475)
Foreign currency adjustment	-	4,579	280	4,859
Balance, December 31, 2017	170,623	116,378	104,143	391,144
Additions	15,380	281	11,212	26,873
Disposals (iv)	-	(1,309)	(252)	(1,561)
Change in estimate of environmental rehabilitation	(4,251)	1,927	-	(2,324)
Foreign currency adjustment	-	(5,320)	(461)	(5,781)
Balance, December 31, 2018	**$ 181,752**	**$ 111,957**	**$ 114,642**	**$ 408,351**
Accumulated depreciation and impairment				
Balance, January 1, 2017	$ 88,593	$ 2,787	$ 7,501	$ 98,881
Depletion, depreciation and amortization	12,011	-	9,139	21,150
Disposals	-	-	(62)	(62)
Foreign currency adjustment	-	155	261	416
Balance, December 31, 2017	100,604	2,942	16,839	120,385
Depletion, depreciation and amortization (iii)	11,398	-	9,547	20,945
Disposals (iv)	-	(1,309)	(198)	(1,507)
Foreign currency adjustment	-	(123)	(333)	(456)
Balance, December 31, 2018	**$ 112,002**	**$ 1,510**	**$ 25,855**	**$ 139,367**
Carrying amounts				
Balance, December 31, 2017	$ 70,019	$ 113,436	$ 87,304	$ 270,759
Balance, December 31, 2018	**$ 69,750**	**$ 110,447**	**$ 88,787**	**$ 268,983**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(i) Mineral properties subject to depletion

Property	December 31, 2017	Additions	Change in estimate of environmental provision	Depletion	December 31, 2018
South Arturo, Nevada	$ 1,764	$ 3,408	$ (969)	$ (393)	**$ 3,810**
Mercedes, Mexico	68,255	11,972	(3,282)	(11,005)	**65,940**
	$ 70,019	$ 15,380	$ (4,251)	$ (11,398)	**$ 69,750**

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

(ii) Mineral properties not subject to depletion

Property	December 31, 2017	Additions	Change in estimate of environmental provision	Write-downs and disposals	Currency Adjustment	December 31, 2018
Rahill-Bonanza, Ontario	$ 14,306	$ 17	$ -	$ -	$ (1,151)	**$ 13,172**
Hasaga, Ontario	10,604	(42)	(8)	-	(850)	**9,704**
Greenstone Gold, Ontario	39,743	-	-	-	(3,196)	**36,547**
McCoy-Cove, Nevada	48,756	201	1,935	-	-	**50,892**
Rye, Nevada	27	55	-	-	-	**82**
Rodeo Creek, Nevada	-	50	-	-	-	**50**
	$ 113,436	$ 281	$ 1,927	$ -	$ (5,197)	**$ 110,447**

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

(iii) Depreciation, depletion and amortization on property, plant and equipment during the years ended December 31, 2018 and 2017 include amounts allocated to:

	Year ended December 31, 2018	2017
Depreciation, depletion and amortization	**$ 25,568**	50,730
Recorded in exploration, evaluation and pre-development	**103**	79
Recorded in general and administrative	**230**	142
Recorded in property maintenance	**4**	4
	25,905	50,955
Inventory movement	**(4,960)**	(29,805)
Total depletion, depreciation and amortization	**$ 20,945**	$ 21,150

(iv) During the year ended December 31, 2018, the Company sold the non-core, fully impaired, exploration properties of Faymar Deloro (including a reduction of the total provision for environmental rehabilitation of $0.37 million (Note 13)), and Rain Gold for a gain of $0.34 million and $0.02 million respectively.

(a) Impairment

The Company regularly reviews the carrying amount of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. Mineral property interests are tested for impairment when facts and circumstances suggest that the carrying amount of the mineral property interests exceed their recoverable amount. In the absence of other factors, a mineral property that has not been actively explored within the past three years and for which no future exploration plans exist will be considered to be impaired. There were no impairments recorded for the years ended December 31, 2018 and 2017.

(b) Acquisitions and option agreements

Option Agreement for Rodeo Creek property

On November 12, 2018, the Company and its wholly owned subsidiary Au-reka Gold Corporation signed an option agreement to earn a 100% interest in Nevada Select Royalty Inc's ("Nevada Select"), Rodeo Creek Property ("Rodeo Creek") in Elko County, Nevada subject to total cash payments of $0.50 million paid over five years, plus all mining claim maintenance and rental fees payable over the term of the option. Nevada Select will retain a 2% NSR on Rodeo Creek.

Exploration and Option to Purchase Agreement for Rye Claims

On December 20, 2017, the Company, through its wholly owned subsidiary Premier Goldbanks LLC, signed an option agreement to acquire four claims of 83 acres in Pershing County, Nevada from Kurt Schendel for an initial payment of $8 thousand plus costs of $1 thousand, an additional $5 thousand on each of the first and second anniversary dates and a final payment of $50 thousand on the third anniversary date for a total acquisition cost of $68 thousand on exercise of the option. In the event of the Company's completion of an updated mineral resource estimate demonstrating the potential on the Rye claims to be an aggregate of 75,000 ounces, an additional payment of $50 thousand in cash is also required. A production payment of $0.10 million will also be required provided the Company exercises and closes the option. Schendel will retain an NSR of 2%. The Company will have an option to purchase one-half of the NSR for $0.15 million in cash.

Exploration and Earn-In Agreement for Interest in McCoy Cove Property

On December 11, 2017, the Company, through its wholly owned subsidiary Au-reka Gold Corporation, entered into an agreement with Barrick, through several wholly owned subsidiaries, that includes the following:

- Barrick has the option to earn a 60% interest in the exploration portion of the McCoy Cove property by spending $22.50 million in exploration before June 30, 2022, $6 million of that amount to be spent by June 30, 2019 after which Barrick has the option to become the operator;
- The Company retains 100% ownership over the Cove deposit portion of the McCoy Cove property; and
- The Company has secured a one-time bulk sample processing arrangement for the planned test mining program at the 100% owned portion of the McCoy Cove property.

Rye Vein Exploration and Earn-In Agreement

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

Exploration and Option to Purchase Agreement for NSL Claims

On November 6, 2017, the Company, through it's wholly owned subsidiary Premier Goldbanks LLC, signed an option agreement to acquire 27 claims of 558 acres in Pershing County, Nevada from Nevada Sunrise LLC ("NSL") for an initial payment of $20 thousand plus $5 thousand in costs, an additional $20 thousand on each of the first and second anniversary dates and a final payment of $0.20 million on the third anniversary date for a total acquisition cost of $0.26 million on exercise of the option. An additional payment of $0.20 million in cash or shares is also required in the event of the Company's completion of an updated mineral resource estimate demonstrating the potential on the NSL claims to be an aggregate of 500,000 ounces. NSL will retain an NSR of 2%. The Company will have the option to purchase one-half of the NSR for $0.20 million in cash or shares.

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

Goldbanks Exploration and Earn-In Agreement

On July 26, 2017, the Company and its wholly owned subsidiary Premier Goldbanks LLC signed an agreement with Kinross Gold USA, Inc. ("Kinross"), a wholly owned subsidiary of Kinross Gold Corporation, on the Goldbanks project. The Company is required to spend $20 million in exploration over five years on the Goldbanks Project to earn a 50% interest, including a firm commitment of $3.50 million between July 26, 2016 and December 31, 2017. A total of $3.88 million was spent as of December 31, 2017.

(c) Write-down of property, plant and equipment

For the year ended December 31, 2017, upon purchase of the building that was previously rented in Thunder Bay, a write-down of leasehold improvements with a net book value of $0.15 million was also included in write-down of property, plant and equipment.

(d) Summary of mineral property Net Smelter Return ("NSR") royalties (at December 31, 2018)

Active properties	NSR
Rahill Bonanza, Ontario	2% NSR Marathon Canada Ltd.
	3% NSR William, Michael and the estate of Steve Kostynuk
	3% NSR Dave Meunier
	0.5% NSR Cypress/Skyharbour
	2% underlying NSR owed to a third party
Hasaga, Ontario	3% NSR Lac Properties
	1% NSR Pure Gold Mining Inc.
	3% NSR Camp McMann Red Lake Gold Mine Ltd.
	0.5% NSR Sandstorm Gold Ltd.
Greenstone Gold Mines, Ontario	3% NSR Argonaut Gold Inc.
	2% NSR Algoma Steel Inc.
	1% NSR on the first 350,000 tons of production from the property payable to Griffin Mining Limited (formerly European Mining Limited)
	3% NSR Franco-Nevada Corporation
	5% NSR Algoma Steel Inc.
	1% NSR Metalore Resources
McCoy Cove, Nevada	1.5% NSR Newmont Mining Corporation
	2% NSR Kinross Gold Corporation
South Arturo, Nevada	49% Annual minimum royalty Franco-Nevada Corporation
Mercedes Mine, Mexico	1 % NSR to Yamana Gold Inc. (Mercedes Mine Cucurpe) on the earlier of the date on which 450,000 ounces of gold equivalent has been produced by the Mercedes Mine following September 30, 2016; and September 30, 2022
	2 % NSR to Yamana Gold Inc. (La Espera)
	2 % NSR to Yamana Gold Inc. (La Silla)

Inactive properties	NSR
Northern Empire, Ontario	3% NSR Shirley Lafontaine, Amede Lafontaine, Stewart Robertson, Geneva Nichols
Sand River Leitch, Ontario	12% NSR Osisko Gold Royalties
	3% NSR Franco-Nevada Corporation
	0.8925% NSR AfriCan Marine Minerals
Nortoba-Tyson, Ontario	1% NSR Wayne Gorrie
	2% NSR Cote
Ozone Creek, Ontario	3% NSR Lac Properties
Rodeo Creek, Nevada	2% NSR Nevada Select Royalty Inc
Santa Teresa, Mexico	1.53% NSR Grupo Alamo S.A. de C.V.

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

11. DEFERRED REVENUE

The Company entered into a gold prepay and silver stream agreement with Orion in 2016 in conjunction with the acquisition of the Mercedes mine.

	December 31, 2018	December 31, 2017
Gold prepay (i)	**$ 16,753**	$ 27,805
Silver stream agreement (ii)	**7,610**	8,482
Total deferred revenue	**24,363**	36,287
Less: current portion	**12,977**	13,775
Total long-term portion	**$ 11,386**	$ 22,512

(i) In exchange for a $42.19 million gold prepay, the Company will deliver to Orion 2,450 troy ounces of gold per quarter for a period of 15 consecutive quarters commencing December 31, 2016 for a total of 36,750 ounces. The gold prepay has an annual interest rate of 6.5% payable on the principal balance quarterly which has been recorded as a liability based on the present value of the future interest payments. Subject to certain exceptions, the Company has the option to satisfy four interest payments in common shares issued at the then 10 day volume weighted average closing price. As of December 31, 2018, the Company has delivered 22,050 troy ounces of gold towards the gold prepay agreement with Orion.

	December 31, 2018	December 31, 2017
Opening balance	**$ 27,805**	$ 38,764
Recognition of revenue during the year	**(11,250)**	(11,250)
Amortization of costs	**198**	291
	$ 16,753	$ 27,805

(ii) For the silver streaming agreement, in exchange for $11.50 million the Company will deliver to Orion 50% of the silver production from the Mercedes mine for the first year following closing, 60% for the subsequent year, and 70% thereafter until the delivery of 1.25 million ounces of silver, after which the delivery will be reduced to 25% of the silver production until the delivery of 2.0 million ounces, and reduced further to 12.5% thereafter. Orion will pay an ongoing cash purchase price equal to 20% of the prevailing silver price. As of December 31, 2018, the Company has delivered 398,720 ounces of silver towards the silver streaming agreement with Orion.

	December 31, 2018	December 31, 2017
Opening balance	**$ 8,482**	$ 10,770
Impact of adopting IFRS 15 on January 1, 2018 (Note 3(a))	**336**	-
Adjusted balance at January 1, 2018	**8,818**	10,770
Recognition of revenue during the year	**(3,122)**	(2,381)
Variable consideration adjustment	**1,170**	-
Interest accretion	**693**	-
Amortization of costs	**51**	93
	$ 7,610	$ 8,482

Revenue earned on streaming agreements is considered to be variable, requiring and adjustment to the transaction price per unit each time there is a change to the underying production profile expected to be delivered under the streaming agreement . For the year ended December 31, 2018, the Company recorded a $1.17 million adjustment to silver revenue due to a change in the production profile of the Mercedes mine.

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

12. LONG-TERM DEBT

	December 31, 2018	December 31, 2017
Promissory note payable (i)	**$ -**	$ 47
Credit facility (ii)	**-**	19,158
Current portion of long-term debt	**$ -**	$ 19,205

(i) Promissory note payable

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

	December 31, 2018	December 31, 2017
Opening principal balance	**$ 50**	$ 100
Less: principal repayment	**(50)**	(50)
Outstanding principal balance	**-**	50
Less: interest and debt agreement costs to be accreted	**-**	(3)
Present value of the obligation	**-**	47
Current portion of long-term debt	**$ -**	$ 47

(ii) Credit facility

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

	December 31, 2018	December 31, 2017
Opening principal balance	**$ 20,000**	$ 45,000
Less: principal repayment	**(20,000)**	(25,000)
Outstanding principal balance	**-**	20,000
Less: interest and debt agreement costs to be accreted	**-**	(842)
Present value of the obligation	**-**	19,158
Current portion of long-term debt	**$ -**	$ 19,158

(iii) Newmont payable

As a result of the 2014 acquisition of the McCoy-Cove Property, the Corporation agreed to an additional $6.0 million payable in favour of Newmont Mining Corporation. The value of the debt was accreted to the face value of the payable at the maturity date, with the discounted payable rate of 8% accretion charged to the statement of income / (loss) and comprehensive income / (loss) as a form of interest expense over the term of the debt. The final instalment of $2.0 million was paid on March 1, 2017.

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

13. PROVISION FOR ENVIRONMENTAL REHABILITATION

The Company's provision for environmental rehabilitation results from an ownership interest in a mill, mining equipment and previously mined property interests. The provision consists primarily of costs associated with mine reclamation and closure activities. These activities, which tend to be site specific, generally include costs for decommissioning the mill complex and related infrastructure, physical and chemical stability of the tailings area, post-closure site security and monitoring costs. The Company considers such factors as changes in laws and regulations, and requirements under existing permits in determining the estimated costs. Such analysis is performed on an on-going basis.

The Company estimates that the undiscounted un-inflated future value of the cash flows required to settle the provision is $1.90 million for the Hasaga and Northern Empire Mill properties in Canada, $5.16 million for the McCoy-Cove property, $10.20 million ($4.08 million at the Company's 40% share) for the South Arturo Mine project in the United States and $15.20 million for the Mercedes mine project in Mexico. In calculating the best estimate of the Company's provision, management used risk-free interest rates ranging from 2.38% to 8.80%. A reconciliation of the discounted provision is provided below:

	Northern Empire Mill	Faymar Deloro	Hasaga	McCoy-Cove	South Arturo	Mercedes Mine	Total
Balance, December 31, 2017	$ 1,566	$ 391	$ 186	$ 1,713	$ 4,805	$ 14,648	$ 23,309
New obligation	-	-	-	389	-	-	389
Change in estimate expensed	(99)	-	-	-	-	-	(99)
Change in estimate capitalized	-	-	(8)	1,545	(944)	(3,282)	(2,689)
Accretion expense	34	3	4	94	135	1,009	1,279
Reclamation expenditures	-	-	-	(241)	(23)	-	(264)
Currency adjustment	(121)	(20)	(15)	-	-	-	(156)
Disposal (Note 10 (iv))	-	(374)	-	-	-	-	(374)
Balance, December 31, 2018	**$ 1,380**	**$ -**	**$ 167**	**$ 3,500**	**$ 3,973**	**$ 12,375**	**$ 21,395**
Less current portion	146	-	-	111	132	-	389
Long-term portion	$ 1,234	$ -	$ 167	$ 3,389	$ 3,841	$ 12,375	$ 21,007

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

14. OTHER LIABILITIES

	December 31, 2018	December 31, 2017
Financial liability (i)	**$ 806**	$ 2,113
Offtake obligation (ii)	**2,237**	2,434
Share based payment liability (iii)	**142**	235
Total other liabilities	**3,185**	4,782
Less current portion	**805**	1,721
Long-term portion	**$ 2,380**	$ 3,061

(i) Financial liability

The financial liability represents the present value of the interest component of the gold prepay agreement discussed in Note 11. $0.69 million of the liability represents the amount of interest to be amortized within the next year and is included within the current portion of other liabilities.

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(ii) Offtake obligation

In 2016, the Company entered into an agreement with Orion to sell up to 20,000 ounces of gold annually for a period of 90 months from the date of the first out-turn from the South Arturo mine, subsequently amended to an additional 20,000 ounces for Mercedes gold production, limited to an annual aggregate maximum of 35,000 ounces of gold from all properties. In the event that the Company does not produce 35,000 ounces in any given year, the obligation is limited to those ounces actually produced.

The Company has determined the offtake obligation represents a derivative liability for the gold price option feature included in the agreement and as such is re-measured at fair value at each balance sheet date with changes in fair value being recorded in profit or loss. The offtake obligation had an unrealized gain of $0.20 million for the year ended December 31, 2018 (a $0.22 million gain for the year ended December 31, 2017) and is included in the unrealized gain on derivatives.

(iii) Share based payment liability

The Company recognized a share based payment liability of $0.14 million at December 31, 2018 ($0.24 million at December 31, 2017) under the Company's restricted share unit plan as discussed in Note 15. The current portion of the liability is $0.11 million at December 31, 2018 ($0.15 million at December 31, 2017) representing the cash settlement expected on the next vesting date.

(iv) Warrant liability

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

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

For the year ended December 31, 2018, the Company recognized a reduction in the liability of $0.44 million based on the expiration of one million warrants at June 30, 2018 and the remaining three million warrants at September 30, 2018. The fair value for the warrants at December 31, 2018 was nil as all had expired. The original warrants were valued using the Black-Scholes option pricing model with the following weighted average assumptions:

	January 1, 2018
Risk free rate	1.5%
Warrant expected life	0.75 years
Expected volatility	36% to 42%
Expected dividend	0%
Share price	C$3.52

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15. SHARE CAPITAL

(a) Authorized share capital

At December 31, 2018, the authorized share capital consisted of an unlimited number of common shares and an unlimited number of preferred shares without par value.

(b) Normal course issuer bid

On July 20, 2017, the Company announced that approval had been received from the Toronto Stock Exchange for a normal course issuer bid to purchase up to 19,599,646 of its issued and outstanding shares. The bid expired on July 24, 2018 with no shares purchased under the bid.

(c) Share option plan

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

(d) Stock options

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

	Options outstanding #	Weighted average exercise price CAD
Outstanding at January 1, 2017	9,593,900	$3.04
Granted	1,991,000	3.07
Exercised	(892,900)	2.52
Expired	(1,900,000)	4.61
Forfeited	(38,000)	2.53
Outstanding at December 31, 2017	8,754,000	2.77
Granted	2,011,000	3.21
Exercised	(824,800)	1.94
Expired	(363,900)	2.89
Forfeited	(88,300)	3.00
Outstanding at December 31, 2018	**9,488,000**	**$2.93**

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

At December 31, 2018 the following options were outstanding and outstanding and exercisable:

	Outstanding			Outstanding and Exercisable		
Exercise price (CAD)	Options #	Weighted average exercise price (CAD)	Weighted average remaining life in years	Options #	Weighted average exercise price (CAD)	Weighted average remaining life in years
2.19 - 2.85	3,445,000	$2.40	$1.26	3,400,000	$2.40	$1.26
3.02 - 3.65	5,813,000	3.17	3.23	5,663,000	3.17	3.21
4.28 - 4.78	230,000	4.71	2.60	230,000	4.71	2.60
	9,488,000	$2.89	$2.50	9,293,000	$2.93	$2.48

Total vested stock options at December 31, 2018 were 9,293,000 with a weighted average exercise price of C$2.93 (8,489,000 at December 31, 2017 with a weighted average exercise price of C$2.75).

The Company applies the fair value method of accounting for all stock based compensation awards and accordingly, $2.35 million was recorded for options issued as compensation during the year ended December 31, 2018 ($2.15 million for the year ended December 31, 2017). The options had a weighted average grant date fair value of C$1.43 for the year ended December 31, 2018 (C$1.35 for the year ended December 31, 2017). As of December 31, 2018, there were 195,000 unvested stock options (265,000 at December 31, 2017).

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

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

(e) Restricted Share Unit Plan

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

Under the RSU plan, the awards can be equity or cash settled immediately upon vesting. The following table summarizes the changes in the RSUs for the year ended December 31, 2018:

	RSUs outstanding #	Weighted average exercise price CAD
Outstanding at January 1, 2017	-	$-
Granted	302,000	3.06
Settled	(97,000)	3.86
Forfeited	(11,000)	3.08
Outstanding at December 31, 2017	194,000	3.60
Granted	311,500	3.24
Settled	(193,000)	2.01
Forfeited	(48,333)	2.93
Outstanding at December 31, 2018	264,167	$1.75

As the options are expected to be settled in cash, at December 31, 2018 a current liability of $0.11 million and a long-term liability of $28 thousand was outstanding and included in other liabilities as disclosed in Note 14 ($0.15 million and $88 thousand respectively at December 31, 2017). For the year ended December 31, 2018, $0.22 million has been recorded as an expense and included in share-based payments ($0.57 million for the year ended December 31, 2017). The fair value of the RSUs at December 31, 2018 was C$0.46 million (C$0.70 million at December 31, 2017).

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

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

(f) Share-based payments

	Year ended December 31, 2018	2017
Stock option valuation	**$ 2,352**	$ 2,145
RSU valuation	**219**	571
	$ 2,571	$ 2,716

16. BASIC AND DILUTED INCOME PER SHARE

Basic income / (loss) per share is calculated based on the weighted average number of common shares and common share equivalents outstanding during the year ended ended December 31, 2018 and 2017. Diluted income per share is based on the assumption that stock options that have an exercise price less than the average market price of the Company's common shares during the year have been exercised on the later of the beginning of the year and the date granted. Net income / (loss) and basic weighted average shares outstanding are reconciled to diluted net income and diluted weighted average shares outstanding, respectively, as follows:

	Year ended December 31, 2018	2017
Net income / (loss) for the year	**$ (20,426)**	$ 16,169
Basic weighted average shares outstanding	**202,744,999**	202,626,958
Dilution adjustment for stock options	**-**	5,163,372
Diluted weighted average shares outstanding	**202,744,999**	207,790,330
Basic and diluted income / (loss) per share	**$ (0.10)**	$ 0.08

An amount of 9,293,000 stock options (Note 15(d)) were excluded from the computation of diluted weighted average shares outstanding for the year ended December 31, 2018 (2,420,200 for the year ended December 31, 2017), as their effect would be anti-dilutive.

17. SUPPLEMENTAL CASH FLOW INFORMATION

(i) The following table summarizes the increase and decrease in working capital for the year ended December 31, 2018 and 2017:

	Year ended December 31, 2018	2017
Receivables	**$ (11,993)**	$ (4,776)
Prepaids and deposits	**205**	898
Inventory	**7,331**	4,620
Accounts payable and accrued liabilities	**(399)**	(4,008)
Taxes payable	**(3,043)**	66
Decrease in working capital	**$ (7,899)**	$ (3,200)

(ii) The significant non-cash activities during the year are as follows:

	Year ended December 31, 2018	2017
Fair value of shares issued for termination of option agreement	$ 58	$ -
Fair value of stock options allocated to share capital upon exercise	801	1,070
Fair value gain on offtake derivative liability	197	218
Fair value loss on forward contract	-	1,364

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18. EXPLORATION, EVALUATION AND PRE-DEVELOPMENT

	Year ended December 31, 2018	2017
Rahill-Bonanza, Ontario	**$ 29**	$ 73
Hasaga, Ontario	**2,905**	3,579
Greenstone Gold, Ontario	**8,786**	4,492
McCoy-Cove, Nevada (Note 10(b))	**5,161**	11,359
Goldbanks, Nevada (Note 10(b))	**2,037**	3,207
South Arturo, Nevada	**1,294**	831
Cristina, Mexico	**-**	1,156
Mercedes, Mexico	**1,331**	1,122
Rye, Nevada (Note 10(b))	**60**	-
Rodeo Creek, Nevada (Note 10(b))	**4**	-
Technical services	**626**	432
	$ 22,233	$ 26,251

19. GENERAL AND ADMINISTRATION

	Year ended December 31, 2018	2017
Corporate administration	**$ 1,770**	$ 801
Corporate salaries and benefits	**5,210**	4,746
Professional fees	**1,295**	1,174
Project administration (i)	**1,218**	1,172
	$ 9,528	$ 7,893

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

20. OTHER INCOME / (EXPENSE)

	Year ended December 31, 2018	2017
Investment and other income	**$ 1,684**	$ 12
Interest earned	**680**	743
Gain on disposal of property, plant and equipment	**321**	38
Gain / (loss) on derivatives	**637**	(1,127)
Loss on investments	**(110)**	(337)
Loss on foreign exchange	**(2,756)**	(711)
Write-down of property, plant and equipment	**-**	(1,584)
Write-down of inventory (i)	**(8,260)**	-
Gain attributable to Greenstone Gold development commitment	**9,891**	5,294
	$ 2,087	$ 2,328

(i) Finished goods inventory was written down by $8.26 million as a result of the RMC bankruptcy further discussed in Note 28.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

21. FINANCE EXPENSE

	Year ended December 31, 2018	2017
Environmental rehabilitation accretion	**$ 1,279**	$ 932
Interest paid	**1,984**	4,798
Amortization of finance costs	**1,090**	5,065
Amortization of gold prepay interest	**(1,306)**	(1,920)
Silver stream accretion	**693**	-
Amortization of discount	**4**	10
	$ 3,744	$ 8,885

22. SEGMENTED INFORMATION

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

(a) Operating mine properties and exploration projects

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

Year ended December 31, 2018	Mercedes	South Arturo	Exploration	Corporate and other	Total
Revenue	$ 86,112	$ 27,755	$ -	$ -	$ 113,867
Cost of sales	(62,744)	(9,019)	-	-	(71,763)
Depletion, depreciation and amortization	(19,315)	(6,253)	-	-	(25,568)
Exploration, maintenance and rehabilitation	(1,331)	(1,294)	(18,427)	(1,325)	(22,377)
Overhead costs	(32)	(47)	(1,170)	(10,850)	(12,099)
Other income / (expense)	582	58	10,238	(8,791)	2,087
Finance expense	(1,009)	(135)	(139)	(2,461)	(3,744)
Income / (loss) before income taxes	2,263	11,065	(9,498)	(23,427)	(19,597)
Current tax expense	(772)	(614)	-	(1,395)	(2,781)
Deferred tax recovery	1,160	-	792	-	1,952
Income / (loss) for the year	**$ 2,651**	**$ 10,451**	**$ (8,706)**	**$ (24,822)**	**$ (20,426)**

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Year ended December 31, 2017	Mercedes	South Arturo	Exploration	Corporate and other	Total
Revenue	$ 112,092	$ 88,216	$ -	$ -	$ 200,308
Cost of sales	(60,598)	(24,969)	-	-	(85,567)
Depletion, depreciation and amortization	(17,232)	(33,498)	-	-	(50,730)
Exploration, maintenance and rehabilitation	(1,122)	(831)	(23,031)	(1,298)	(26,282)
Overhead costs	(196)	(54)	(941)	(9,418)	(10,609)
Other income / (expense)	(321)	9	5,337	(2,697)	2,328
Finance expense	(680)	(180)	(83)	(7,942)	(8,885)
Income / (loss) before income taxes	31,943	28,693	(18,718)	(21,355)	20,563
Current tax expense	(1,251)	(2,499)	-	(1,416)	(5,166)
Deferred tax recovery	3,121	-	87	(2,436)	772
Income / (loss) for the year	$ 33,813	$ 26,194	$ (18,631)	$ (25,207)	$ 16,169

As at December 31, 2018	**Mercedes**	**South Arturo**	**Exploration**	**Corporate and Other**	**Total**
Capital expenditures	$ 17,428	$ 8,427	$ 561	$ 457	**$ 26,873**
Property, plant & equipment	143,925	11,768	111,054	2,236	**268,983**
Total assets	182,655	14,231	124,198	45,402	**366,486**
Total liabilities	31,561	3,973	12,231	30,886	**78,651**

As at December 31, 2017	Mercedes	South Arturo	Exploration	Corporate and Other	Total
Capital expenditures	$ 18,156	$ 1,158	$ 155	$ 2,143	$ 21,612
Property, plant & equipment	149,752	4,970	113,923	2,114	270,759
Total assets	185,554	14,480	122,910	104,644	427,589
Total liabilities	36,864	14,480	14,377	63,057	119,102

(b) Geographic segments

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

Year ended December 31, 2018	**Canada**	**United States**	**Mexico**	**Corporate and other**	**Total**
Revenue	$ -	$ 27,755	$ 86,112	$ -	$ 113,867
Cost of sales	-	(9,019)	(62,744)	-	(71,763)
Depletion, depreciation and amortization	-	(6,253)	(19,315)	-	(25,568)
Exploration, maintenance and rehabilitation	(11,874)	(7,848)	(1,330)	(1,325)	(22,377)
Overhead costs	(1,150)	(59)	(40)	(10,850)	(12,099)
Other income / (expense)	10,234	58	586	(8,791)	2,087
Finance expense	(41)	(232)	(1,010)	(2,461)	(3,744)
Income / (loss) before income taxes	(2,831)	4,402	2,259	(23,427)	(19,597)
Current tax expense	-	(614)	(772)	(1,395)	(2,781)
Deferred tax recovery	792	-	1,160	-	1,952
Income / (loss) for the year	**$ (2,039)**	**$ 3,788**	**$ 2,647**	**$ (24,822)**	**$ (20,426)**

Year ended December 31, 2017	Canada	United States	Mexico	Corporate and other	Total
Revenue	$ -	$ 88,216	$ 112,092	$ -	$ 200,308
Cost of sales	-	(24,969)	(60,598)	-	(85,567)
Depletion, depreciation and amortization	-	(33,498)	(17,232)	-	(50,730)
Exploration, maintenance and rehabilitation	(8,150)	(14,548)	(2,286)	(1,298)	(26,282)
Overhead costs	(900)	(70)	(221)	(9,418)	(10,609)
Other income / (expense)	5,294	18	(287)	(2,697)	2,328
Finance expense	(43)	(220)	(680)	(7,942)	(8,885)
Income / (loss) before income taxes	(3,799)	14,929	30,788	(21,355)	20,563
Current tax expense	-	(2,499)	(1,251)	(1,416)	(5,166)
Deferred tax recovery	87	-	3,121	(2,436)	772
Income / (loss) for the year	$ (3,712)	$ 12,430	$ 32,658	$ (25,207)	$ 16,169

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As at December 31, 2018	**Canada**	**United States**	**Mexico**	**Corporate and Other**	**Total**
Capital expenditures	$ 59	$ 8,929	$ 17,428	$ 457	$ 26,873
Property, plant & equipment	59,665	63,157	143,925	2,236	268,983
Total assets	60,635	77,404	183,045	45,402	366,486
Total liabilities	4,895	11,308	31,562	30,886	78,651

As at December 31, 2017	Canada	United States	Mexico	Corporate and Other	Total
Capital expenditures	$ 8	$ 1,312	$ 18,149	$ 2,143	$ 21,612
Property, plant & equipment	64,913	53,980	149,752	2,114	270,759
Total assets	65,930	71,063	185,952	104,644	427,589
Total liabilities	8,445	10,736	36,864	63,057	119,102

(c) Sales by customer

The following table presents sales to individual customers representing 100% of the Company's concentrate and doré sales revenue:

	Year ended December 31,	
	2018	2017
Orion	**$ 84,011**	$ 121,113
Scotia Mocatta	**27,436**	79,195
Other	**2,420**	-
	$ 113,867	$ 200,308

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

23. INCOME TAXES

(a) The major components of income tax expense are as follows:

	December 31, 2018	**December 31,** 2017
Current income tax	**$ 2,781**	$ 5,166
Deferred income tax		
Origination and reversal of temporary differences	**(6,354)**	(2,434)
Future Taxes to Reverse at future rate rather than statutory rate	**21**	3,131
Deferred tax liability incurred on renouncement expenses	**-**	(998)
Effect of foreign exchange	**2,899**	(3,095)
Mining royalty, net proceeds and withholding taxes	**174**	2,419
Other	**1,308**	205
	(1,952)	(772)
Income tax expense	**$ 829**	$ 4,394

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(b) The Company's income tax expense differs from the amount computed by applying the combined Canadian federal and provincial income tax rates to loss before income taxes as a result of the following:

	December 31, 2018	December 31, 2017
Income / (loss) before income taxes	$ (19,597)	$ 20,563
Statutory rates (i)	26.5 %	26.5 %
Income tax recovery computed at statutory rates	(5,193)	5,449
Mexico withholding tax	1,362	1,347
Mexico royalty tax	(480)	3,886
Mining Tax ITC Pre-Production	654	-
Inflation on balances	(1,157)	(374)
Difference in foreign tax rates	(559)	(3,734)
Increase in deferred tax assets not recognized	2,073	(1,732)
Non-deductible/ non-taxable items	(1,503)	(128)
Future Taxes to Reverse at future rate rather than statutory rate	21	3,131
Updates from recovery of taxes/rights	(12)	-
Impact of flow-through share premium	-	(998)
Net processing tax	614	2,493
Foreign exchange	2,932	(4,141)
True-up	1,099	-
Prior year adjustment	464	-
Other	514	(805)
Income tax expense	$ 829	$ 4,394

	December 31, 2018	December 31, 2017
Exchange gain / (loss) on translation of foreign operations through other comprehensive income	$ (3,086)	$ 6,684
Statutory tax rates (i)	26.5 %	26.5 %
Income tax recovery computed at statutory rates	(818)	1,771
Difference in foreign tax rates (ii)	-	329
Future taxes to reverse at a future rate rather than the statutory rate (iii)	-	(2,178)
Deferred tax recovery not recognised	818	-
Exchange difference not subject to income tax	-	3,514
Other comprehensive income deferred tax recovery	$ -	$ 3,436

(i) The Company operates in multiple jurisdictions and the related income is subject to varying rates of taxation. The combined Canadian federal and provincial tax rate reflects the tax rate of 26.5% in effect in Ontario, Canada for each applicable tax year. The Company operates in Mexico, which reflects a 30% tax rate in the current year and in Nevada, USA which reflects a tax rate of 21% and 35% for 2018 and 2017, respectively.

(ii) A tax rate of 21% for 2018 and 35% for 2017 is applicable to the exchange difference on translation of foreign operations as it relates to timing differences originating from the subsidiaries' operations in Nevada, USA.

(iii) The adjustment for future tax rates in 2017 was the result of the U.S. Tax Reform legislation that was enacted on December 22, 2017 reducing the corporate tax rate to 21% from 35% beginning January 1, 2018 and was applied to the accumulated deferred taxes.

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(c) The deferred income tax liabilities reported on the balance sheet are comprised of temporary differences as presented below:

	December 31, 2018	December 31, 2017
Deferred income tax assets		
Non-capital losses	**$ 1,202**	$ 614
Provisions not currently allowed for tax purposes	**3,501**	7,382
Gross deferred tax assets	**4,703**	7,996
Deferred tax assets set off against deferred tax liabilities	**(4,703)**	(7,996)
Deferred tax asset	**-**	-
Deferred income tax liabilities		
Inventory	**(484)**	(1,568)
Exploration and evaluation	**(4,995)**	(14,422)
Accounts payable and accrued liabilities	**(3,430)**	-
Mining royalty tax	**(5,639)**	(4,817)
Other	**(870)**	(105)
Gross deferred tax liabilities	**(15,418)**	(20,912)
Deferred tax assets set off against deferred tax liabilities	**4,703**	7,996
Deferred tax liabilities per balance sheet	**(10,715)**	(12,916)
Balance at the beginning of the year	**(12,916)**	(15,712)
Effect of exchange rate differences	**249**	562
Recognized on loss	**1,952**	770
Deferred tax liability recognized on exchange difference on translation of foreign operations through OCI	**-**	3,434
Deferred premium on flow-through shares	**-**	(998)
Other	**-**	(972)
Balance at the end of the year	**$ (10,715)**	$ (12,916)

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(d) Deferred tax assets not recognized

Management believes that it is not probable that sufficient taxable profits will be available in future years to allow the benefit of the following deferred tax assets to be utilized:

	December 31, 2018	December 31, 2017
Deferred tax assets not recognized		
Non-capital losses	**$ 13,617**	$ 12,858
Common share issue costs	**462**	788
Exploration and evaluation	**11,383**	22,790
Investments	**20**	481
Pre-production ITC	**172**	863
Provisions recognized for accounting not currently deductible for tax	**8,937**	1,985
Other	**55**	518
	34,646	40,283
Unused operating tax losses (i)		
Canada	**45,329**	28,533
United States	**17,962**	23,026
Mexico	**15,589**	1,986
Other	**1,408**	792
	80,288	54,337
Total unused operating tax losses not recognized		
Potential tax benefit at tax rate between 26.5% and 35%	**20,801**	16,458
Operating tax losses set off against deferred tax liabilities	**(1,202)**	(614)
Total unused operating tax losses not recognized	**$ 19,599**	$ 15,844

(i) Unused operating tax losses totaled $80,288 at December 31, 2018. Canadian tax losses will expire between 2023 and 2036; U.S. losses will expire between 2028 and 2036; and Mexican losses will expire between 2021 and 2025.

24. RELATED PARTY TRANSACTIONS

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

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

The transactions identified below are shown for comparative purposes only. They relate to the year ended December 31, 2017 and were recorded at the exchange amount agreed to by the parties.

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

(ii) Included in general and administrative expenditures are amounts totaling $0.08 million for IT support services provided by The Alyris Group, a company related to the Company through Ewan Downie, Director, President and Chief Executive Officer of the Company, and Steve Filipovic, Chief Financial Officer of the Company.

(iii) Included in general and administrative expenditures are amounts totaling $0.14 million for rental charges paid to Alyris Leasing Inc., a company related to the Company through Ewan Downie, Director, President and Chief Executive Officer of the Company, and Steve Filipovic, Chief Financial Officer of the Company.

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

Transactions with key management and directors

Key management personnel remuneration includes the following amounts:

	Year ended December 31, 2018	2017
Salary, wages and benefits	**$ 3,804**	$ 3,649
Share-based payments	**1,661**	1,447
	$ 5,465	$ 5,096

Directors remuneration includes the following amounts:

	Year ended December 31, 2018	2017
Fees earned and other remuneration	**$ 249**	$ 257
Share-based payments	**399**	375
	$ 648	$ 632

25. COMMITMENTS

(a) Contractual obligations

The Company has commitments relating to facilities and other operating leases extending to 2023. The minimum annual contractual and lease payments for the five years are as follows:

2019	$ 1,912
2020	347
2021	21
2022	3
2023	2
	$ 2,285

(b) Gold forward contracts

At December 31, 2018, the Company held forward contracts requiring the delivery of 400 ounces of gold per month at a price of $1,247.50 per ounce from January 2019 to December 2019.

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

(c) Surety bonds

At December 31, 2018, the Company has outstanding surety bonds in the amount of $10.15 million in favour of the United States Department of the Interior, Bureau of Land Management ("BLM") as financial support for environmental reclamation and exploration permitting. The surety bonds are secured by a $0.60 million deposit and are subject to fees competitively determined in the market place. The obligations associated with these instruments are generally related to performance requirements that the Company addresses through its ongoing operations. As specific requirements are met, the BLM as beneficiary of the instrument will return the instrument to the issuing entity. As these instruments are associated with operating sites with long-lived assets, they will remain outstanding until closure.

26. FINANCIAL INSTRUMENTS

The Company's operations include the acquisition and exploration of mineral properties in Canada, the United States of America and Mexico. The Company examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

(a) Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of setoff exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

(i) Trade credit risk

The Company closely monitors its financial assets and does not have any significant concentration of trade credit risk. The Company sells its products exclusively to large international financial institutions and other organizations with strong credit ratings. The historical level of customer defaults is negligible and, as a result, the credit risk associated with trade receivables is considered to be negligible. The trade receivable balance outstanding at December 31, 2018 was $0.26 million (December 31, 2017 - $0.50 million).

(ii) Cash and cash equivalents

In order to manage credit and liquidity risk the Company invests only in highly rated investment grade instruments that have maturities of 90 days or less and which are cashable after 30 days or less into a known amount of cash. Limits are also established based on the type of investment, the counterparty and the credit rate. The credit risk on cash and cash equivalents is therefore negligible.

(iii) Derivative financial instruments

As a way of managing commodity risk, the Company has invested in derivative financial instruments. The derivative financial instruments are with highly rated investment grade counterparties. These derivatives have allowed the Company to reduce the down side risk on commodity markets. Given the nature of the derivatives the Company is not exposed to significant credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

As at December 31, 2018, the Company's liabilities that have contractual maturities total $17.87 million. This figure is fully comprised of accounts payable and accrued liabilities.

(c) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a significant loss as a result of a decline in the fair market value of investments and other items held within cash and cash equivalents is limited given that the majority of investments have a relatively short maturity. The Company manages its interest rate risk with investments by investing the majority of funds in short term investments and therefore is not exposed to significant fluctuations in interest rates. All of the Company's debt instruments or deferred revenue arrangements are at a fixed rate and therefore do not expose the Company to interest rate risk.

(ii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company’s functional currency. The Company’s management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The functional currency and presentation currency of the Company is USD. The Company’s capitalized mineral properties and expenses also include amounts incurred in CAD and to a lesser extent, MXN which are the functional currencies of these operations. The Company’s exchange risk is therefore related to movement between these currencies. Changes in the currency exchange rates between USD relative to CAD and MXN have an effect on the Company’s results of operations through comprehensive income (loss), financial position or cash flows.

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The Company has mitigated this risk by diversifying its cash resources in CAD and MXN roughly in proportion to expected future expenditure over the following twelve months. The carrying amounts of the Company's CAD and MXN denominated monetary assets and monetary liabilities in USD at the end of the reporting period are as follows:

	CAD		MXN	
	December 31, 2018	December 31, 2017 (As restated Note 2(f))	December 31, 2018	December 31, 2017 (As restated Note 2(f))
Cash and cash equivalents	5,604	44,819	8,092	24,440
Restricted cash and cash equivalents	1,955	2,121	-	-
Receivables	162	150	22,337	10,927
Prepaids and deposits	580	476	975	1,223
Accounts payable and accrued liabilities	4,034	3,921	14,887	15,321
Taxes payable	-	-	338	1,567

For the year ended December 31, 2018, the Company recognized an unrealized foreign exchange loss of $1.82 million (a loss of $0.50 million for the year ended December 31, 2017) and an exchange loss on the translation of foreign operations in comprehensive income / (loss) of $3.09 million (a gain of $6.68 million for the year ended December 31, 2017). As of December 31, 2018, if the USD to CAD exchange rate increases or decreases by 10%, the Company's net income / (loss) will increase or decrease by $0.47 million (December 31, 2017 - $4.42 million) and the Company's other comprehensive income / (loss) will increase or decrease by $0.04 million (December 31, 2017 - $0.05 million). As of December 31, 2018, if the USD to MXN exchange rate increases or decreases by 10%, the Company's net income / (loss) will increase or decrease by $0.57 million (December 31, 2017 - $2.05 million) and the Company's other comprehensive income / (loss) will increase or decrease by $1.05 million (December 31, 2017 - $0.08 million).

(iii) Security price risk

Security price risk is the risk that the fair value or future cash flow of the Company's financial instruments will fluctuate because of the changes in the market price. The Company only takes a position in the securities of another entity where it has a strategic objective; or as a result of a purchase or sale transaction. In situations where the Company has taken a position in the securities of another entity, the Company manages its exposure to price risk by monitoring the market(s) where the entity's securities trade and planning the divestiture accordingly. The fair value of held for trading securities at December 31, 2018 and December 31, 2017 was $0.11 million and $0.32 million respectively, representing the maximum potential losses from changes in prices of equity investments.

(iv) Commodity price risk

Commodity price risk is the risk that the fair value or future cash flow of the Company's derivative financial instruments will fluctuate because of the changes in the commodity price. The Company has entered into forward contracts in order to reduce the down side risk on the gold commodity market.

(d) Fair value

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

	Level 1		Level 2		Level 3		Total	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Canadian equity investments	**$ 110**	$ 318	**$ -**	$ -	**$ -**	$ -	**$ 110**	$ 318
Offtake obligation (i)	**-**	-	**-**	-	**2,237**	2,434	**2,237**	2,434
Share-based payment liability	**-**	-	**142**	235	**-**	-	**142**	235
	$ 110	$ 318	**$ 142**	$ 235	**$ 2,237**	$ 2,434	**$ 2,489**	$ 2,987

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

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

	Fair value through profit or loss		Amortized cost		Total	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Cash and cash equivalents	**$ -**	$ -	**$ 43,882**	$ 103,046	**$ 43,882**	$ 103,046
Receivables	**-**	-	**23,571**	11,807	**23,571**	11,807
Canadian equity investments	**110**	318	**-**	-	**110**	318
Restricted cash and cash equivalents	**-**	-	**5,581**	4,721	**5,581**	4,721
	$ 110	$ 318	**$ 73,034**	$ 119,574	**$ 73,144**	$ 119,892

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

	Fair value through profit or loss		Amortized cost		Total	
	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017	Dec 31, 2018	Dec 31, 2017
Accounts payable and accrued liabilities	**$ -**	$ -	**$ 17,870**	$ 18,471	**$ 17,870**	$ 18,471
Long-term debt	**-**	-	**-**	19,205	**-**	19,205
Offtake obligation	**2,237**	2,434	**-**	-	**2,237**	2,434
Share-based payment liability	**142**	235	**-**	-	**142**	235
Other liability	**-**	-	**806**	2,113	**806**	2,113
	$ 2,379	$ 2,669	**$ 18,676**	$ 39,789	**$ 21,055**	$ 42,458

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

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

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27. MANAGEMENT OF CAPITAL

The Company manages its share capital, equity settled employee benefits reserve, warrant reserve and contributed surplus as capital, the balance of which is $580.57 million at December 31, 2018 ($577.37 million at December 31, 2017). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going-concern in order to pursue the exploration and development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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

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

To effectively manage its capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. The Company expects its current capital resources will be sufficient to carry out its exploration and evaluation plans through 2019.

28. CONTINGENCIES

Legal claim

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

Other

On November 2, 2018, the Company was advised that RMC filed for chapter 11 bankruptcy protection in the Southern District of New York’s Federal Bankruptcy Court. RMC had processed gold and silver dore (“material”) produced from the Company’s Mercedes mine located in Sonora, State of Mexico under a toll arrangement. RMC had approximately 8,000 gold equivalent oz of the Company’s material when the bankruptcy filing took place. As the material was liquidated under a chapter 11 ruling, the Company has taken a write-down of the inventory and is working with its counsel to assert its legal right to the value associated with the inventory.

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29. SUBSEQUENT EVENTS

Credit facility and financing package

On February 1, 2019 the Company announced the closing of a $50 million secured revolving term credit facility with Investec Bank plc ("Investec"), as administrative agent for the lenders thereunder (the "Investec Credit Facility") and certain financing arrangements with OMF Fund II SO Ltd. and Orion Mine Finance Fund II LP (collectively, "Orion") for aggregate gross proceeds of approximately $18.30 million.

Amounts borrowed under the Investec Credit Facility will bear interest at a variable rate per annum equal to LIBOR plus an applicable rate ranging from 3.00% to 4.30% based on certain criteria. The Investec Credit Facility is secured by the assets relating to the South Arturo mine in Elko County, Nevada, U.S.A. ("South Arturo Mine"), and the Mercedes mine in Hermosillo, Sonora, Mexico ("Mercedes Mine"). The Investec Credit Facility matures in four years and will be used for working capital requirements and general corporate purposes. To date, the Company has not drawn-down under the Investec Credit Facility.

In connection with the closing of the Orion financing arrangements:

- Orion subscribed for seven million common shares of the Company for aggregate gross proceeds of approximately $8.30 million or approximately C$1.58 per common share;
- The Company issued two million common share purchase warrants to Orion with each warrant exercisable into one common share with an exercise price of C$2.05 for a period of three years;
- The original silver stream agreement entered into on September 30, 2016 was amended and restated pursuant to which:
  - Orion paid an additional deposit of US$10 million to a wholly owned subsidiary of the Company which will deliver to Orion 100% of the silver production from the Mercedes Mine and 100% of the silver production from the South Arturo Mine attributable to the Company until the delivery of 3.75 million ounces of silver (including deliveries previously made to Orion), after which the delivery will be reduced to 30% of the silver production from the Mercedes Mine and the South Arturo Mine;
  - The Company is required to deliver at least 300,000 ounces of refined silver in each calendar year to Orion until 2.1 million ounces of refined silver in aggregate have been delivered to Orion after the date hereof;
  - Orion will continue to pay an ongoing cash purchase price equal to 20% of the prevailing silver price; and
  - Orion has security over the assets relating to the South Arturo Mine in addition to the Mercedes Mine.
- The original offtake agreement entered into on September 30, 2016 was amended and restated to increase the annual gold sale quantity to 60,000 ounces of gold, subject to an annual aggregate maximum of 40,000 ounces of gold from each of (i) all of the Company’s producing projects (other than the Mercedes Mine) and (ii) the Mercedes Mine; and
- The original gold prepay agreement entered into on September 30, 2016 was amended and restated to provide security to Orion over the assets relating to the South Arturo Mine and to provide for Orion’s consent to security changes at the Mercedes Mine to facilitate the Investec Credit Facility.

The proceeds of the Orion financing arrangements will be used for the development, construction and working capital requirements for the South Arturo Mine.