Condensed Consolidated Interim Financial Statements

June 30, 2019

(Unaudited)

(Stated in thousands of United States Dollars)

NOTICE TO SHAREHOLDERS

For The Three and Six Months Ended June 30, 2019

Premier Gold Mines Limited

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

PREMIER
GOLD MINES LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

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

	Note		June 30, 2019		December 31, 2018
ASSETS					
Current assets					
Cash and cash equivalents	5	**$**	**26,390**	$	43,882
Receivables	6		**25,977**		23,571
Inventory	7		**17,651**		17,384
Prepaids and deposits			**1,939**		1,776
Other assets	8		**555**		110
Total current assets			**72,512**		86,723
Non-current assets					
Restricted cash and cash equivalents	9		**6,118**		5,581
Long-term inventory	7		**2,321**		2,266
Other long-term assets	10		**4,168**		2,933
Property, plant and equipment	11		**288,075**		268,983
Total non-current assets			**300,682**		279,763
Total assets		**$**	**373,194**	$	366,486
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		**$**	**20,572**	$	17,870
Taxes payable			**224**		1,122
Current portion of deferred revenue	12		**11,192**		12,977
Current portion of long-term debt	13		**770**		-
Current provision for environmental rehabilitation	14		**209**		389
Current portion of other liabilities	15		**3,802**		805
Total current liabilities			**36,769**		33,163
Non-current liabilities					
Deferred taxes			**10,526**		10,715
Deferred revenue	12		**-**		11,386
Long-term debt	13		**18,265**		-
Provision for environmental rehabilitation	14		**22,559**		21,007
Other liabilities	15		**235**		2,380
Total non-current liabilities			**51,585**		45,488
Total liabilities			**88,354**		78,651
EQUITY					
Share capital			**546,097**		538,129
Reserves			**(18,202)**		(18,244)
Deficit			**(243,055)**		(232,050)
Total equity			**284,840**		287,835
Total liabilities and equity		**$**	**373,194**	$	366,486

Commitments [Note 25]

Contingencies [Note 28]

See accompanying notes to the condensed consolidated interim financial statements

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

"John Seaman"
Director

"Ewan Downie"
Director

PREMIER GOLD MINES LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

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

		Three months ended June 30,		Six months ended June 30,	
	Note	**2019**	2018	**2019**	2018
Revenue		**$ 22,991**	$ 27,470	**$ 46,111**	$ 66,646
Cost of sales		**(18,325)**	(20,539)	**(33,047)**	(41,876)
Depletion, depreciation and amortization	11	**(5,327)**	(8,126)	**(10,039)**	(16,323)
Mine operating income / (loss)		**(661)**	(1,195)	**3,025**	8,447
Expenses					
Exploration, evaluation, and pre-development	19	**5,381**	6,202	**11,536**	12,616
Property maintenance		**140**	34	**303**	169
General and administrative	20	**2,861**	2,307	**4,929**	4,278
Share-based payments	16(e)	**2,364**	279	**2,474**	2,505
Loss before the following		**(11,407)**	(10,017)	**(16,217)**	(11,121)
Other income	21	**2,350**	2,206	**6,923**	4,467
Finance expense	22	**(932)**	(1,099)	**(1,471)**	(2,438)
Loss before income taxes		**(9,989)**	(8,910)	**(10,765)**	(9,092)
Current tax expense		**(373)**	(139)	**(794)**	(1,764)
Deferred tax recovery		**290**	1,395	**554**	1,182
Loss for the period		**(10,072)**	(7,654)	**(11,005)**	(9,674)
Other comprehensive loss					
Exchange loss on translation of foreign operations		**(744)**	(1,807)	**(1,823)**	(3,808)
Total comprehensive loss for the period		**$ (10,816)**	$ (9,461)	**$ (12,828)**	$ (13,482)
Basic and diluted loss per share	17	**$ (0.05)**	$ (0.04)	**$ (0.05)**	$ (0.05)
Weighted average number of shares outstanding					
Basic	17	**206,802,324**	201,631,431	**209,202,887**	201,631,431
Diluted	17	**206,802,324**	201,631,431	**209,202,887**	201,631,431

See accompanying notes to the condensed consolidated interim financial statements

PREMIER
GOLD MINES LIMITED

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

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

		Three months ended June 30,		Six months ended June 30,	
	Note	**2019**	2018	**2019**	2018
OPERATING ACTIVITIES					
Loss for the period		**$ (10,072)**	$ (7,654)	**$ (11,005)**	$ (9,674)
Items not affecting cash					
Non-cash revenue on metal agreements		**(3,485)**	(3,389)	**(7,074)**	(6,858)
Depletion, depreciation and amortization	11	**5,530**	8,208	**10,382**	16,484
Greenstone Gold non-cash operating expenses		**4,213**	3,403	**7,165**	5,092
Non-cash share-based payments	16(e)	**2,364**	23	**2,474**	2,249
Gain attributable to Greenstone Gold development commitment	21	**(4,213)**	(3,403)	**(7,165)**	(5,092)
Other non-cash items included in other income	18(ii)	**2,601**	545	**1,396**	247
Finance expense	22	**932**	1,099	**1,471**	2,438
Deferred tax recovery		**(290)**	(1,395)	**(554)**	(1,182)
Change in non-cash working capital balances related to operations	18(i)	**(1,021)**	1,825	**(5,270)**	(4,063)
Cash used in operating activities		**$ (3,441)**	$ (738)	**$ (8,180)**	$ (359)
INVESTMENT ACTIVITIES					
Proceeds from the sale of investments		**-**	101	**66**	155
Capital expenditures on property, plant and equipment	11	**(12,408)**	(6,057)	**(25,806)**	(11,389)
Environmental liability security placed		**(238)**	(524)	**(454)**	(667)
Proceeds on disposal of property, plant and equipment		**-**	11	**239**	11
Reclamation expenditures charged to the provision for environmental rehabilitation		**-**	(92)	**-**	(92)
Cash used in investment activities		**$ (12,646)**	$ (6,561)	**$ (25,955)**	$ (11,982)
FINANCING ACTIVITIES					
Repayment of long-term debt		**-**	(20,000)	**-**	(20,000)
Interest paid	22	**(251)**	(526)	**(545)**	(1,283)
Proceeds from the silver stream contract modification	4	**-**	-	**10,000**	-
Finance fees paid		**(15)**	-	**(353)**	-
Proceeds from the exercise of stock options		**-**	-	**-**	483
Proceeds from shares issued in financing arrangement	4	**-**	-	**8,341**	-
Share issue costs		**-**	-	**(342)**	-
Tax refund and interest received		**78**	-	**78**	-
Payment of lease liability		**(134)**	-	**(134)**	-
Cash provided by / (used in) financing activities		**$ (322)**	$ (20,526)	**$ 17,045**	$ (20,800)
Change in cash and cash equivalents during the period		**(16,409)**	(27,825)	**(17,090)**	(33,141)
Cash and cash equivalents, beginning of the period		**43,495**	98,428	**43,882**	103,046
Effect of exchange rate changes on cash held		**(696)**	(2,841)	**(402)**	(2,143)
Cash and cash equivalents, end of period		**$ 26,390**	$ 67,762	**$ 26,390**	$ 67,762

Supplemental cash flow information [Note 18]

See accompanying notes to the condensed consolidated interim financial statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

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

		Share Capital		Reserves				
Issued and outstanding	Note	Number of shares	Share capital	Equity settled employee benefits	Contributed surplus	Foreign currency translation	Deficit	Total equity
Balance as at December 31, 2017		202,366,087	$ 536,484	$ 32,620	$ 8,267	$ (57,596)	$ (211,288)	$ 308,487
Impact of adopting IFRS 15 on January 1, 2018		-	-	-	-	-	(336)	(336)
Balance as at January 1, 2018		202,366,087	536,484	32,620	8,267	(57,596)	(211,624)	308,151
Exercise of stock options	18(iii)	225,300	782	(299)	-	-	-	483
Shares issued for termination of option agreement		23,149	58	-	-	-	-	58
Equity settled share-based payments		-	-	2,249	-	-	-	2,249
Warrants reclassified to liability on change of functional currency		-	(441)	-	-	-	-	(441)
Comprehensive loss for the period		-	-	-	-	(3,808)	(9,674)	(13,482)
Balance as at June 30, 2018		202,614,536	536,883	34,570	8,267	(61,404)	(221,298)	297,018
Exercise of stock options		599,500	1,246	(502)	-	-	-	744
Equity settled share-based payments		-	-	103	-	-	-	103
Comprehensive loss for the period		-	-	-	-	722	(10,752)	(10,030)
Balance as at December 31, 2018		203,214,036	538,129	34,171	8,267	(60,682)	(232,050)	287,835
Equity settled share-based payments		-	-	1,865	-	-	-	1,865
Shares issued in relation to revolving Investec credit facility	4	216,446	250	-	-	-	-	250
Shares issued in private placement	4	7,000,000	8,341	-	-	-	-	8,341
Share issue costs		-	(623)	-	-	-	-	(623)
Comprehensive loss for the period		-	-	-	-	(1,823)	(11,005)	(12,828)
Balance as at June 30, 2019		**210,430,482**	**$ 546,097**	**$ 36,036**	**$ 8,267**	**$ (62,505)**	**$ (243,055)**	**$ 284,840**

See accompanying notes to the condensed consolidated interim financial statements

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

1. NATURE OF BUSINESS

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018.

The unaudited condensed consolidated interim financial statements of the Company for the period ended June 30, 2019 were approved and authorized by the Board of Directors on August 6, 2019.

Certain items within the statements of income and the statements of changes in equity have been reclassified in the current period. The prior periods have been restated to reflect the change in presentation. The accounting policies applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2018 and as discussed in Note 3 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 unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2018 and as discussed in note 3 below.

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

(b) Basis of consolidation

The unaudited condensed consolidated interim 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	Development
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.	100%	Mexico	Production
Mercedes Gold Holdings Mexico S. de R.L. de C.V.	100%	Mexico	Production
Premier Mining Mexico S. de R.L. de C.V.	100%	Mexico	Production
Premier Gold Mines (Cayman) Ltd.	100%	Cayman Islands	Holding
2401794 Ontario Inc.	100%	Canada	Holding
2536062 Ontario Inc.	100%	Canada	Holding
Premier Gold Mines (Netherlands) Cooperative U.A.	100%	Netherlands	Holding
Premier Gold Mines (Netherlands) B.V.	100%	Netherlands	Holding

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

(c) Functional and presentation currency

Functional currency

The functional currency of Premier Gold Mines Limited, the parent company, is the United States dollar ("USD" or "US dollars") which reflects the underlying transactions, events and conditions that are relevant to the entity. Management considers primary and secondary indicators in determining functional currency including the currency that influences sales prices, labor, purchases and other costs. Other indicators include the currency in which funds from financing activities are generated and the currency in which receipts from operations are usually retained. As the Company's Canadian subsidiaries have not commenced mining operations, primarily operate in Canadian dollars ("CAD") and are financed in CAD, management has determined that their functional currency is CAD. The Company's USA and Mexico mining, exploration and development subsidiaries operate with a functional currency of USD as the sales and majority of costs are incurred in USD. The international operations have deferred revenue and financing arrangements related to gold and silver sales denominated in USD, and as such the functional currency is USD. The holding companies have debt in Mexican pesos ("MXN") and accordingly have a functional currency of MXN.

Presentation currency

The Company's presentation currency is US dollars. Reference to $ or USD is to US dollars, reference to C$ or CAD is to Canadian dollars.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

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

IFRS - 16 - *Leases*

The Company applied IFRS 16 with a date of initial application of January 1, 2019 using the modified retrospective approach under which the cumulative effect of initial application is recognized in the opening balance sheet on January 1, 2019. Comparatives for the 2018 reporting period have not been restated and are accounted for under IAS 17, *Leases*, and IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, as permitted under the specific transitional provisions in the standard.

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement is or contains a lease under IFRIC 4. Under IFRS 16, the Company assesses whether a contract is or contains a lease based on the definition of a lease as explained below.

On transition to IFRS 16, the Company elected not to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 lease definition assessment to all contracts including those that were previously not identified as leases.

Classification of a lease

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for most leases on the balance sheet.

The Company decided to apply recognition exemptions to short-term leases of machinery that have a lease term of 12 months or less, and leases of information technology equipment which are leases of low-value assets. For leases of other assets, which were classified as operating or finance leases under IAS 17, the Company recognized right-of-use assets and lease liabilities.

At transition, lease liabilities that were classified as operating leases under IAS 17 were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application, the Company applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, the Company applied this approach to all other leases.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics,
- Assessed the right-of-use assets based on the IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review,
- Applied the exemption not to recognize right-of-use assets and liabilities for leases with less than a 12 month lease term,
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application, and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019, are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. Under IFRS 16, the Company is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition, the Company assessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17 and concluded that the sub-lease is a finance lease under IFRS 16 and as such has accounted for its leases in accordance with IFRS 16 from the date of initial application.

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

Impact on financial statements

On transition to IFRS 16, the Company recognized an additional $0.41 million of right-of-use assets and $0.41 million of lease liabilities, recognizing no difference in retained earnings as the Company opted for measuring the right-of-use at an amount equal to the lease liability adjusted by any prepaid or accrued lease payments relating to that lease, recognized in the statement of financial position immediately before the date of initial application, in accordance with IFRS 16.C8(b). In addition, the Company reclassified $0.40 million to right-of-use assets and $0.24 million to lease liability, the carrying amount of the lease asset and liability that were previously classified as finance leases under IAS 17, at December 31, 2018.

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 7.3%.

Reconciliation of lease commitments to lease liabilities recognized under IFRS 16 at the date of transition:

Operating lease commitment as at December 31, 2018	$	1,411
Discounted using the incremental borrowing rate as at January 1, 2019	$	1,328
Finance lease liabilities recognized as at December 31, 2018		243
Recognition exemption for:		-
Short-term leases		(676)
Leases of low-value assets		(250)
Lease liabilities recognized as at January 1, 2019	$	645

Policy applicable from January 1, 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset:
  - This may be specified explicitly or implicitly,
  - Should be physically distinct or represent substantially all of the capacity of a physically distinct asset, and
  - If the supplier has a substantive substitution right, then the asset is not identified.
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - The Company has the right to operate the asset, or
  - The Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset will be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability when applicable.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments,
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- Amounts expected to be payable under a residual value guarantee, and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in “Property, plant and equipment" and lease liabilities in “Other liabilities".

Exemptions

Short-term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of items that have a lease term of 12 months or less and leases of low-value assets as considered by IFRS 16 B6,B8, and BC.98-BC.104, including non-specialized IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17

In the comparative period, as a lessee the Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease.

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. The Company has adopted the Interpretation in its financial statements for the annual period beginning on January 1, 2019, and has determined that there is no material impact or disclosures required.

(b) 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 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:

Leases

Critical judgements required in the application of IFRS 16 included, among others, the following:

- Identifying whether a contract (or part of a contract) includes a lease,
- Determining whether it is reasonably certain that an extension or termination option will be exercised,
- Classification of lease agreements (when the entity is a lessor),
- Determination whether variable payments are in-substance fixed,
- Establishing whether there are multiple leases in an arrangement, and
- Determining the stand-alone selling prices of lease and non-lease components.

Key sources of estimation uncertainty in the application of IFRS 16 include, among others, the following:

- Estimation of the lease term,
- Determination of the appropriate rate to discount the lease payments, and
- Assessment of whether a right-of-use asset is impaired.

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.

On determining that the amendment to the silver stream agreement resulted in a contract modification requiring valuation of the liability, the Company used a discounted cash flow analysis incorporating key assumptions for the production to be delivered under the agreement, expected metal prices 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 in connection with a private placement and in satisfaction of certain fees which, effective January 1, 2018 the date of the functional currency change of the parent company, are recorded as a financial liability. As such, in determining fair value, management judgement is required in respect to input variables of the financial model used for estimation purposes. These variables include such inputs as the Company's stock price, stock price variability, trading volumes and risk-free rates of return.

Deferred revenue

The Company entered into a gold prepay and silver stream agreement with Orion in 2016 and entered into amendments to the agreements in 2019 as discussed in Note 4 to the March 31, 2019 unaudited condensed consolidated interim financial statements.

The 2016 upfront payment for the gold prepay facility with Orion was accounted for as deferred revenue as management determined that the agreement is not a derivative as it is satisfied through the delivery of nonfinancial items (i.e. gold commodity from the Company’s production), rather than cash or financial assets. As the amendment to the Gold Prepay agreement was related to security on the assets of the Company, it was not considered a significant change to the contract and continues to be recorded as deferred revenue.

The upfront payment for the original silver stream arrangement in 2016 was also accounted for as deferred revenue, as management had determined that the agreement was not a derivative as it was satisfied through the delivery of nonfinancial items (i.e. silver commodity from the Company’s production), rather than cash or financial assets. However, the silver stream contract was significantly modified on January 31, 2019 at which time it was necessary to reassess the accounting. Management used judgement based on the facts and circumstances of the modification to the contract and determined that it no longer met the own-use exemption allowing deferred revenue treatment. The silver stream was therefore derecognized as deferred revenue and was further evaluated under IFRS 9 and the valuation of financial instruments.

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

4. CREDIT FACILITY AND FINANCING ARRANGEMENT

On January 31, 2019, the Company finalized a $50.0 million secured revolving term credit facility with Investec Bank plc ("Investec"), as administrative agent for the lenders thereunder ("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 $18.3 million.

Details of the Investec credit facility agreement include:

- Amounts borrowed 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;
- As consideration for a mandate fee paid on signing of the agreement and which is included in deferred financing costs (as disclosed in Note 10(ii)), the Company:
  - Paid cash of $0.25 million and issued 216,446 common shares of the Company with a fair value of $0.25 million and
  - Issued 1.5 million common share purchase warrants with a fair value of $415,326, with each warrant exercisable into one common share of the Company and an exercise price of C$2.17 for a period of three years (see details in note 15(iv));
- A commitment fee of 1.6% payable based on the number of days and unused balance of the facility;
- Security on 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 the Company is subject to financial covenants including an adjusted earnings before interest, taxes, depreciation and amortization ration, a current ratio, a loan life coverage ratio and a minimum cash balance as well as certain reporting requirements. To date, the Company has not drawndown 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 $8.3 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$10.0 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 summary of the impact of these changes is as follows:

		January 31, 2019
Extinguishment of existing silver stream (Note 12)	$	7,658
Proceeds from contract modification		10,000
Fair value of amended silver stream agreement (Note 13)		(18,776)
Fair value gain on contract amendment to offtake agreement (Note 15)		2,237
Costs and fees associated with contract modification		(707)
Net gain on contract modifications	$	412

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

5. CASH AND CASH EQUIVALENTS

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

	June 30, 2019	December 31, 2018
Cash	$ **24,004**	$ 41,677
Short-term money market investments	**2,386**	2,205
Total cash and cash equivalents	$ **26,390**	$ 43,882

6. RECEIVABLES

	June 30, 2019	December 31, 2018
Recoverable taxes (i)	$ **23,645**	$ 18,353
Taxes receivable (ii)	**-**	3,876
Trade receivables (iii)	**1,829**	263
Other receivable	**503**	1,079
Total receivables	$ **25,977**	$ 23,571

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

(ii) As at December 31, 2018, taxes receivable were comprised of tax installments paid in excess of current taxes payable for Alternative Minimum Tax ("AMT") in the United States. This amount was recovered by the Company in the first quarter of 2019.

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

7. INVENTORY

	June 30, 2019	December 31, 2018
Finished goods	$ **2,095**	$ 2,061
Work-in-process	**257**	174
Current ore stockpiles	**227**	266
Materials and supplies	**15,072**	14,883
Total current inventory	**17,651**	17,384
Long-term ore stockpiles	**2,321**	2,266
Total inventory	$ **19,972**	$ 19,650

The amount of inventory recognized as an expense for the three and six months ended June 30, 2019 was $18.33 million and $33.05 million respectively ($20.54 million and $41.88 million, respectively, for the three and six months ended June 30, 2018), and is included in cost of sales excluding depletion, depreciation and amortization. Long-term inventory is comprised of low grade ore not expected to be processed in the next year.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

8. OTHER ASSETS

	June 30, 2019	December 31, 2018
Investments (i)	**$ 43**	$ 110
Deferred finance costs (ii)	**512**	-
Total other assets	**$ 555**	$ 110

(i) 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 June 30, 2019 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.

(ii) Current portion of deferred finance costs includes mandate, establishment and upfront advisory fees incurred to secure the Investec credit facility. These costs are amortized on a straight-line basis over the term of the facility.

9. RESTRICTED CASH AND CASH EQUIVALENTS

Property	June 30, 2019	December 31, 2018
Hardrock, Ontario (i)	**$ 242**	$ 232
Northern Empire Mill, Ontario (ii)	**1,711**	1,641
McCoy-Cove, Nevada (iii)	**600**	600
Hasaga, Ontario (iv)	**85**	82
South Arturo, Nevada (v)	**3,480**	3,026
	$ 6,118	$ 5,581

(i) The Company has a C$0.63 million ($0.48 million) standby letter of credit outstanding in favour of the Ontario Ministry of Northern Development and Mines ("MNDM") relating to potential reclamation obligations of the Greenstone Gold property in Ontario. Security 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 ($0.24 million) is recorded on the books of the Company. Upon discharge of all reclamation related obligations 100% of the funds held as security will be returned to the Company.

(ii) The Company has a total of C$2.24 million ($1.71 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 ($1.28 million) standby letter of credit with the Royal Bank of Canada and payable in favour of the MNDM; and
- C$0.41 million ($0.31 million) in financial assurance held directly by the MNDM.

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

(iv) The Company has a C$0.11 million ($0.09 million) standby letter of credit outstanding in favour of the MNDM relating to reclamation obligations for a workshop located on the Hasaga property in Ontario. Security 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 $3.48 million in restricted cash relating to the reclamation of the Company's 40% ownership of the South Arturo project.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

10. OTHER LONG-TERM ASSETS

	June 30, 2019	December 31, 2018
Receivable (i)	$ 2,855	$ 2,933
Deferred finance costs (ii)	1,825	-
Total other long-term assets	4,680	2,933
Less current portion	512	-
Long-term portion	$ 4,168	$ 2,933

(i) The Company has $2.85 million in AMT credits which are expected to be realized over the next four years. The receivable includes a recovery of $0.21 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.

(ii) Deferred finance costs includes mandate, establishment and upfront advisory fees incurred to secure the Investec credit facility. These costs are amortized on a straight-line basis over the term of the facility.

11. 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, 2018	$ 170,623	$ 116,378	$ 104,143	$ 391,144
Additions	15,380	281	11,212	26,873
Disposals	-	(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
IFRS 16 total transition adjustments (iv)	-	-	821	821
IFRS 16 reclassification of finance lease assets	-	-	(405)	(405)
Balance, January 1, 2019	181,752	111,957	115,058	408,767
Additions	14,753	51	11,002	25,806
Disposals	-	-	(56)	(56)
Change in estimate of environmental rehabilitation	681	-	-	681
Foreign currency adjustment	-	2,571	239	2,810
Balance, June 30, 2019	**$ 197,186**	**$ 114,579**	**$ 126,243**	**$ 438,008**
Accumulated depreciation and impairment				
Balance, January 1, 2018	$ 100,604	$ 2,942	$ 16,839	$ 120,385
Depletion, depreciation and amortization	11,398	-	9,547	20,945
Disposals	-	(1,309)	(198)	(1,507)
Foreign currency adjustment	-	(123)	(333)	(456)
Balance, December 31, 2018	112,002	1,510	25,855	139,367
Depletion, depreciation and amortization (iii)	5,076	-	5,321	10,397
Disposals	-	-	(46)	(46)
Foreign currency adjustment	-	50	165	215
Balance, June 30, 2019	**$ 117,078**	**$ 1,560**	**$ 31,295**	**$ 149,933**
Carrying amounts				
Balance, December 31, 2018	$ 69,750	$ 110,447	$ 88,787	$ 268,983
Balance, June 30, 2019	**$ 80,108**	**$ 113,019**	**$ 94,948**	**$ 288,075**

PREMIER GOLD MINES LIMITED

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

(i) Mineral properties subject to depletion

Property	December 31, 2018	Additions	Change in estimate of environmental provision	Depletion	June 30, 2019
South Arturo, Nevada	$ 3,810	$ 7,611	$ 206	$ (15)	**$ 11,612**
Mercedes, Mexico	65,940	7,142	475	(5,061)	**68,496**
	$ 69,750	$ 14,753	$ 681	$ (5,076)	**$ 80,108**

Property	January 1, 2018	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

(ii) Mineral properties not subject to depletion

Property	December 31, 2018	Additions	Change in estimate of environmental provision	Write-downs and disposals	Currency adjustment	June 30, 2019
Rahill-Bonanza, Ontario	$ 13,172	$ -	$ -	$ -	$ 559	**$ 13,731**
Hasaga, Ontario	9,704	-	-	-	412	**10,116**
Greenstone Gold, Ontario	36,547	-	-	-	1,550	**38,097**
McCoy-Cove, Nevada	50,892	-	-	-	-	**50,892**
Rye, Nevada	82	1	-	-	-	**83**
Rodeo Creek, Nevada	50	50	-	-	-	**100**
	$ 110,447	$ 51	$ -	$ -	$ 2,521	**$ 113,019**

Property	January 1, 2018	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

(iii) Depreciation, depletion and amortization on property, plant and equipment during the three and six months ended June 30, 2019 and 2018 include amounts allocated to:

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Depreciation, depletion and amortization	**$ 5,327**	$ 8,126	**$ 10,039**	$ 16,323
Recorded in exploration, evaluation and pre-development	**36**	23	**67**	45
Recorded in general and administrative	**166**	58	**274**	114
Recorded in property maintenance	**1**	1	**2**	2
	5,530	8,208	**10,382**	16,484
Inventory movement	**(231)**	(2,116)	**15**	(4,890)
Total depletion, depreciation and amortization	**$ 5,299**	$ 6,092	**$ 10,397**	$ 11,594

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

(iv) The Company's leased assets include buildings, vehicles, machinery, and equipment. Right-of-use assets include:

	Buildings	Equipment	Vehicles	Total
Balance as at January 1, 2019	$ 358	$ 416	$ 47	$ 821
Depreciation charge for the period	59	60	10	129
Balance as at June 30, 2019	$ 299	$ 356	$ 37	$ 692

Amounts related to leased assets recognized in profit or loss include:

	June 30, 2019
Interest on lease liabilities	$ 40
Expenses relating to short-term leases	476
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	77

(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 three and six months ended June 30, 2019 and 2018.

12. 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.

	Gold prepay (i)	Silver stream (ii)	Total
As at December 31, 2017	$ 27,805	$ 8,482	$ 36,287
IFRS 15 transition adjustment	-	336	336
As at January 1, 2018	27,805	8,818	36,623
Recognition of revenue	(5,625)	(1,233)	(6,858)
Interest accretion	-	320	320
Amortization of costs	111	22	133
As at June 30, 2018	22,291	7,927	30,218
Recognition of revenue	(5,625)	(1,888)	(7,513)
Variable consideration adjustment	-	1,170	1,170
Interest accretion	-	372	372
Amortization of costs	87	29	116
As at December 31, 2018	16,753	7,610	24,363
Recognition of revenue	(5,625)	-	(5,625)
Interest accretion	-	48	48
Amortization of costs	64	-	64
Extinguishment on contract modification	-	(7,658)	(7,658)
As at June 30, 2019	11,192	-	11,192
Less current portion	11,192	-	11,192
Long-term portion	**$ -**	**$ -**	**$ -**

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

(i) Gold prepay

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 June 30, 2019, the Company has delivered 26,950 troy ounces of gold towards the gold prepay agreement with Orion.

(ii) Silver stream

As discussed in Note 4, the silver stream agreement entered into with Orion in 2016 was significantly amended on January 31, 2019. As a result, the balance of the existing silver stream at January 31, 2019 was included in the gain on the contract modification included in other income / (expense). See note 4 of these financial statements for additional details.

13. LONG-TERM DEBT

	Promissory note (i)	Credit facility (ii)	Silver stream (iii)	Lease liability (iv)	Total
As at December 31, 2017	$ 50	$ 20,000	$ -	$ -	$ 20,050
Principal repayment	(50)	(20,000)	-	-	(20,050)
As at December 31, 2018	-	-	-	-	-
Impact of adopting IFRS 16 on January 1, 2019	-	-	-	645	645
As at January 1, 2019	-	-	-	645	645
Fair value of silver stream contract modification	-	-	18,776	-	18,776
Principal repayment	-	-	(1,449)	(98)	(1,547)
Fair value adjustments	-	-	1,161	-	1,161
As at June 30, 2019	-	-	18,488	547	19,035
Less current portion	-	-	415	355	770
Long-term portion	**$ -**	**$ -**	**$ 18,073**	**$ 192**	**$ 18,265**

(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.

(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.

(iii) Silver stream

As discussed in Note 4 to these financial statements, on January 31, 2019, the Company entered into a contract modification on an existing silver stream agreement. As a result of the amendment, the silver stream contract is determined to be a financial liability recorded at fair value through profit or loss. The principal repayment on the liability is variable based on 80% of the silver price applied to ounces delivered under the contract. For the three and six months ended June 30, 2019, the Company recognized a change in fair value of the silver stream liability of $0.48 million and $1.16 million, respectively, and is recorded in other income / (expense). See note 21 of these financial statements for additional details.

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

(iv) Lease liability

Lease liabilities relate to leases on buildings, vehicles and machinery and equipment which have remaining lease terms between one and five years and interest rates at 7.3% over the term of the leases.

The schedule of undiscounted lease payment obligations is as follows:

		June 30, 2019
Less than one year	$	236
One to five years		378
More than five years		-
Total undiscounted lease liabilities	**$**	**614**

14. 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 $1.95 million for the Hasaga and Northern Empire Mill properties in Canada, $5.00 million for the McCoy-Cove property, $10.23 million ($4.09 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 7.77%. 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, 2018	$	1,380	$	-	$	167	$	3,500	$	3,973	$	12,375	$	21,395
Change in estimate capitalized		-		-		-		-		207		475		682
Accretion expense		17		-		2		51		56		499		625
Currency adjustment		59		-		7		-		-		-		66
Balance, June 30, 2019	$	1,456	$	-	$	176	$	3,551	$	4,236	$	13,349	$	22,768
Less current portion		78		-		-		131		-		-		209
Long-term portion	**$**	**1,377**	**$**	**-**	**$**	**176**	**$**	**3,420**	**$**	**4,236**	**$**	**13,349**	**$**	**22,559**

		Northern Empire Mill		Faymar Deloro		Hasaga		McCoy-Cove		South Arturo		Mercedes Mine		Total
Balance, January 1, 2018	$	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		-		(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

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15. OTHER LIABILITIES

		June 30, 2019		December 31, 2018
Financial liability (i)	**$**	**383**	$	806
Offtake obligation (ii)		**-**		2,237
Share-based payment liability (iii)		**757**		142
Warrant liability (iv)		**1,735**		-
Option contracts (v)		**1,162**		-
Total other liabilities		**4,037**		3,185
Less current portion		**3,802**		805
Long-term portion	**$**	**235**	$	2,380

(i) Financial liability

The financial liability represents the present value of the interest component of the gold prepay agreement discussed in Note 12. $0.38 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.

(ii) Offtake obligation

As discussed in Note 4 to these financial statements, on January 31, 2019, the Company entered into a contract modification on the existing 2016 Orion offtake agreement. The contract amendment to the offtake agreement resulted in a gain due to the reversal of the fair value liability associated with the collar embedded in the original agreement and which was removed in the amended agreement. The gain on the contract amendment of $2.24 million is included in the gain on contract modifications included other income / (expense) for the period. See note 21 of these financial statements for additional details.

(iii) Share-based payment liability

The Company recognized a share-based payment liability of $0.76 million at June 30, 2019 ($0.14 million at December 31, 2018) under the Company's restricted and deferred share unit plans as discussed in Note 16(d) of these financial statements. The current portion of the liability is $0.52 million at June 30, 2019 ($0.11 million at December 31, 2018) representing the cash settlement expected on the next vesting date.

(iv) Warrant liability

In connection with the financing package discussed in Note 4 of these financial statements, the Company issued 3.5 million Common Share Purchase Warrants (“warrants”) which are exercisable into one fully paid and non-assessable common share of the Company. 1.5 million of the warrants are exercisable into 1.5 million common shares of the Company at an exercise price of C$2.17 per share until January 24, 2022 and two million of the warrants are exercisable into two million common shares at C$2.05 per share until January 31, 2022. The warrants include a four month hold period. The initial fair value of the warrants recognized on inception was $1.03 million.

On January 1, 2018, the Company had four million Common Share Purchase Warrants outstanding of which each were 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 expiry on September 30, 2018. The initial fair value of the warrants recognized on inception was $0.44 million.

The warrants are considered derivatives because their exercise price is in CAD whereas the Company’s functional currency is in USD. Accordingly, the Company recognizes the warrants as liabilities at fair value with changes in fair value recognized in profit or loss. For the three and six months ended June 30, 2019, the Company recognized a change in fair value of the warrants of $0.74 million and $0.71 million respectively ($(0.05) million and $(0.44) respectively, for the three and six months ended June 30, 2018).

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The fair value of the warrants were calculated using the Black-Scholes option pricing model, if applicable taking into the account the four month hold restriction, and with the following weighted average assumptions:

	June 30, 2019	December 31, 2018
Risk free rate	**1.51% - 1.82%**	1.5%
Warrant expected life	**31 to 36 months**	6 months
Expected volatility	**50% to 61%**	43% to 46%
Expected dividend	**0%**	0%
Share price	**C$1.56 to C$2.04**	C$2.82

(v) Option contracts

The Company entered into gold price, Asian style, cash settled zero-cost collars using option contracts that the Company has elected not to designate as cash flow hedges for hedge accounting under IFRS 9. The gold puts and calls will be settled based on a notional quantity per month with the payment amounts calculated based on put and strike prices compared to the commodity average price for the calculation period. These derivative financial instruments are classified within Level 2 of the fair value hierarchy and classified in these financial statements based on contract maturity. These derivative financial instruments are recorded at fair value calculated from an industry accepted model using independently sourced inputs. For the three and six months ended June 30, 2019, the Company recognized a change in fair value of the collars of $1.27 million and $1.16 million, respectively, and is included in other income / (expense).

At June 30, 2019, the Company had the following option contracts outstanding:

Contract date	Put option strike price	Call option strike price	Notional quantity per month (troy oz)	Contract term	Total quantity outstanding (troy oz)
March 25, 2019	$1,300	$1,350	1,000	07/31/2019 - 09/30/2019	3,000
June 4, 2019	$1,300	$1,360	1,500	07/31/2019 - 12/31/2019	9,000
June 14, 2019	$1,300	$1,400	1,500	07/31/2019 - 12/31/2019	9,000
June 20, 2019	$1,325	$1,450	2,000	01/31/2020 - 06/30/2020	12,000

For the three and six months ended June 30, 2019, the Company recognized a net realized gain of 0.02 million on collars settled and is included in other income / (expense).

16. SHARE CAPITAL

(a) Authorized share capital

At June 30, 2019, the authorized share capital consisted of an unlimited number of common shares and an unlimited number of preferred shares without par value.

(b) 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.

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(c) Stock options

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

	Options outstanding #	Weighted average exercise price CAD
Outstanding at January 1, 2018	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
Granted	3,522,000	1.56
Forfeited	(715,000)	3.55
Outstanding at June 30, 2019	**12,295,000**	**$2.50**

At June 30, 2019 the following options were outstanding and outstanding and exercisable:

	Outstanding			Outstanding and Exercisable		
Exercise price CAD	Options #	Weighted average exercise price CAD	Weighted average remaining life in years	Options #	Weighted average exercise price CAD	Weighted average remaining life in years
$1.56 - $1.61	3,522,000	$1.56	4.76	3,522,000	$1.56	4.76
2.19 - 2.85	3,370,000	2.40	0.76	3,370,000	2.40	0.76
3.02 - 3.65	5,373,000	3.17	2.74	5,323,000	3.17	2.73
4.28	30,000	4.28	2.06	30,000	4.28	2.06
	12,295,000	$2.50	2.78	12,245,000	$2.50	2.77

Total vested stock options at June 30, 2019 were 12,295,000 with a weighted average exercise price of C$2.50 (9,293,000 at December 31, 2018 with a weighted average exercise price of C$2.93).

The Company applies the fair value method of accounting for all stock based compensation awards and accordingly, $1.78 million and $1.87 million was recorded for options issued as compensation during the three and six months ended June 30, 2019, respectively ($0.11 million and $2.25 million for the three and six months ended June 30, 2018, respectively). The options had a weighted average grant date fair value of C$0.69 at June 30, 2019 (C$1.43 at June 30, 2018). As of June 30, 2019, there were 50,000 unvested stock options (195,000 at December 31, 2018).

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

	June 30, 2019	December 31, 2018
Risk-free interest rate	**1.546% - 1.86%**	1.465% - 1.631%
Annualized volatility based on historic volatility	**57%**	57%
Expected dividend	**Nil**	Nil
Forfeiture rate	**Nil**	Nil
Expected option life	**4 years**	4 years

(d) Restricted Share Unit Plan and Deferred 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 Company adopted the Deferred Share Unit ("DSU") plan to grant members of its Board of Directors 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. DSUs must be retained until the Director leaves the Board, at which time the awards will be equity or cash settled.

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The following table summarizes the changes in the RSUs and DSUs for the period ended June 30, 2019:

	RSUs outstanding #	Weighted average RSU exercise price CAD	DSUs outstanding #	Weighted average DSU exercise price CAD
Outstanding at January 1, 2018	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	-	-
Granted	1,242,000	1.55	155,000	1.55
Settled	-	-	-	-
Forfeited	(11,167)	1.67	-	-
Outstanding at June 30, 2019	1,495,000	$2.04	155,000	$2.04

As the options are expected to be settled in cash, at June 30, 2019 a current liability of $0.52 million and a long-term liability of $0.24 million was outstanding and included in other liabilities as disclosed in Note 15 ($0.11 million and $0.03 million respectively at December 31, 2018). For the three and six months ended June 30, 2019, $0.58 million and $0.61 million respectively has been recorded as an expense and included in share-based payments ($0.17 million and $0.26 million for the three and six months ended June 30, 2018 respectively). The fair value of the RSUs and DSUs at June 30, 2019 was C$3.37 million (C$0.46 million at December 31, 2018).
For purposes of the vesting of the RSUs and DSUs, the fair value of the liability was estimated using the share price of the valuation date and an expected weighted average forfeiture rate of 14% for RSUs and a forfeiture rate of nil for DSUs.

(e) Share-based payments

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Stock option valuation	**$ 1,783**	$ 113	**$ 1,865**	$ 2,249
RSU and DSU valuation	**581**	166	**609**	256
	$ 2,364	$ 279	**$ 2,474**	$ 2,505

17. BASIC AND DILUTED LOSS PER SHARE

Basic loss per share is calculated based on the weighted average number of common shares and common share equivalents outstanding during the three and six months ended June 30, 2019 and 2018. Diluted loss per share is based on the assumption that stock options that have an exercise price less than the average market price of the Company's common shares during the period have been exercised on the later of the beginning of the year and the date granted. Net loss and basic weighted average shares outstanding are reconciled to diluted net loss and diluted weighted average shares outstanding, respectively, as follows:

	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
Net loss for the period	**$ (10,072)**	$ (7,654)	**$ (11,005)**	$ (9,674)
Basic weighted average shares outstanding	**206,802,324**	201,631,431	**209,202,887**	201,631,431
Dilution adjustment for stock options	**-**	-	**-**	-
Diluted weighted average shares outstanding	**206,802,324**	201,631,431	**209,202,887**	201,631,431
Basic and diluted loss per share	**$ (0.05)**	$ (0.04)	**$ (0.05)**	$ (0.05)

An amount of 12,295,000 stock options (Note 16(c)) and 3,500,000 warrants (Note 15(iv)) were excluded from the computation of diluted weighted average shares outstanding for the period ended June 30, 2019 (10,157,000 and 3,000,000 respectively, for the period ended June 30, 2018), as their effect would be anti-dilutive.

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18. SUPPLEMENTAL CASH FLOW INFORMATION

(i) The following table summarizes the increase and decrease in working capital:

	Three months ended June 30,		Six months ended June 30	
	2019	2018	**2019**	2018
Receivables	**$ 1,085**	$ (2,367)	**$ (1,799)**	$ (6,255)
Prepaids and deposits	**37**	515	**(861)**	771
Inventory	**1,537**	4,187	**(309)**	4,027
Accounts payable and accrued liabilities	**(2,714)**	1,894	**(1,412)**	486
Taxes payable	**(966)**	(2,640)	**(889)**	(3,328)
Share-based payment liability	**-**	236	**-**	236
Increase / (decrease) in working capital	**$ (1,021)**	$ 1,825	**$ (5,270)**	$ (4,063)

(ii) The following table summarizes non-cash items included in other income:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Gain on disposal of property, plant and equipment	**$ -**	$ (323)	**$ (229)**	$ (323)
Unrealized (gain) / loss on derivatives	**1,978**	(162)	**1,838**	(972)
Unrealized loss on investments	**21**	37	**12**	89
Unrealized (gain) / loss on foreign exchange	**121**	993	**(974)**	1,453
Gain on contract modifications (Note 4)	**-**	-	**(412)**	-
Change in fair value of silver stream contract	**481**	-	**1,161**	-
	$ 2,601	$ 545	**$ 1,396**	$ 247

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

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Fair value of stock options allocated to share capital upon exercise	**$ -**	$ -	**$ -**	$ 299
Fair value of warrants issued in financing arrangements	**-**	-	**1,034**	-
Fair value of shares issued in financing arrangements	**-**	-	**250**	-
Fair value gain on offtake derivative liability	**-**	111	**-**	532
Fair value loss on silver stream liability	**(481)**	-	**(1,161)**	-
Fair value gain / (loss) on warrant liability	**(714)**	51	**(685)**	440
Fair value loss on option contracts	**(1,243)**	-	**(1,153)**	-

19. EXPLORATION, EVALUATION AND PRE-DEVELOPMENT

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Rahill-Bonanza, Ontario	**$ 1**	$ 10	**$ 2**	$ 26
Hasaga, Ontario	**27**	1,410	**43**	2,354
Greenstone Gold, Ontario	**3,619**	3,090	**6,667**	4,597
McCoy-Cove, Nevada	**1,042**	332	**3,157**	2,679
Goldbanks, Nevada	**277**	374	**328**	1,240
South Arturo, Nevada	**67**	632	**105**	690
Mercedes, Mexico	**69**	43	**704**	663
Rye, Nevada	**92**	15	**139**	16
Rodeo Creek, Nevada	**7**	-	**17**	-
Technical services	**180**	296	**374**	351
	$ 5,381	$ 6,202	**$ 11,536**	$ 12,616

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20. GENERAL AND ADMINISTRATION

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Corporate administration	**$ 568**	$ 616	**$ 800**	$ 1,210
Corporate salaries and benefits	**1,163**	997	**2,244**	1,915
Professional fees	**852**	268	**1,444**	504
Project administration (i)	**278**	426	**441**	649
	$ 2,861	$ 2,307	**$ 4,929**	$ 4,278

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

21. OTHER INCOME / (EXPENSE)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Investment and other income	**$ 24**	$ 24	**$ 50**	$ 48
Interest earned	**132**	210	**307**	437
Gain on disposal of property, plant and equipment	**-**	299	**229**	323
Gain / (loss) on derivatives	**(1,958)**	162	**(1,817)**	972
Loss on investments	**(20)**	(37)	**(12)**	(89)
Gain / (loss) on foreign exchange	**440**	(1,855)	**1,750**	(2,316)
Gain attributable to Greenstone Gold development commitment	**4,213**	3,403	**7,165**	5,092
Gain on contract modifications (Note 4)	**-**	-	**412**	-
Change in fair value of silver stream contract	**(481)**	-	**(1,161)**	-
	$ 2,350	$ 2,206	**$ 6,923**	$ 4,467

22. FINANCE EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	**2019**	2018
Environmental rehabilitation accretion	**$ 314**	$ 289	**$ 625**	$ 588
Interest paid	**251**	526	**545**	1,283
Finance costs	**404**	-	**404**	-
Amortization of finance costs	**155**	473	**271**	977
Amortization of gold prepay interest	**(192)**	(346)	**(422)**	(730)
Silver stream accretion	**-**	157	**48**	320
	$ 932	$ 1,099	**$ 1,471**	$ 2,438

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23. 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:

Three months ended June 30, 2019	**Mercedes**	**South Arturo**	**Exploration**	**Corporate and other**	**Total**
Revenue	$ 21,824	$ 1,167	$ -	$ -	$ 22,991
Cost of sales	(18,009)	(316)	-	-	(18,325)
Depletion, depreciation and amortization	(5,148)	(179)	-	-	(5,327)
Exploration, maintenance and rehabilitation	(69)	(67)	(5,019)	(366)	(5,521)
Overhead costs	(81)	(11)	(266)	(4,867)	(5,225)
Other income / (expense)	105	67	4,208	(2,030)	2,350
Finance expense	(264)	(27)	(35)	(606)	(932)
Income / (loss) before income taxes	(1,642)	634	(1,112)	(7,869)	(9,989)
Current tax expense	(23)	-	-	(350)	(373)
Deferred tax recovery	290	-	-	-	290
Income / (loss) for the period	**$ (1,375)**	**$ 634**	**$ (1,112)**	**$ (8,219)**	**$ (10,072)**

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

Six months ended June 30, 2019	**Mercedes**	**South Arturo**	**Exploration**	**Corporate and other**	**Total**
Revenue	$ 44,944	$ 1,167	$ -	$ -	$ 46,111
Cost of sales	(32,731)	(316)	-	-	(33,047)
Depletion, depreciation and amortization	(9,860)	(179)	-	-	(10,039)
Exploration, maintenance and rehabilitation	(704)	(105)	(10,263)	(767)	(11,839)
Overhead costs	(139)	(24)	(410)	(6,830)	(7,403)
Other income / (expense)	310	119	7,397	(903)	6,923
Finance expense	(526)	(56)	(70)	(819)	(1,471)
Income / (loss) before income taxes	1,294	606	(3,346)	(9,319)	(10,765)
Current tax expense	(100)	-	-	(694)	(794)
Deferred tax recovery	554	-	-	-	554
Income / (loss) for the period	**$ 1,748**	**$ 606**	**$ (3,346)**	**$ (10,013)**	**$ (11,005)**

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Six months ended June 30, 2018	Mercedes	South Arturo	Exploration	Corporate and other	Total
Revenue	$ 42,847	$ 23,799	$ -	$ -	$ 66,646
Cost of sales	(34,179)	(7,697)	-	-	(41,876)
Depletion, depreciation and amortization	(10,927)	(5,396)	-	-	(16,323)
Exploration, maintenance and rehabilitation	(663)	(690)	(10,770)	(662)	(12,785)
Overhead costs	(113)	(24)	(511)	(6,135)	(6,783)
Other income / (expense)	(904)	8	5,431	(68)	4,467
Finance expense	(479)	(65)	(47)	(1,847)	(2,438)
Income / (loss) before income taxes	(4,418)	9,935	(5,897)	(8,712)	(9,092)
Current tax expense	(466)	(601)	-	(697)	(1,764)
Deferred tax recovery	529	-	653	-	1,182
Income / (loss) for the period	$ (4,355)	$ 9,334	$ (5,244)	$ (9,409)	$ (9,674)

As at June 30, 2019	**Mercedes**	**South Arturo**	**Exploration**	**Corporate and other**	**Total**
Capital expenditures	$ 10,577	$ 10,550	$ 4,591	$ 88	**$ 25,806**
Property, plant & equipment	145,030	22,377	118,098	2,570	**288,075**
Total assets	189,169	24,885	135,123	24,017	**373,194**
Total liabilities	30,056	4,236	16,979	37,082	**88,354**

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	2,237	268,983
Total assets	182,655	14,232	124,198	45,403	366,486
Total liabilities	31,561	3,973	12,231	30,886	78,651

(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:

Three months ended June 30, 2019	**Canada**	**United States**	**Mexico**	**Corporate and other**	**Total**
Revenue	$ -	$ 1,167	$ 21,824	$ -	$ 22,991
Cost of sales	-	(316)	(18,009)	-	(18,325)
Depletion, depreciation and amortization	-	(179)	(5,148)	-	(5,327)
Exploration, maintenance and rehabilitation	(3,715)	(1,371)	(69)	(366)	(5,521)
Overhead costs	(259)	(13)	(86)	(4,867)	(5,225)
Other income / (expense)	4,215	66	99	(2,030)	2,350
Finance expense	(9)	(53)	(264)	(606)	(932)
Income / (loss) before income taxes	232	(699)	(1,653)	(7,869)	(9,989)
Current tax expense	-	-	(23)	(350)	(373)
Deferred tax recovery	-	-	290	-	290
Income / (loss) for the period	**$ 232**	**$ (699)**	**$ (1,386)**	**$ (8,219)**	**$ (10,072)**

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

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

Six months ended June 30, 2019	**Canada**	**United States**	**Mexico**	**Corporate and other**	**Total**
Revenue	$ -	$ 1,167	$ 44,944	$ -	$ 46,111
Cost of sales	-	(316)	(32,731)	-	(33,047)
Depletion, depreciation and amortization	-	(179)	(9,860)	-	(10,039)
Exploration, maintenance and rehabilitation	(6,887)	(3,481)	(704)	(767)	(11,839)
Overhead costs	(500)	72	(145)	(6,830)	(7,403)
Other income / (expense)	7,167	119	540	(903)	6,923
Finance expense	(20)	(106)	(526)	(819)	(1,471)
Income / (loss) before income taxes	(240)	(2,724)	1,518	(9,319)	(10,765)
Current tax expense	-	-	(100)	(694)	(794)
Deferred tax recovery	-	-	554	-	554
Income / (loss) for the period	**$ (240)**	**$ (2,724)**	**$ 1,972**	**$ (10,013)**	**$ (11,005)**

Six months ended June 30, 2018	Canada	United States	Mexico	Corporate and other	Total
Revenue	$ -	$ 23,799	$ 42,847	$ -	$ 66,646
Cost of sales	-	(7,697)	(34,179)	-	(41,876)
Depletion, depreciation and amortization	-	(5,396)	(10,927)	-	(16,323)
Exploration, maintenance and rehabilitation	(7,140)	(4,320)	(663)	(662)	(12,785)
Overhead costs	(501)	(27)	(120)	(6,135)	(6,783)
Other income / (expense)	5,430	8	(903)	(68)	4,467
Finance expense	(21)	(91)	(479)	(1,847)	(2,438)
Income / (loss) before income taxes	(2,232)	6,276	(4,424)	(8,712)	(9,092)
Current tax expense	-	(601)	(466)	(697)	(1,764)
Deferred tax recovery	653	-	529	-	1,182
Income / (loss) for the period	$ (1,579)	$ 5,675	$ (4,361)	$ (9,409)	$ (9,674)

As at June 30, 2019	**Canada**	**United States**	**Mexico**	**Corporate and other**	**Total**
Capital expenditures	$ 5	$ 15,137	$ 10,576	$ 88	**$ 25,806**
Property, plant & equipment	62,166	78,309	145,030	2,570	**288,075**
Total assets	63,694	95,686	189,797	24,017	**373,194**
Total liabilities	9,000	12,213	30,058	37,082	**88,354**

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	59,664	63,157	143,925	2,237	268,983
Total assets	60,634	77,404	183,045	45,403	366,486
Total liabilities	4,895	11,308	31,562	30,886	78,651

(c) Sales by customer

For the three and six months ended June 30, 2019, 100% of metal sales were to Orion. 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.

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

24. REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key management personnel includes the executive leadership team and members of the Board of Directors. Compensation for key management personnel was as follows:

Compensation of executive leadership team

	Three months ended June 30,				Six months ended June 30,			
		2019		2018		**2019**		2018
Salary, wages and benefits	**$**	**873**	$	599	**$**	**1,620**	$	1,385
Share-based payments		**1,472**		-		**1,472**		1,425
	$	**2,345**	$	599	**$**	**3,092**	$	2,810

Compensation of directors

	Three months ended June 30,				Six months ended June 30,			
		2019		2018		**2019**		2018
Fees earned and other remuneration	**$**	**200**	$	66	**$**	**257**	$	127
Share-based payments		**181**		-		**181**		399
	$	**381**	$	66	**$**	**438**	$	526

25. COMMITMENTS

(a) Contractual obligations

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

2019	$	5,892
2020		442
2021		112
2022		18
2023		2
	$	6,466

(b) Gold forward contracts

At June 30, 2019, 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 July 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 June 30, 2019, the Company has outstanding surety bonds in the amount of $9.57 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.

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26. FINANCIAL INSTRUMENTS

Fair value

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

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

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

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

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

	Level 1		Level 2		Level 3		Total	
	Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018
Canadian equity investments	**$ 43**	$ 110	**$ -**	$ -	**$ -**	$ -	**$ 43**	$ 110
Silver stream (i)	**-**	-	**-**	-	**18,488**	-	**18,488**	-
Offtake obligation (i)	**-**	-	**-**	-	**-**	2,237	**-**	2,237
Share-based payment liability	**-**	-	**757**	142	**-**	-	**757**	142
Warrant liability	**-**	-	**1,735**	-	**-**	-	**1,735**	-
Option contracts	**-**	-	**1,162**	-	**-**	-	**1,162**	-

(i) The offtake obligation and the amended silver stream agreement have 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	
	Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018
Cash and cash equivalents	**$ -**	$ -	**$ 26,390**	$ 43,882	**$ 26,390**	$ 43,882
Receivables	**-**	-	**25,977**	23,571	**25,977**	23,571
Canadian equity investments	**43**	110	**-**	-	**43**	110
Restricted cash and cash equivalents	**-**	-	**6,118**	5,581	**6,118**	5,581
	$ 43	$ 110	**$ 58,485**	$ 73,034	**$ 58,528**	$ 73,144

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

	Fair value through profit or loss		Amortized cost		Total	
	Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018	Jun 30, 2019	Dec 31, 2018
Accounts payable and accrued liabilities	**$ -**	$ -	**$ 20,572**	$ 17,870	**$ 20,572**	$ 17,870
Long-term debt	**19,035**	-	**-**	-	**19,035**	-
Offtake obligation	**-**	2,237	**-**	-	**-**	2,237
Share-based payment liability	**757**	142	**-**	-	**757**	142
Warrant liability	**1,735**	-	**-**	-	**1,735**	-
Option contracts	**1,162**	-	**-**	-	**1,162**	-
Other liability	**-**	-	**383**	806	**383**	806
	$ 22,689	$ 2,379	**$ 20,955**	$ 18,676	**$ 43,644**	$ 21,055

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(Stated in thousands of United States Dollars, except for share data)
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The Company calculates fair values based on the following methods of valuation and assumptions:

Financial assets

The fair value of cash and cash equivalents and receivables approximate their carrying value due to their short term nature.

The fair value of Canadian equity investments in shares is determined based on the quoted market price.

Option contracts are fair valued using a valuation model that incorporates such factors as metal prices, metal price volatility and expiry date.

Financial liabilities

Accounts payable and accrued liabilities approximate their carrying value due to their short term nature.

Share based payment and warrant liabilities are fair valued using a valuation model that incorporates such factors as share price, share price volatility, risk free rates and expiry dates including managements assumptions on forfeiture rates.

The fair value of the amended silver stream is determined based on the net present value of expected future cash flows based on management assumptions on silver deliveries under the stream and a discount rate that includes the risk premium that market participants require. Based on the agreement, 0.30 million ounces of silver or gold equivalent must be delivered annually until a minimum 2.1 million ounces is met. As the agreement began on January 31, 2019, this annual amount was prorated for 2019 and assigned annually until 2023, variability within the year based on the Mercedes and South Arturo life of mine plans. Subsequent to the 2.1 million ounce requirement, the Company is committed to deliver 100% of silver production to Orion until a threshold of 3.75 million ounces has been reached after which the commitment drops to 30%. The assumption used for the balance of the commitment was an annual delivery of the 0.3 million ounces spread evenly over the years until 2033 at which time the fair value of the silver stream will be nil. A discount rate of 14% was applied to the stream reflecting the risk premium rate that a market participant would require. An average silver price of $16 dollars was used to determine the forgone revenue applied to the balance.

Given the annual commitment for the first 5 years of the stream, the variation in ounces produced would not significantly impact the calculation. An increase or decrease of 10% to the estimated ounces delivered subsequent to 2023 would impact the fair value by $0.7 million if decreased and $0.4 million if increased. The impact on the fair value of a discount rate change of 1% would increase the fair value by $0.8 million and decrease it by $0.7 million. For the silver price assumption a change of $1 would have an impact both positively or negatively of $1.2 million.

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 $590.40 million at June 30, 2019 ($580.57 million at December 31, 2018). 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 took a write-down of the inventory in 2018 and is working with its counsel to assert its legal right to the value associated with the inventory.