PREMIER GOLD MINES LIMITED

Consolidated Financial Statements

December 31, 2019

(Stated in thousands of United States Dollars)

Grant Thornton LLP
11th Floor
200 King Street West, Box 11
Toronto, ON
M5H 3T4

T +1 416 366 0100
F +1 416 360 4949

Independent auditor's report

To the Shareholders of Premier Gold Mines Limited

Opinion

We have audited the consolidated financial statements of Premier Gold Mines Limited and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019, and 2018 and consolidated statements of loss and comprehensive loss, consolidated statements of changes in equity, and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Grant Thornton LLP

Toronto, Canada
March 4, 2020

Chartered Professional Accountants
Licensed Public Accountants

PREMIER GOLD MINES LIMITED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Stated in thousands of United States Dollars)

	Note	December 31, 2019	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	5	**$ 58,408**	$ 43,882
Receivables	6	**13,320**	23,571
Inventory	7	**22,521**	17,384
Prepaids and deposits		**1,747**	1,776
Other assets	8	**547**	110
Total current assets		**96,543**	86,723
Non-current assets			
Restricted cash and cash equivalents	9	**6,600**	5,581
Long-term inventory	7	**3,281**	2,266
Other long-term assets	10	**1,777**	2,933
Property, plant and equipment	11	**300,440**	268,983
Total non-current assets		**312,098**	279,763
Total assets		**$ 408,641**	$ 366,486
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**$ 51,971**	$ 17,870
Taxes payable		**434**	1,122
Current portion of deferred revenue	12	**5,608**	12,977
Current portion of long-term debt	13	**18,505**	-
Current provision for environmental rehabilitation	14	**111**	389
Current portion of other liabilities	15	**3,691**	805
Total current liabilities		**80,320**	33,163
Non-current liabilities			
Deferred taxes	24	**10,498**	10,715
Deferred revenue	12	**-**	11,386
Long-term debt	13	**19,370**	-
Provision for environmental rehabilitation	14	**19,878**	21,007
Other liabilities	15	**274**	2,380
Total non-current liabilities		**50,020**	45,488
Total liabilities		**130,340**	78,651
EQUITY			
Share capital		**548,240**	538,129
Reserves		**(17,937)**	(18,244)
Deficit		**(252,002)**	(232,050)
Total equity		**278,301**	287,835
Total liabilities and equity		**$ 408,641**	$ 366,486

Commitments [Note 26]

Contingencies [Note 29]

Subsequent events [Notes 29 & 30]

See accompanying notes to the consolidated financial statements

Approved by the Board of Directors and authorized for issue on March 4, 2020

"John Seaman"
Director

"Ewan Downie"
Director

PREMIER GOLD MINES LIMITED

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

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

	Note	Year ended December 31, 2019	2018
Revenue		**$ 93,750**	$ 113,867
Cost of sales		**(70,178)**	(71,763)
Depletion, depreciation and amortization	11	**(20,009)**	(25,568)
Mine operating income		**3,563**	16,536
Expenses			
Exploration, evaluation, and pre-development	19	**24,094**	22,233
Property maintenance		**442**	243
General and administrative	20	**9,932**	9,528
Share-based payments	16(f)	**3,457**	2,571
Re-measurement of environmental rehabilitation provision	14	**93**	(99)
Loss before the following		**(34,455)**	(17,940)
Other income	21	**18,623**	2,087
Finance expense	22	**(2,800)**	(3,744)
Loss before income taxes		**(18,632)**	(19,597)
Current tax expense	24	**(1,805)**	(2,781)
Deferred tax recovery	24	**485**	1,952
Loss for the year		**(19,952)**	(20,426)
Other comprehensive loss			
Exchange loss on translation of foreign operations		**(1,620)**	(3,086)
Total comprehensive loss for the year		**$ (21,572)**	$ (23,512)
Basic and diluted loss per share	17	**$ (0.10)**	$ (0.10)
Weighted average number of shares outstanding			
Basic and diluted	17	**209,838,743**	202,744,999

See accompanying notes to the consolidated financial statements

PREMIER GOLD MINES LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Stated in thousands of United States Dollars)

	Note	Year ended December 31, 2019	2018
OPERATING ACTIVITIES			
Loss for the year		**$ (19,952)**	$ (20,426)
Items not affecting cash			
Non-cash revenue on metal agreements		**(13,839)**	(13,202)
Depletion, depreciation and amortization	11	**20,726**	25,905
Greenstone Gold non-cash operating expenses		**17,209**	9,891
Non-cash share-based payments		**2,430**	2,271
Re-measurement of environmental rehabilitation provision	14	**93**	(99)
Gain attributable to Greenstone Gold development commitment	21	**(17,209)**	(9,891)
Other non-cash items included in other income	18(ii)	**(4,157)**	966
Finance expense	22	**2,800**	3,744
Deferred tax recovery	24	**(485)**	(1,952)
Change in non-cash working capital balances related to operations	18(i)	**35,613**	(7,899)
Cash provided by / (used in) operating activities		**$ 23,229**	$ (10,692)
INVESTMENT ACTIVITIES			
Proceeds from the sale of investments		**66**	178
Capital expenditures on property, plant and equipment	11	**(52,025)**	(26,873)
Proceeds on disposal of royalties	11(b)	**5,976**	-
Proceeds on disposal of property, plant and equipment		**239**	14
Environmental liability security placed		**(957)**	(1,031)
Reclamation expenditures charged to the provision for environmental rehabilitation		**(291)**	(264)
Cash used in investment activities		**$ (46,992)**	$ (27,976)
FINANCING ACTIVITIES			
Tax refund and interest received		**1,506**	-
Proceeds from Investec draw	13	**17,500**	-
Repayment of long-term debt	13	**-**	(20,050)
Proceeds from the silver stream contract modification	4	**10,000**	-
Finance fees paid		**(2,516)**	-
Interest paid	22	**(1,113)**	(1,984)
Repayment of lease liability		**(218)**	-
Proceeds from shares issued in financing arrangement	4	**8,341**	-
Proceeds from shares issued in private placement	16(b)	**3,176**	-
Proceeds from the exercise of stock options		**36**	1,285
Share issue costs		**(536)**	-
Cash provided by / (used in) financing activities		**$ 36,176**	$ (20,749)
Change in cash and cash equivalents during the year		**12,413**	(59,417)
Cash and cash equivalents, beginning of the year		**43,882**	103,046
Effect of exchange rate changes on cash held		**2,113**	253
Cash and cash equivalents, end of year		**$ 58,408**	$ 43,882

Supplemental cash flow information [Note 18]

See accompanying notes to the consolidated financial statements

PREMIER
GOLD MINES LIMITED

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

		Share Capital		Reserves				
Issued and outstanding	Note	Number of shares	Share capital	Equity settled employee benefits	Contributed surplus	Foreign currency translation	Deficit	Total equity
Balance as at 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		824,800	2,028	(801)	-	-	-	1,227
Shares issued for termination of option agreement		23,149	58	-	-	-	-	58
Equity settled share-based payments		-	-	2,352	-	-	-	2,352
Warrants reclassified to liability on change of functional currency		-	(441)	-	-	-	-	(441)
Comprehensive loss for the year		-	-	-	-	(3,086)	(20,426)	(23,512)
Balance as at December 31, 2018		203,214,036	538,129	34,171	8,267	(60,682)	(232,050)	287,835
Exercise of stock options		30,000	51	(16)	-	-	-	35
Equity settled share-based payments		-	-	1,943	-	-	-	1,943
Shares issued in relation to revolving Investec credit facility	4	216,446	250	-	-	-	-	250
Shares issued in financing arrangement	4	7,000,000	8,341	-	-	-	-	8,341
Shares issued in private placement	16(b)	1,500,000	3,176	-	-	-	-	3,176
Deferred flow through premium		-	(889)	-	-	-	-	(889)
Share issue costs		-	(818)	-	-	-	-	(818)
Comprehensive loss for the year		-	-	-	-	(1,620)	(19,952)	(21,572)
Balance as at December 31, 2019		**211,960,482**	**$ 548,240**	**$ 36,098**	**$ 8,267**	**$ (62,302)**	**$ (252,002)**	**$ 278,301**

See accompanying notes to the consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. NATURE OF BUSINESS

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The consolidated financial statements of the Company for the year ended December 31, 2019 were approved and authorized for issue by the Board of Directors on March 4, 2020.

(b) Basis of presentation

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

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

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

(c) Basis of consolidation

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

Subsidiary	Percentage of ownership	Jurisdiction	Principal activity
Premier Gold Mines USA Inc.	100%	United States	Mineral exploration
Premier Gold Mines Nevada Inc.	100%	United States	Mineral exploration
Au-reka Gold Corporation	100%	United States	Mineral exploration
Premier Goldbanks LLC	100%	United States	Mineral exploration
Goldcorp Dee LLC	100%	United States	Production
Premier Rye LLC	100%	United States	Mineral exploration
Goldstone Resources Inc.	100%	Canada	Mineral exploration
Premier Gold Mines Hardrock Inc.	100%	Canada	Pre-development
Greenstone Gold Mines GP Inc.	50%	Canada	Pre-development
Premier Gold Mines NWO Inc.	100%	Canada	Mineral exploration
Cherbourg Gold Inc.	85.7%	Canada	Mineral exploration
Barraute Gold Inc.	100%	Canada	Mineral exploration
Oro Premier de Mexico S.A. de C.V.	100%	Mexico	Mineral exploration
Minera Mercedes Minerales S. de R.L. de C.V.	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.

(d) Joint and co-ownership arrangements

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Outlined below is information related to our joint arrangements and entities other than 100% owned subsidiaries of the Company at December 31, 2019:

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

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

(e) Business combinations

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

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

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

(f) 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, labour, 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.

(g) Financial instruments

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

Financial assets at FVPL

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

Financial assets at FVOCI

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

Financial assets at amortized cost

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

Financial liabilities

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

Derivative instruments

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

Fair values

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

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

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

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

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

Impairment of financial assets

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

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

Derecognition of financial assets and liabilities

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

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

(h) Cash and cash equivalents

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

(i) Inventory

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

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

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

(j) Property, plant and equipment

General

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

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

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

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

Exploration, evaluation and pre-development expenditures

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

Exploration, evaluation and pre-development expenditures consist of:

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

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

Development properties (underground and open pit)

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Mine properties

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

Deferred stripping costs

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

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

Depreciation and depletion

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

Depreciation or depletion is computed using the following rates:

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

(k) Deferred revenue

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

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

(l) Provisions

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

Environmental rehabilitation

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

(m) Share capital and warrants

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

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

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

(n) Share-based compensation

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

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

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

The Company has three share-based compensation plans: The Share option plan, Deferred share unit plan and Restricted share unit plan, as noted below, and as further discussed in Note 16 of these consolidated financial statements.

Share Option Plan

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

Deferred Share Unit Plan

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

Restricted Share Unit Plan

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

(o) Impairment of non-financial assets

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

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

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

(p) Revenue

The Company follows as 5-step process in determining whether to recognize revenue from the sale of precious metals, gold and silver:

- Identifying the contract with a customer;
- Identifying the performance obligations;
- Determine the transaction price;
- Allocating the transaction price to the performance obligations; and
- Recognizing revenue when/as performance obligation(s) are satisfied.

The Company earns revenue from contracts with customers under the gold prepay, gold offtake, silver stream and gold forward arrangements with Orion and from gold sold in the London spot market. Revenue from contracts with customers is generally recognized on the settlement date, which is the date the customer obtains control of the promised asset and the Company satisfies its performance obligation. The Company considers the terms of the contract in determining the transaction price. The transaction price is based upon the amount the Company expects to be entitled to in exchange for the transferring of the promised goods. The transaction price is either fixed on the settlement date or at spot prices based upon the terms of the contract. The Company typically receives payment within one to three days of the settlement date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(q) Income taxes

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

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

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

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

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

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

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

(r) Income / (loss) per share

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

(s) Segment reporting

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

(t) Interest

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

(u) Operating expenses

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

(v) Flow-through shares

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

(w) Significant accounting judgements 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:

Business combinations

Determination of whether a group of assets acquired and liabilities assumed constitute the acquisition of a business or an asset may require the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 Business Combinations.

Purchase price allocation

Applying the acquisition method to business combinations requires each identifiable asset and liability to be measured at its acquisition date fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The determination of the acquisition date fair values require management to make assumptions and estimates about future events. The assumptions and estimates relating to determining the fair value of property, plant and equipment acquired generally require a high degree of judgement, and include estimates of mineral reserves acquired, future metal prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could affect the amounts assigned to assets, liabilities and goodwill in the purchase price allocation.

Inventory valuation

Finished goods, work-in-process, heap leach ore and stockpile ore are valued at the lower of cost and net realizable value. The assumptions used in the valuation of work-in-process inventories include estimates of gold contained in the ore stacked on leach pads, assumptions of the amount of gold stacked that is expected to be recovered from the leach pads, the amount of gold in the mill circuits and assumption of the gold price expected to be realized when the gold is recovered. If these estimates or assumptions prove to be inaccurate, the Company could be required to write-down the recorded value of its work-in-process inventories and heap leach ore, which would reduce earnings and working capital.

Impairment and reversal of impairment for non-current assets

Non-current assets are tested for impairment at the end of each reporting period if in management's judgement there is an indicator of impairment. If there are indicators, management performs an impairment test on the major assets within this balance.

In the case of mineral property assets, recoverability is dependent on a number of factors common to the natural resource sector. These include the extent to which the Company can continue to renew its exploration and future development licenses with local or other authorities, establish economically recoverable reserves on its properties, the availability of the Company to obtain necessary financing to complete the development of such reserves and future profitable production or proceeds from the disposition thereof. The Company will use the evaluation work of professional geologists, geophysicists and engineers for estimates in determining whether to commence or continue mining and processing. These estimates generally rely on scientific and economic assumptions, which in some instances may not be correct, and could result in the expenditure of substantial amounts of money on a deposit before it can be determined whether or not the deposit contains economically recoverable mineralization.

Recoverable ounces

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

The figures for mineral reserves and mineral resources are determined in accordance with National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*, issued by the Canadian Securities Administrators. This National Instrument lays out the standards of disclosure for mineral projects including rules relating to the determination of mineral reserves and mineral resources. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgements used in engineering and geological interpretation. Differences between management's assumptions, and actual events including economic assumptions such as metal prices and market conditions, could have a material effect in the future on the Company's financial position and results of operation.

Asset retirement obligations

Management assesses the asset retirement obligations on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs required based on the existing laws and regulations in each jurisdiction the Company operates in, the timing of these expenditures, and the impact of changes in the discount rate. The actual future expenditures may differ from the amount currently provided if the estimates made are significantly different than actual results or if there are significant changes in environmental and / or regulatory requirements in the future.

Valuation of financial instruments

The fair value of derivative financial liabilities that are not traded in an active market is determined using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are based on market conditions existing at the end of each reporting period as an indication of the expected future market conditions. The Company has used a discounted cash flow analysis for the offtake agreement, incorporating key assumptions for the production to be delivered under the offtake agreement, expected metal prices and discount to metal prices during the quotational period, and discount rates that are commensurate with the risks associated with the financial liability to reflect the time value of money.

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 of these 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.

Commercial Production

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

Functional currency of foreign subsidiaries

Management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. As part of this approach, management gives priority to indicators like the currency that mainly influences costs and the currency in which those costs will be settled and the currency in which funds from financing activities are generated. Management also assesses the degree of autonomy the foreign operation has with respect to operating activities.

Deferred income taxes

The Company operates in several tax jurisdictions and is required to estimate the income tax provision in each of these jurisdictions in preparing its financial statements. The provision for income taxes which is included in the consolidated statements of income (loss) and comprehensive income (loss) and composition of deferred income tax liabilities included in the consolidated statements of financial position is based on factors such as tax rates in the different jurisdictions, changes in tax law and management's assessment of future results and have not yet been confirmed by the taxation authorities. The Company does not recognize deferred tax assets where management does not expect such assets to be realized based on current forecasts.

In the event that actual results differ from these estimates, adjustments are made in future periods and changes in the amount of amount of deferred tax assets recognized may be required. These adjustments could materially impact the financial position and income or loss for the period.

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.

Other estimates

Other significant estimates which could materially impact the financial statements include:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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.

(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 1 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 ratio, a current ratio, a loan life coverage ratio and a minimum cash balance as well as certain reporting requirements. As at December 31, 2019, the Company is in compliance with these covenants. During 2019 the Company drew $17.5 million on the Investec credit facility as further discussed in Note 13 of these financial statements.

In connection with the closing of the Orion financing arrangements:

- Orion subscribed for 7 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 2 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 $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 CONSOLIDATED FINANCIAL STATEMENTS

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

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.

	December 31, 2019	December 31, 2018
Cash	**$ 58,369**	$ 41,677
Short-term money market investments	**39**	2,205
Total cash and cash equivalents	**$ 58,408**	$ 43,882

6. RECEIVABLES

	December 31, 2019	December 31, 2018
Recoverable taxes (i)	**$ 12,016**	$ 18,353
Taxes receivable (ii)	**714**	3,876
Trade receivables (iii)	**574**	263
Other receivable	**16**	1,079
Total receivables	**$ 13,320**	$ 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) Taxes receivable in the current year are comprised of a recovery of Alternative Minimum Tax ("AMT") in the United States incurred in 2017. Taxes receivable in the previous year are comprised of tax installments paid in excess of current taxes payable for AMT.

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

7. INVENTORY

	December 31, 2019	December 31, 2018
Finished goods	**$ 3,381**	$ 2,061
Work-in-process	**380**	174
Current ore stockpiles	**3,217**	266
Materials and supplies	**15,543**	14,883
Total current inventory	**22,521**	17,384
Long-term ore stockpiles	**3,281**	2,266
Total inventory	**$ 25,802**	$ 19,650

The amount of inventory recognized as an expense for the year ended December 31, 2019 was $70.18 million ($80.02 million for the year ended December 31, 2018, of which $71.76 million is included in cost of sales excluding depletion, depreciation and amortization and $8.26 million is included in other income as a write-down of finished goods inventory). The write-down was a result of the Republic Metals Corporation (“RMC”) bankruptcy further discussed in Note 29 of these consolidated financial statements. Long-term inventory is comprised of low-grade ore not expected to be processed in the next year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

8. OTHER ASSETS

	December 31, 2019	December 31, 2018
Investments (i)	**$ 31**	$ 110
Deferred finance costs (ii)	**516**	-
Total other assets	**$ 547**	$ 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 December 31, 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.

(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	December 31, 2019	December 31, 2018
Hardrock, Ontario (i)	**$ 244**	$ 232
Northern Empire Mill, Ontario (ii)	**1,729**	1,641
McCoy-Cove, Nevada (iii)	**600**	600
Hasaga, Ontario (iv)	**-**	82
South Arturo, Nevada (v)	**4,027**	3,026
	$ 6,600	$ 5,581

(i) The Company has a C$0.63 million ($0.49 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$2.25 million ($1.73 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 ($0.12 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 ($1.29 million) standby letter of credit with the Royal Bank of Canada and payable in favour of the MNDM; and
- C$0.42 million ($0.32 million) in financial assurance held directly by the MNDM.

(iii) The Company's wholly owned subsidiary, Au-reka Gold Corporation, has $0.60 million in restricted cash related to reclamation obligations associated with the McCoy-Cove property in Nevada held in trust with Lexon Surety Group as security for the surety bonds as further discussed in Note 26(b).

(iv) The Company had a C$0.11 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. In 2019, the standby letter of credit has been replaced by a surety bond as further discussed in Note 26(b).

(v) The Company has $4.03 million in restricted cash relating to the reclamation of the Company's 40% ownership of the South Arturo project.

PREMIER GOLD MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

10. OTHER LONG-TERM ASSETS

	December 31, 2019	December 31, 2018
Receivable (i)	**$ 1,427**	$ 2,933
Deferred finance costs (ii)	**1,580**	-
Total other long-term assets	**3,007**	2,933
Less current portion	**1,230**	-
Long-term portion	**$ 1,777**	$ 2,933

(i) The Company has $1.43 million in AMT credits which are expected to be realized over the next two to three years. The receivable is comprised of a recovery of AMT incurred in 2017. The recovery is due to the enactment of U.S. Tax Reform legislation on December 22, 2017.

(ii) Deferred finance costs include 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	20,275	20,557	11,345	52,177
Disposals	-	-	(77)	(77)
Change in estimate of environmental rehabilitation	(3,029)	790	-	(2,239)
Transfers	(3,408)	3,408	-	-
Foreign currency adjustment	-	3,053	285	3,338
Balance, December 31, 2019	**$ 195,590**	**$ 139,765**	**$ 126,611**	**$ 461,966**
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)	10,418	-	11,529	21,947
Disposals	-	-	(46)	(46)
Foreign currency adjustment	-	60	198	258
Balance, December 31, 2019	**$ 122,420**	**$ 1,570**	**$ 37,536**	**$ 161,526**
Carrying amounts				
Balance, December 31, 2018	$ 69,750	$ 110,447	$ 88,787	$ 268,983
Balance, December 31, 2019	**$ 73,170**	**$ 138,195**	**$ 89,075**	**$ 300,440**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(i) Mineral properties subject to depletion

Property	December 31, 2018	Additions	Change in estimate of environmental provision	Transfers	Depletion	December 31, 2019
South Arturo, Nevada	$ 3,810	$ 5,666	$ (915)	$ (3,408)	$ (891)	**$ 4,262**
Mercedes, Mexico	65,940	14,609	(2,114)	-	(9,527)	**68,908**
	$ 69,750	$ 20,275	$ (3,029)	$ (3,408)	$ (10,418)	**$ 73,170**

Property	January 1, 2018	Additions	Change in estimate of environmental provision	Transfers	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	Transfers	Currency adjustment	December 31, 2019
Rahill-Bonanza, Ontario	$ 13,172	$ -	$ -	$ -	$ 663	**$ 13,835**
Hasaga, Ontario	9,704	-	35	-	489	**10,228**
Greenstone Gold, Ontario	36,547	-	-	-	1,841	**38,388**
McCoy-Cove, Nevada	50,892	-	755	-	-	**51,647**
Rye, Nevada	82	26	-	-	-	**108**
Rodeo Creek, Nevada	50	100	-	-	-	**150**
South Arturo, Nevada	-	20,431	-	3,408	-	**23,839**
	$ 110,447	$ 20,557	$ 790	$ 3,408	$ 2,993	**$ 138,195**

Property	January 1, 2018	Additions	Change in estimate of environmental provision	Transfers	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 year ended December 31, 2019 and 2018 include amounts allocated to:

	Year ended December 31, 2019	2018
Depreciation, depletion and amortization	**$ 20,009**	$ 25,568
Recorded in exploration, evaluation and pre-development	**148**	103
Recorded in general and administrative	**565**	230
Recorded in property maintenance	**4**	4
	20,726	25,905
Inventory movement	**1,221**	(4,960)
Total depletion, depreciation and amortization	**$ 21,947**	$ 20,945

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(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 year	136	121	20	277
Balance as at December 31, 2019	$ 222	$ 295	$ 27	$ 544

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

	December 31, 2019
Interest on lease liabilities	$ 70
Expenses relating to short-term leases	1,046
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	128

(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 year ended December 31, 2019 and 2018.

(b) Sale of royalties

During the third quarter of 2019 the Company sold a package of net smelter return ("NSR") royalties to Franco-Nevada Corporation for total gross proceeds of $6.0 million. The package was comprised of a 2% NSR on the PQ North Property, adjoining the Musselwhite Mine in Northwestern Ontario, and a 1.5% NSR on the Rain/Emigrant and Saddle Properties located in Nevada. The net proceeds of $5.98 million have been recorded as a gain on disposal of royalties and is included in other income / (expense) for the year.

(c) Acquisitions and option agreements

Option Agreement for Rodeo Creek property

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

Rye Vein Exploration and Earn-In Agreement

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

Goldbanks Exploration and Earn-In Agreement

On July 26, 2017, the Company and its wholly owned subsidiary Premier Goldbanks LLC signed an agreement with Kinross Gold USA, Inc. ("Kinross"), a wholly owned subsidiary of Kinross Gold Corporation, on the Goldbanks project. The Company is required to spend $20 million in exploration over five years on the Goldbanks Project to earn a 50% interest, including a firm commitment of $3.50 million between July 26, 2016 and December 31, 2017. A total of $3.88 million was spent as of December 31, 2017. On December 26, 2019 the agreement was terminated in accordance with its terms.

San Felipe Property Acquisition Option

On April 3, 2019, the Company entered into an option acquisition agreement with Americas Silver Corporation ("ASC") to acquire an option to purchase a 100% interest in the San Felipe property, located 55 kilometers from the Company's Mercedes mine in Sonora State, Mexico. Completion of the transaction was subject to customary closing conditions for a transaction of this nature. On July 18, 2019 the agreement was terminated in accordance with its terms.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(d) Summary of mineral property Net Smelter Return ("NSR") royalties (at December 31, 2019)

Active properties	NSR
Rahill Bonanza, Ontario	2% NSR Marathon Canada Ltd.
	3% NSR William, Michael and the estate of Steve Kostynuk
	3% NSR Dave Meunier
	0.5% NSR Cypress/Skyharbour
	2% underlying NSR owed to a third party
Hasaga, Ontario	3% NSR Lac Properties
	1% NSR Pure Gold Mining Inc.
	3% NSR Camp McMann Red Lake Gold Mine Ltd.
	0.5% NSR Sandstorm Gold Ltd.
Greenstone Gold Mines, Ontario	3% NSR Argonaut Gold Inc.
	2% NSR Algoma Steel Inc.
	1% NSR on the first 350,000 tons of production from the property payable to Griffin Mining Limited (formerly European Mining Limited)
	3% NSR Franco-Nevada Corporation
	5% NSR Algoma Steel Inc.
	1% NSR Metalore Resources
McCoy Cove, Nevada	1.5% NSR Maverix Metals Inc.
	2% NSR Maverix Metals Inc.
South Arturo, Nevada	4-9% Annual minimum royalty Franco-Nevada Corporation
Mercedes Mine, Mexico	1 % NSR to Yamana Gold Inc. (Mercedes Mine Cucurpe) on the earlier of the date on which 450,000 ounces of gold equivalent has been produced by the Mercedes Mine following September 30, 2016; and September 30, 2022
	2 % NSR to Yamana Gold Inc. (La Espera)
	2 % NSR to Yamana Gold Inc. (La Silla)

Inactive properties	NSR
Northern Empire, Ontario	3% NSR Shirley Lafontaine, Amede Lafontaine, Stewart Robertson, Geneva Nichols
Sand River Leitch, Ontario	12% NSR Osisko Gold Royalties
	3% NSR Franco-Nevada Corporation
	0.8925% NSR AfriCan Marine Minerals
Nortoba-Tyson, Ontario	1% NSR Wayne Gorrie
	2% NSR Cote
Ozone Creek, Ontario	3% NSR Lac Properties
Rodeo Creek, Nevada	2% NSR Nevada Select Royalty Inc

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

12. DEFERRED REVENUE

	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	(11,250)	(3,122)	(14,372)
Variable consideration adjustment	-	1,170	1,170
Interest accretion	-	693	693
Amortization of costs	198	51	249
As at December 31, 2018	16,753	7,610	24,363
Recognition of revenue	(11,250)	-	(11,250)
Interest accretion	-	48	48
Amortization of costs	105	-	105
Extinguishment on contract modification	-	(7,658)	(7,658)
As at December 31, 2019	5,608	-	5,608
Less current portion	5,608	-	5,608
Long-term portion	**$ -**	**$ -**	**$ -**

(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 December 31, 2019, the Company has delivered 31,850 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 and Note 13(iii) of these financial statements for additional details.

13. LONG-TERM DEBT

	Promissory note (i)	Credit facility (ii)	Silver stream (iii)	Lease liability (iv)	Investec credit facility (v)	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
Draw-down on credit facility	-	-	-	-	17,500	17,500
Principal repayment	-	-	(2,605)	(228)	-	(2,833)
Fair value adjustments	-	-	3,787	-	-	3,787
As at December 31, 2019	-	-	19,958	417	17,500	37,875
Less current portion	-	-	712	293	17,500	18,505
Long-term portion	**$ -**	**$ -**	**$ 19,246**	**$ 124**	**$ -**	**$ 19,370**

(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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(ii) Credit facility

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

(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 was 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 year ended December 31, 2019, the Company recognized a change in fair value of the silver stream liability of $3.79 million recorded in other income / (expense). See Note 21 of these financial statements for additional details.

(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:

		December 31, 2019
Less than one year	$	322
One to five years		129
Total undiscounted lease liabilities	**$**	**451**

(v) Investec credit facility

As further discussed in Note 4 of these financial statements, the Company finalized a $50.0 million secured revolving term credit facility with Investec during the first quarter of 2019. During the third and fourth quarter of 2019 the Company drew $7.5 and 10.0 million, respectively, on the Investec credit facility. The Investec credit facility bears interest on drawn funds at rates of LIBOR +3.00% to LIBOR +4.3%, depending on the Company's adjusted EBITDA ratio. The Investec credit facility is subject to customary covenants.

PREMIER GOLD MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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 $2.02 million for the Hasaga and Northern Empire Mill properties in Canada, $4.83 million for the McCoy-Cove property, $7.98 million ($3.19 million at the Company's 40% share) for the South Arturo Mine project in the United States and $14.49 million for the Mercedes mine project in Mexico. In calculating the best estimate of the Company's provision, management used risk-free interest rates ranging from 1.36% to 7.36%. 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 expensed	93	-	-	-	-	-	93
Change in estimate capitalized	-	-	43	755	(914)	(2,114)	(2,230)
Accretion expense	21	-	3	70	100	755	949
Reclamation expenditures	-	-	-	(257)	-	-	(257)
Currency adjustment	38	-	1	-	-	-	39
Balance, December 31, 2019	$ 1,532	$ -	$ 214	$ 4,068	$ 3,159	$ 11,016	$ 19,989
Less current portion	23	-	-	77	11	-	111
Long-term portion	**$ 1,509**	**$ -**	**$ 214**	**$ 3,991**	**$ 3,148**	**$ 11,016**	**$ 19,878**

	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

15. OTHER LIABILITIES

	December 31, 2019	December 31, 2018
Financial liability (i)	**$ 115**	$ 806
Offtake obligation (ii)	**-**	2,237
Share-based payment liability (iii)	**635**	142
Warrant liability (iv)	**1,436**	-
Option contracts (v)	**890**	-
Deferred premium on flow-through shares	**889**	-
Total other liabilities	**3,965**	3,185
Less current portion	**3,691**	805
Long-term portion	**$ 274**	$ 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. The total liability represents the amount of interest to be amortized within the next year and is included within the current portion of other liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(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 and is included in other income / (expense) for the year. See Note 21 of these financial statements for additional details.

(iii) Share-based payment liability

The Company recognized a share-based payment liability of $0.64 million at December 31, 2019 ($0.14 million at December 31, 2018) under the Company's restricted and deferred share unit plans as discussed in Note 16(e) of these financial statements. The current portion of the liability is $0.36 million at December 31, 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 2 million of the warrants are exercisable into 2 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 4 million Common Share Purchase Warrants outstanding of which each were exercisable into one fully paid and non-assessable common share of the Company. 1 million of the warrants were exercisable into 1 million common shares at C$5.46 per share until June 30, 2018 and 3 million of the warrants were exercisable into 3 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 year ended December 31, 2019, the Company recognized an increase in the liability of $0.41 million (reduction in the liability of $(0.44) million for the year ended December 31, 2018).

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:

	December 31, 2019
Risk free rate	**1.51% - 1.82%**
Warrant expected life	**25 to 36 months**
Expected volatility	**48% to 61%**
Expected dividend	**0%**
Share price	**C$1.56 to C$2.04**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(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 year ended December 31, 2019, the Company recognized an increase in the liability of $0.89 million and is included in gain / (loss) on derivatives in other income / (expense).

At December 31, 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)
June 20, 2019	$1,325	$1,450	2,000	01/31/2020 - 06/30/2020	12,000

For the year ended December 31, 2019, the Company recognized a net realized loss of $2.10 million on collars settled and is included in gain / (loss) on derivatives in other income / (expense).

16. SHARE CAPITAL

(a) Authorized share capital

At December 31, 2019, the authorized share capital consisted of an unlimited number of common shares and an unlimited number of preferred shares without par value.

(b) Details of share issuances

Private placements

On December 30, 2019, the Company issued 1.5 million flow-through common shares, at a price of C$2.75 per common share for gross proceeds of C$4.30 million. In consideration of the agents' services in connection with the offering, the agents were paid an aggregate cash fee totaling C$0.21 million, equal to approximately 5 percent of the gross proceeds raised in the offering.

(c) Share option plan

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

(d) Stock options

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

	Options outstanding #	Weighted average exercise price CAD
Outstanding at January 1, 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	3,638,000	1.57
Exercised	(30,000)	1.56
Expired	(250,000)	2.83
Forfeited	(932,000)	3.43
Outstanding at December 31, 2019	**11,914,000**	**$2.48**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

The weighted average share price at the date of exercise in 2019 was C$2.22 (2018 - C$3.18).

At December 31, 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 - $1.94	3,592,000	$1.57	4.27	3,592,000	$1.57	4.27
2.17 - 2.85	3,136,000	2.36	0.46	3,136,000	2.36	0.46
3.02 - 3.65	5,156,000	3.17	2.19	5,156,000	3.17	2.19
4.28	30,000	4.28	1.56	30,000	4.28	1.56
	11,914,000	$2.48	2.36	11,914,000	$2.48	2.36

Total vested stock options at December 31, 2019 were 11,914,000 with a weighted average exercise price of C$2.48 (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, $1.94 million was recorded for options issued as compensation during the year ended December 31, 2019 ($2.35 million for the year ended December 31, 2018). The options had a weighted average grant date fair value of C$0.70 for the year ended December 31, 2019 (C$1.43 for the year ended December 31, 2018). As of December 31, 2019, there were no 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:

	December 31, **2019**	December 31, 2018
Risk-free interest rate	**1.23% - 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

(e) 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.

The following table summarizes the changes in the RSUs and DSUs for the year ended December 31, 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	1,247,000	1.55	155,000	1.55
Settled	(579,666)	2.32	-	-
Forfeited	(21,167)	1.70	-	-
Outstanding at December 31, 2019	910,334	$1.97	155,000	$1.97

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

As the options are expected to be settled in cash, at December 31, 2019 a current liability of $0.36 million and a long-term liability of $0.27 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 year ended December 31, 2019, $1.51 million has been recorded as an expense and included in share-based payments ($0.22 million for the year ended December 31, 2018). The total fair value of the vested and unvested RSUs at December 31, 2019 was C$2.10 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 15% for RSUs and a forfeiture rate of nil for DSUs.

(f) Share-based payments

	Year ended December 31, 2019	2018
Stock option valuation	**$ 1,943**	$ 2,352
RSU and DSU valuation	**1,514**	219
	$ 3,457	$ 2,571

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 year ended December 31, 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 year 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:

	Year ended December 31, 2019	2018
Net loss for the year	**$ (19,952)**	$ (20,426)
Basic and diluted weighted average shares outstanding	**209,838,743**	202,744,999
Basic and diluted loss per share	**$ (0.10)**	$ (0.10)

An amount of 11,914,000 stock options (Note 16(d)) and 3,500,000 warrants (Note 15(iv)) were excluded from the computation of diluted weighted average shares outstanding for the year ended December 31, 2019 (9,293,000 and nil respectively, for the year ended December 31, 2018), as their effect would be anti-dilutive.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

18. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Year ended December 31, 2019	2018
Receivables	**$ 9,048**	$ (11,993)
Prepaids and deposits	**46**	205
Inventory	**(6,888)**	7,331
Accounts payable and accrued liabilities	**34,094**	(399)
Taxes payable	**(687)**	(3,043)
Increase / (decrease) in working capital	**$ 35,613**	$ (7,899)

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

	Year ended December 31, 2019	2018
Gain on disposal of property, plant and equipment	**$ (231)**	$ (321)
Unrealized (gain) / loss on derivatives	**1,267**	(637)
Unrealized loss on investments	**4**	110
Unrealized (gain) / loss on foreign exchange	**(2,596)**	1,814
Gain on contract modifications (Note 4)	**(412)**	-
Change in fair value of silver stream contract	**3,787**	-
Gain on disposal of royalties	**(5,976)**	-
	$ (4,157)	$ 966

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

	Year ended December 31, 2019	2018
Fair value of shares issued for termination of option agreement	**$ -**	$ 58
Fair value of stock options allocated to share capital upon exercise	**16**	801
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	**-**	197
Fair value loss on silver stream liability	**(3,787)**	-
Fair value gain / (loss) on warrant liability	**(378)**	440
Fair value loss on option contracts	**(890)**	-

19. EXPLORATION, EVALUATION AND PRE-DEVELOPMENT

	Year ended December 31, 2019	2018
Rahill-Bonanza, Ontario	**$ 8**	$ 29
Hasaga, Ontario	**90**	2,905
Greenstone Gold, Ontario	**15,816**	8,786
McCoy-Cove, Nevada	**4,495**	5,161
Goldbanks, Nevada	**571**	2,037
South Arturo, Nevada	**117**	1,294
Mercedes, Mexico	**1,344**	1,331
Rye, Nevada	**1,009**	60
Rodeo Creek, Nevada	**51**	4
Technical services	**593**	626
	$ 24,094	$ 22,233

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

20. GENERAL AND ADMINISTRATION

	Year ended December 31, 2019	2018
Corporate administration	**$ 2,843**	$ 1,805
Corporate salaries and benefits	**3,539**	5,210
Professional fees	**2,975**	1,295
Project administration (i)	**575**	1,218
	$ 9,932	$ 9,528

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

21. OTHER INCOME / (EXPENSE)

	Year ended December 31, 2019	2018
Investment and other income	**$ 249**	$ 1,684
Interest earned	**470**	680
Loss on investments	**(25)**	(110)
Gain on disposal of property, plant and equipment	**231**	321
Gain on disposal of royalties (Note 11)	**5,976**	-
Gain attributable to Greenstone Gold development commitment	**17,209**	9,891
Gain / (loss) on foreign exchange	**1,260**	(2,756)
Gain / (loss) on derivatives	**(3,372)**	637
Change in fair value of silver stream contract (Note 13)	**(3,787)**	-
Gain on contract modifications (Note 4)	**412**	-
Write-down of inventory	**-**	(8,260)
	$ 18,623	$ 2,087

22. FINANCE EXPENSE

	Year ended December 31, 2019	2018
Environmental rehabilitation accretion	**$ 949**	$ 1,279
Interest paid	**1,113**	1,984
Finance costs	**814**	-
Amortization of finance costs	**567**	1,094
Amortization of gold prepay interest	**(691)**	(1,306)
Silver stream accretion	**48**	693
	$ 2,800	$ 3,744

PREMIER GOLD MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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:

Year ended December 31, 2019	**Mercedes**	**South Arturo**	**Exploration**	**Corporate and other**	**Total**
Revenue	$ 83,397	$ 10,353	$ -	$ -	$ 93,750
Cost of sales	(65,144)	(5,034)	-	-	(70,178)
Depletion, depreciation and amortization	(19,486)	(523)	-	-	(20,009)
Exploration, maintenance and rehabilitation	(1,343)	(117)	(22,010)	(1,159)	(24,629)
Overhead costs	310	(22)	(1,302)	(12,375)	(13,389)
Other income / (expense)	399	271	23,439	(5,486)	18,623
Finance expense	(798)	(100)	(94)	(1,808)	(2,800)
Income / (loss) before income taxes	(2,665)	4,828	33	(20,828)	(18,632)
Current tax expense	(412)	-	-	(1,393)	(1,805)
Deferred tax recovery	1,401	-	(916)	-	485
Income / (loss) for the year	**$ (1,676)**	**$ 4,828**	**$ (883)**	**$ (22,221)**	**$ (19,952)**

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

As at December 31, 2019	**Mercedes**	**South Arturo**	**Exploration**	**Corporate and other**	**Total**
Capital expenditures	$ 18,798	$ 27,905	$ 5,383	$ 91	**$ 52,177**
Property, plant & equipment	140,883	37,126	120,064	2,367	**300,440**
Total assets	176,920	44,647	152,727	34,347	**408,641**
Total liabilities	28,873	15,738	34,737	50,992	**130,340**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Geographic segments

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

Year ended December 31, 2019	**Canada**	**United States**	**Mexico**	**Corporate and other**	**Total**
Revenue	$ -	$ 10,353	$ 83,397	$ -	$ 93,750
Cost of sales	-	(5,034)	(65,144)	-	(70,178)
Depletion, depreciation and amortization	-	(523)	(19,486)	-	(20,009)
Exploration, maintenance and rehabilitation	(16,267)	(5,860)	(1,343)	(1,159)	(24,629)
Overhead costs	(1,392)	78	300	(12,375)	(13,389)
Other income / (expense)	20,714	2,771	624	(5,486)	18,623
Finance expense	(23)	(171)	(798)	(1,808)	(2,800)
Income / (loss) before income taxes	3,032	1,614	(2,450)	(20,828)	(18,632)
Current tax expense	-	-	(412)	(1,393)	(1,805)
Deferred tax recovery	(916)	-	1,401	-	485
Income / (loss) for the year	**$ 2,116**	**$ 1,614**	**$ (1,461)**	**$ (22,221)**	**$ (19,952)**

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

As at December 31, 2019	**Canada**	**United States**	**Mexico**	**Corporate and other**	**Total**
Capital expenditures	$ 9	$ 33,279	$ 18,798	$ 91	**$ 52,177**
Property, plant & equipment	62,645	94,545	140,883	2,367	**300,440**
Total assets	63,931	132,816	177,547	34,347	**408,641**
Total liabilities	10,629	39,844	28,875	50,992	**130,340**

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

(c) Sales by customer

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

	Year ended December 31,	
	2019	2018
Orion	**$ 84,408**	$ 84,011
Scotia Mocatta	**9,342**	27,436
Other	**-**	2,420
	$ 93,750	$ 113,867

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.

PREMIER
GOLD MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

24. INCOME TAXES

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

	December 31, 2019	December 31, 2018
Current income tax	**$ 1,805**	$ 2,781
Deferred income tax		
Origination and reversal of temporary differences	**8,385**	(6,354)
Future taxes to reverse at future rate rather than statutory rate	**-**	21
Effect of foreign exchange	**(2,648)**	2,899
Mining royalty, net proceeds and withholding taxes	**(1,011)**	174
Other	**(5,211)**	1,308
	(485)	(1,952)
Income tax expense	**$ 1,320**	$ 829

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

	December 31, 2019	December 31, 2018
Loss before income taxes	**$ (18,632)**	$ (19,597)
Statutory rates (i)	**26.5 %**	26.5 %
Income tax recovery computed at statutory rates	**(4,937)**	(5,193)
Mexico withholding tax	**1,393**	1,362
Mexico royalty tax	**(1,001)**	(480)
Mining Tax ITC Pre-Production	**(10)**	654
Inflation on balances	**(428)**	(1,157)
Difference in foreign tax rates	**(518)**	(559)
Increase in deferred tax assets not recognized	**13,248**	2,073
Non-deductible/ non-taxable items	**(2,534)**	(1,503)
Future taxes to reverse at future rate rather than statutory rate	**-**	21
Updates from recovery of taxes/rights	**(218)**	(12)
Net processing tax	**-**	614
Foreign exchange	**(2,647)**	2,932
True-up	**(999)**	1,099
Prior year adjustment	**-**	464
Other	**(29)**	514
Income tax expense	**$ 1,320**	$ 829

	December 31, 2019	December 31, 2018
Exchange loss on translation of foreign operations through other comprehensive income	**$ (1,620)**	$ (3,086)
Statutory tax rates (i)	**26.5 %**	26.5 %
Income tax recovery computed at statutory rates	**(429)**	(818)
Deferred tax recovery not recognized	429	818
Other comprehensive income deferred tax recovery	**$ -**	$ -

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

	December 31, 2019	December 31, 2018
Deferred income tax assets		
Non-capital losses	**$ 595**	$ 1,202
Provisions not currently allowed for tax purposes	**1,466**	3,501
Gross deferred tax assets	**2,061**	4,703
Deferred tax assets set off against deferred tax liabilities	**(2,061)**	(4,703)
Deferred tax asset	**-**	-
Deferred income tax liabilities		
Inventory	**(545)**	(484)
Exploration and evaluation	**(6,270)**	(4,995)
Accounts payable and accrued liabilities	**(1,466)**	(3,430)
Mining royalty tax	**(4,306)**	(5,639)
Other	**28**	(870)
Gross deferred tax liabilities	**(12,559)**	(15,418)
Deferred tax assets set off against deferred tax liabilities	**2,061**	4,703
Deferred tax liabilities per balance sheet	**(10,498)**	(10,715)
Balance at the beginning of the year	**(10,713)**	(12,916)
Effect of exchange rate differences	**(270)**	249
Recognized on loss	**485**	1,952
Balance at the end of the year	**$ (10,498)**	$ (10,715)

(d) Deferred tax assets not recognized

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

	December 31, 2019	December 31, 2018
Deferred tax assets not recognized		
Non-capital losses	**$ 26,831**	$ 13,617
Common share issue costs	**776**	462
Exploration and evaluation	**14,671**	11,383
Investments	**20**	20
Pre-production ITC	**191**	172
Provisions recognized for accounting not currently deductible for tax	**8,640**	8,937
Other	**24**	55
	51,153	34,646
Unused operating tax losses (i)		
Canada	**58,649**	45,329
United States	**18,796**	17,962
Mexico	**15,589**	15,589
Other	**1,470**	1,408
	94,504	80,288
Total unused operating tax losses not recognized		
Potential tax benefit at tax rate between 26.5% and 30%	**24,521**	20,801
Operating tax losses set off against deferred tax liabilities	**(595)**	(1,202)
Total unused operating tax losses not recognized	**$ 23,926**	$ 19,599

(i) Unused operating tax losses totaled $94,504 at December 31, 2019. Canadian tax losses will expire between 2023 and 2036; U.S. losses will expire between 2028 and 2036; and Mexican losses will expire between 2021 and 2025.

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

25. REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

Compensation of executive leadership team

	Year ended December 31, 2019	2018
Salary, wages and benefits	**$ 2,528**	$ 3,804
Share-based payments	**2,465**	1,661
	$ 4,993	$ 5,465

Compensation of directors

	Year ended December 31, 2019	2018
Fees earned and other remuneration	**$ 563**	$ 249
Share-based payments	**181**	399
	$ 744	$ 648

26. 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 four years are as follows:

2020	$ 409
2021	117
2022	21
2023	2
	$ 549

(b) Surety bonds

At December 31, 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") and C$0.25 million ($0.19 million) in favour of the Ontario Ministry of Northern Development and Mines ("MNDM") 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 and MNDM as beneficiaries of the instruments will return the instruments to the issuing entity. As these instruments are associated with operating sites with long-lived assets, they will remain outstanding until closure.

(c) Flow-through commitments

The Company has C$4.13 million in remaining flow-through obligations to be spent by December 31, 2020.

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

27. FINANCIAL INSTRUMENTS

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

(a) Credit risk

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

(i) Trade credit risk

The Company closely monitors its financial assets and does not have any significant concentration of trade credit risk. The Company sells its products exclusively to large international financial institutions and other organizations with strong credit ratings. The historical level of customer defaults is negligible and, as a result, the credit risk associated with trade receivables is considered to be negligible. The trade receivable balance outstanding at December 31, 2019 was $0.57 million (December 31, 2018 - $0.26 million).

(ii) Cash and cash equivalents

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

(iii) Derivative financial instruments

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

(b) Liquidity risk

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

The following table summarizes the Company's contractual maturities and the timing of cashflows as at December 31, 2019. The amounts presented are based on the undiscounted contractual cash flows and may not agree with the carrying amounts on the consolidated financial statements.

	Up to 1 year	1-5 years	Total
Accounts payable and accrued liabilities	$ 51,971	$ -	$ 51,971
Investec credit facility	-	17,500	17,500
Lease liabilities	322	129	451
	$ 52,293	$ 17,629	$ 69,922

(c) Market risk

(i) Interest rate risk

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

As further discussed in Note 4 and Note 13 of these financial statements, the Company entered into a $50.0 million secured revolving term credit facility with Investec in January 2019. The Investec credit facility bears interest on drawn funds at rates of LIBOR +3.00% to LIBOR +4.3%, depending on the Company’s adjusted EBITDA ratio. The Company has not entered into any agreements to hedge against unfavourable changes in interest rates.

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

(ii) Currency risk

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

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

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

	CAD		MXN	
	December 31, **2019**	December 31, 2018	December 31, **2019**	December 31, 2018
Cash and cash equivalents	**$ 3,579**	$ 5,604	**$ 4,748**	$ 8,092
Restricted cash and cash equivalents	**1,972**	1,955	**-**	-
Receivables	**163**	162	**15,988**	22,337
Prepaids and deposits	**586**	580	**944**	975
Accounts payable and accrued liabilities	**4,006**	4,034	**15,281**	14,887
Taxes payable	**-**	-	**434**	338

For the year ended December 31, 2019, the Company recognized an unrealized foreign exchange gain of $0.75 million (a loss of $1.82 million for the year ended December 31, 2018) and an exchange loss on the translation of foreign operations in comprehensive income / (loss) of $1.62 million (a loss of $3.09 million for the year ended December 31, 2018). As of December 31, 2019, if the USD to CAD exchange rate increases or decreases by 10%, the Company's net income / (loss) will increase or decrease by $0.26 million (December 31, 2018 - $0.47 million) and the Company's other comprehensive income / (loss) will increase or decrease by $0.03 million (December 31, 2018 - $0.04 million). As of December 31, 2019, if the USD to MXN exchange rate increases or decreases by 10%, the Company's net income / (loss) will increase or decrease by nil (December 31, 2018 - $0.57 million) and the Company's other comprehensive income / (loss) will increase or decrease by $0.60 million (December 31, 2018 - $1.05 million).

(iii) Security price risk

Security price risk is the risk that the fair value or future cash flow of the Company's financial instruments will fluctuate because of the changes in the market price. The Company only takes a position in the securities of another entity where it has a strategic objective, or as a result of a purchase or sale transaction. In situations where the Company has taken a position in the securities of another entity, the Company manages its exposure to price risk by monitoring the market(s) where the entity's securities trade and planning the divestiture accordingly. The fair value of held for trading securities at December 31, 2019 and December 31, 2018 was $0.03 million and $0.11 million respectively, representing the maximum potential losses from changes in prices of equity investments.

(iv) Commodity price risk

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

Gold forward contracts

The Company entered into gold forward contracts requiring the delivery of 400 ounces of gold per month at a price of $1,247.50 per ounce from January 2019 to December 2019. The contracts required no cash or other consideration and were settled with production from the Company's mining operations. As at December 31, 2019, there are no outstanding gold forward contracts.

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

Option contracts

As further discussed in Note 15 (v) of these financial statements, 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. These derivative financial instruments are classified within Level 2 of the fair value hierarchy and classified in these financial statements based on contract maturity. Any unrealized changes and realized gains / (losses) have been recognized in the financial statements as gain / (loss) on derivatives included in other income / (expense).

As at December 31, 2019, there is one collar strip outstanding that consists of six collar options. The fair value of option contract liability at December 31, 2019 and December 31, 2018 was $0.89 million and $Nil, respectively.

(d) Fair value

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

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

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

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

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

	Level	Carrying value December 31, 2019	Fair value December 31, 2019	Carrying value December 31, 2018	Fair value December 31, 2018
Financial assets					
Amortized cost					
Cash and cash equivalents		**$ 58,408**	**$ 58,408**	$ 43,882	$ 43,882
Receivables		**13,320**	**13,320**	23,571	23,571
Restricted cash		**6,600**	**6,600**	5,581	5,581
		78,328	**78,328**	73,034	73,034
Fair value through profit or loss					
Canadian equity investments	1	**31**	**31**	110	110
Total financial assets		**$ 78,359**	**$ 78,359**	$ 73,144	$ 73,144
Financial liabilities					
Amortized cost					
Accounts payable and accrued liabilities		**$ 51,971**	**$ 51,971**	$ 17,870	$ 17,870
Other liability		**115**	**115**	806	806
		52,086	**52,086**	18,676	18,676
Fair value through profit or loss					
Share-based payment liability	2	**635**	**635**	142	142
Warrant liability	2	**1,436**	**1,436**	-	-
Option contracts	2	**890**	**890**	-	-
Investec credit facility	1	**17,500**	**17,500**	-	-
Offtake obligation	3	**-**	**-**	2,237	2,237
Silver stream	3	**19,958**	**19,958**	-	-
		40,419	**40,419**	2,379	2,379
Total financial liabilities		**$ 92,505**	**$ 92,505**	$ 21,055	$ 21,055

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.

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.

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

The fair value of the Investec credit facility approximates the carrying value as the interest rates are comparable to current market rates.

The fair value of the offtake agreement is determined using a discounted cash flow analysis, incorporating key assumptions for the production to be delivered under the offtake agreement, expected metal prices and discount to metal prices during the quotational period, and discount rates that are commensurate with the risks associated with the financial liability to reflect the time value of money.

The 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 2.1 million cumulative ounces have been delivered, 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 projected 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 was used to determine the forgone revenue applied to the balance.

Given the annual commitment until the 2.1 million ounce requirement has been satisfied, the variation in ounces produced would not significantly impact the calculation. A change of 10% to the estimated ounces delivered subsequent to the 2.1 million ounce requirement would increase or decrease the fair value by $0.55 million. An increase or decrease by 1% to the discount rate would impact the fair value by a decrease of $0.64 million and an increase of $0.69 million, respectively. For the silver price assumption, a change of $1 would increase or decrease the fair value by $1.23 million.

28. 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 $592.61 million at December 31, 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.

The Company finalized a $50.0 million secured revolving term credit facility with Investec during the first quarter of 2019. During 2019 the Company drew $17.5 million on the Investec credit facility, leaving $32.5 million undrawn as at December 31, 2019. The Investec credit facility is subject to customary covenants as further discussed in Note 4 of these financial statements. As at December 31, 2019, the Company is in compliance with these covenants.

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 2020.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

29. CONTINGENCIES

Litigation and Claims

Share purchase transaction

Yamana Gold Inc. and certain of its affiliates (collectively, "Yamana") have commenced a claim against the Company and certain of its affiliates (collectively, "Premier") in connection with a share purchase transaction that closed on September 30, 2016, whereby the Company acquired Yamana's interest in a gold mining project known as the Mercedes Mine. The claim relates to certain post-closing adjustments, which resulted in Yamana being required to pay the Company $1.26 million. Yamana alleges that the Company was unjustly enriched, but for which the Company would have been required to pay Yamana a post-closing adjustment of $4.6 million. The Company has filed a Statement of Defence denying any liability, and counterclaiming against Yamana for the $1.26 million post-closing adjustment that Yamana has refused to pay. The parties have exchanged documentary productions and are scheduled to complete examinations for discovery by May 15, 2020.

Management considers the claim against the Company without merit. After detailed analysis of the facts and support documentation, the Company believes it has a strong case against the claim.

2019 Hardrock project update

On December 23, 2019, Aurico Canadian Royalty Holdings Inc., ("AuRico") a wholly-owned subsidiary of Centerra Gold Inc. ("Centerra"), commenced a claim against Premier Gold Mines Hardrock Inc. ("Premier Hardrock") in the Ontario Superior Court of Justice. Premier Hardrock and AuRico are parties to a limited partnership agreement dated March 9, 2015, which provides for the exploration and development of the Hardrock Project. The Claim seeks, among other things, a declaration that the 2019 Hardrock project update submitted by the managing partner of the partnership, Greenstone Gold Mines GP Inc., should not be considered a "Feasibility Study" or satisfy the "Feasibility Criteria", as those terms are defined in the Partnership Agreement.

Premier Hardrock served a statement of defence and counterclaim on January 31, 2020. In its defence, Premier Hardrock has asked the court to dismiss the Claim, and in its counterclaim, Premier Hardrock has asked the court to, among other things, declare that the Hardrock Update was a Feasibility Study that meets agreed criteria, and would require both partners to proceed with the development of the Hardrock Project. Pleadings are scheduled to close by February 29, 2020, and a one-week trial has been scheduled to begin on October 25, 2020. The parties have not sought damages in the claim or the counterclaim, and have agreed to defer any claim to damages until after the determination of this matter. Management considers the claim against the Company without merit.

Republic Metals Corporation

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, over which RMC claimed was property of the estate. 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. The parties are currently in the process of litigating this dispute with RMC over the ownership of the material, which they anticipate concluding in the first half of 2020. The Company believes it has a strong claim to the ownership of the material.

30. SUBSEQUENT EVENTS

Public Offering

On March 4, 2020, the Company completed a public offering of common shares ("Common Shares") led by CIBC Capital Markets and Sprott Capital Partners LP, on behalf of a syndicate of underwriters that also included BMO Nesbitt Burns Inc., Scotia Capital Inc., Canaccord Genuity Corp., RBC Dominion Securities Inc., Cormark Securities Inc. and TD Securities Inc. (collectively, the "Underwriters"). An aggregate of 25,335,000 Common Shares were issued by the Company at a price of C$1.50 per Common for aggregate gross proceeds of C$38.0 million (the "Offering").

The net proceeds of the Offering are expected to be used by the Company for working capital requirements of the Mercedes and South Arturo mines, development, expansion and working capital requirements of the McCoy-Cove project, for general corporate and working capital purposes and may also be used to reduce indebtedness under the Company's revolving term credit facility.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

In connection with the Offering, the Company paid the Underwriters a cash commission equal to 5% of the aggregate purchase price paid by the Underwriters to the Company for the Common Shares, except in respect of the purchase by Orion (defined herein), pursuant to which the cash commission was reduced to 2.5%.

The Common Shares were offered by way of a short form prospectus in all of the provinces of Canada, except Quebec, and were also offered by way of private placement in the United States.

Transaction with Orion

Concurrent with the Offering, the Company completed certain financing arrangements with Orion, that includes (i) an amended and restated gold prepay credit agreement (the "Second Amended and Restated Gold Prepay Agreement"), amending and restating the existing amended and restated gold prepay credit agreement dated January 31, 2019 (the "Existing Prepay"), and (ii) an amended and restated offtake agreement (the "Second Amended and Restated Offtake Agreement"), amending and restating the amended and restated offtake agreement dated January 31, 2019 (the "Existing Offtake").

Under the terms of the Second Amended and Restated Gold Prepay Agreement, Orion increased the principal amount under the Existing Prepay by $15.5 million (the "Additional Principal Amount"), with the Company being required to deliver at least 2,450 ounces of refined gold to Orion in each quarter of a calendar year until June 30, 2020, and 1,000 ounces of refined gold thereafter until an aggregate of 16,900 ounces of refined gold (inclusive of the ounces remaining under the Existing Prepay) have been delivered to Orion (subject to upward and downward adjustments in certain circumstances). The threshold gold price per ounce for the downward and upward adjustments to the quarterly gold quantity and the aggregate gold quantity deliverable under the Second Amended and Restated Gold Prepay Agreement were amended to $1,650 per ounce of gold and $1,350 per ounce of gold, respectively. The maturity date under the Amended and Restated Gold Prepay Agreement was extended to June 30, 2023.

The Additional Principal Amount will be used for working capital requirements of the Mercedes and South Arturo mines and for general working capital and corporate purposes. The Company's obligations under the Second Amended and Restated Gold Prepay Agreement will continue to be secured by the assets relating to the South Arturo Mine and Mercedes Mine. The Additional Principal Amount was also subject to an original issue discount of $0.16 million.

Under the terms of the Existing Offtake, the Company agreed to sell and Orion agreed to purchase gold produced from the Company's existing mining projects at a set purchase price up to 60,000 ounces of refined gold annually (the "Annual Gold Quantity"). Under the terms of the Second Amended and Restated Offtake Agreement, the Annual Gold Quantity was increased to (i) 80,000 ounces for 2020, (ii) 85,000 ounces for 2021, and (iii) 90,000 ounces each year annually thereafter, subject to an annual maximum of 50,000 ounces from each of the Company's producing projects. Orion and the Company have also extended the term of the Second Amended and Restated Offtake Agreement to March 1, 2027.

The Company also entered into a first amending agreement (the "Investec Amendment") with Investec Bank plc ("Investec"), amending certain provisions contained in the credit agreement dated January 24, 2019 between the Company and Investec (the "Investec Credit Agreement"). Pursuant to the terms of the Investec Amendment, the Company has agreed that total accommodations available under the Investec Credit Agreement shall, absent the consent of Investec, be capped at $40.0 million with conditions to borrowing when the aggregate principal amount outstanding under the Investec Credit Agreement is in excess of $15.0 million. In addition, the Company entered into a zero cost collar hedge arrangement with Investec pursuant to the risk management facility for 25,000 ounces of gold allocated over a 12-month period commencing April 1, 2020 with puts at $1,500 per ounce and calls at $1,800 per ounce.