



**Consolidated Financial Statements**

**March 31, 2020**

(Unaudited)

(Stated in thousands of United States Dollars)

**NOTICE TO SHAREHOLDERS**  
**For The Three Months Ended March 31, 2020**  
**Premier Gold Mines Limited**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

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

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

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

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



## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

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

	Note	March 31, 2020		December 31, 2019
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	5	\$ 66,430	\$	58,408
Receivables	6	10,023		13,320
Inventory	7	23,467		22,521
Prepays and deposits		1,900		1,747
Other assets	8	554		547
<b>Total current assets</b>		<b>102,374</b>		<b>96,543</b>
<b>Non-current assets</b>				
Restricted cash and cash equivalents	9	6,765		6,600
Long-term inventory	7	3,125		3,281
Other long-term assets	10	1,690		1,777
Property, plant and equipment	11	294,549		300,440
<b>Total non-current assets</b>		<b>306,129</b>		<b>312,098</b>
<b>Total assets</b>		<b>\$ 408,503</b>	\$	<b>408,641</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		\$ 29,441	\$	51,971
Taxes payable		361		434
Current portion of deferred revenue	12	5,804		5,608
Current portion of long-term debt	13	19,836		18,505
Current provision for environmental rehabilitation	14	260		111
Current portion of other liabilities	15	2,393		3,691
<b>Total current liabilities</b>		<b>58,095</b>		<b>80,320</b>
<b>Non-current liabilities</b>				
Deferred taxes		8,945		10,498
Deferred revenue	12	10,748		-
Long-term debt	13	17,486		19,370
Provision for environmental rehabilitation	14	20,235		19,878
Other liabilities	15	1,091		274
<b>Total non-current liabilities</b>		<b>58,505</b>		<b>50,020</b>
<b>Total liabilities</b>		<b>116,600</b>		<b>130,340</b>
<b>EQUITY</b>				
Share capital		574,543		548,240
Reserves		(18,769)		(17,937)
Deficit		(263,871)		(252,002)
<b>Total equity</b>		<b>291,903</b>		<b>278,301</b>
<b>Total liabilities and equity</b>		<b>\$ 408,503</b>	\$	<b>408,641</b>

*Commitments [Note 25]*

*Contingencies [Note 28]*

See accompanying notes to the condensed consolidated interim financial statements

Approved by the Board of Directors and authorized for issue on May 5, 2020

"John Seaman"  
Director

"Ewan Downie"  
Director

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

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

	Note	Three months ended March 31,	
		2020	2019
<b>Revenue</b>		\$ 22,688	\$ 23,120
Cost of sales		(18,365)	(14,721)
Depletion, depreciation and amortization	11	(4,836)	(4,712)
<b>Mine operating income / (loss)</b>		<b>(513)</b>	3,687
<b>Expenses</b>			
Exploration, evaluation, and pre-development	19	3,979	6,155
Property maintenance		248	163
General and administrative	20	3,497	2,068
Share-based payments	16(f)	1,588	110
<b>Loss before the following</b>		<b>(9,825)</b>	(4,809)
Other income / (expense)	21	(766)	4,572
Finance expense	22	(913)	(539)
<b>Loss before income taxes</b>		<b>(11,504)</b>	(776)
Current tax expense		(694)	(421)
Deferred tax recovery		329	264
<b>Loss for the period</b>		<b>(11,869)</b>	(933)
<b>Other comprehensive loss</b>			
Exchange loss on translation of foreign operations		(2,434)	(1,079)
<b>Total comprehensive loss for the period</b>		<b>\$ (14,303)</b>	\$ (2,012)
<b>Basic and diluted loss per share</b>	17	<b>\$ (0.05)</b>	\$ -
<b>Weighted average number of shares outstanding</b>			
Basic and diluted	17	219,477,460	207,961,652

See accompanying notes to the condensed consolidated interim financial statements

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

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

		Three months ended March 31,	
	Note	2020	2019
<b>OPERATING ACTIVITIES</b>			
<b>Loss for the period</b>		<b>\$ (11,869)</b>	<b>\$ (933)</b>
<b>Items not affecting cash</b>			
Non-cash revenue on metal agreements		(4,282)	(3,589)
Depletion, depreciation and amortization	11	5,113	4,853
Greenstone Gold non-cash operating expenses		1,896	2,952
Non-cash share-based payments		1,588	110
Gain attributable to Greenstone Gold development commitment	21	(1,896)	(2,952)
Other non-cash items included in other income	18(ii)	5,711	(1,205)
Finance expense	22	913	539
Deferred tax recovery		(329)	(264)
Change in non-cash working capital balances related to operations	18(i)	(22,940)	(4,250)
<b>Cash used in operating activities</b>		<b>\$ (26,095)</b>	<b>\$ (4,739)</b>
<b>INVESTMENT ACTIVITIES</b>			
Proceeds from the sale of investments		-	66
Capital expenditures on property, plant and equipment	11	(4,488)	(13,398)
Proceeds on disposal of property, plant and equipment		129	239
Environmental liability security placed		(295)	(216)
<b>Cash used in investment activities</b>		<b>\$ (4,654)</b>	<b>\$ (13,309)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from the silver stream contract modification		-	10,000
Net proceeds from gold prepay	4(b)	14,938	-
Finance fees paid		(145)	(338)
Loan fees paid		(200)	-
Interest paid	22	(443)	(294)
Repayment of lease liability		(191)	-
Proceeds from shares issued in financing arrangement		-	8,341
Proceeds from shares issued in public offering	16(b)	28,377	-
Share issue costs		(1,566)	(342)
<b>Cash provided by financing activities</b>		<b>\$ 40,770</b>	<b>\$ 17,367</b>
Change in cash and cash equivalents during the period		10,021	(681)
Cash and cash equivalents, beginning of the period		58,408	43,882
Effect of exchange rate changes on cash held		(1,999)	294
<b>Cash and cash equivalents, end of period</b>		<b>\$ 66,430</b>	<b>\$ 43,495</b>

*Supplemental cash flow information [Note 18]*

*See accompanying notes to the condensed consolidated interim financial statements*

## CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

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

	Note	Share Capital		Reserves			Deficit	Total equity
		Number of shares	Share capital	Equity settled employee benefits	Contributed surplus	Foreign currency translation		
<b>Issued and outstanding</b>								
<b>Balance as at December 31, 2018</b>		203,214,036	538,129	34,171	8,267	(60,682)	(232,050)	287,835
Equity settled share-based payments		-	-	82	-	-	-	82
Shares issued in relation to revolving Investec credit facility		216,446	250	-	-	-	-	250
Shares issued in private placement		7,000,000	8,341	-	-	-	-	8,341
Share issue costs		-	(623)	-	-	-	-	(623)
Comprehensive loss for the period		-	-	-	-	(1,079)	(933)	(2,012)
<b>Balance as at March 31, 2019</b>		210,430,482	546,097	34,253	8,267	(61,761)	(232,983)	293,873
Exercise of stock options		30,000	51	(16)	-	-	-	35
Equity settled share-based payments		-	-	1,861	-	-	-	1,861
Shares issued in private placement		1,500,000	3,176	-	-	-	-	3,176
Deferred flow through premium		-	(889)	-	-	-	-	(889)
Share issue costs		-	(195)	-	-	-	-	(195)
Comprehensive loss for the period		-	-	-	-	(541)	(19,019)	(19,560)
<b>Balance as at December 31, 2019</b>		211,960,482	548,240	36,098	8,267	(62,302)	(252,002)	278,301
Equity settled share-based payments		-	-	1,602	-	-	-	1,602
Shares issued in equity financing	4(b)	25,335,000	28,377	-	-	-	-	28,377
Share issue costs		-	(2,074)	-	-	-	-	(2,074)
Comprehensive loss for the period		-	-	-	-	(2,434)	(11,869)	(14,303)
<b>Balance as at March 31, 2020</b>		<b>237,295,482</b>	<b>\$ 574,543</b>	<b>\$ 37,700</b>	<b>\$ 8,267</b>	<b>\$ (64,736)</b>	<b>\$ (263,871)</b>	<b>\$ 291,903</b>

See accompanying notes to the condensed consolidated interim financial statements



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

### 1. NATURE OF BUSINESS

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

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

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

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of presentation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 - Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted and these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019.

The unaudited condensed consolidated interim financial statements of the Company for the period ended March 31, 2020 were approved and authorized by the Board of Directors on May 5, 2020.

The accounting policies applied in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2019 and as discussed in Note 3 below.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company's unaudited condensed consolidated interim financial statements are consistent with those applied and disclosed in Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2019 and as discussed in Note 3 below.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in thousands of United States Dollars, except for share data)  
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### (b) Basis of consolidation

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

<u>Subsidiary</u>	<u>Percentage of ownership</u>	<u>Jurisdiction</u>	<u>Principal activity</u>
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.

### (c) Functional and presentation currency

#### Functional currency

The functional currency of Premier Gold Mines Limited, the parent company, is the United States dollar ("USD" or "US dollars") which reflects the underlying transactions, events and conditions that are relevant to the entity. Management considers primary and secondary indicators in determining functional currency including the currency that influences sales prices, 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.



## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Stated in thousands of United States Dollars, except for share data)  
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### 3. 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:

#### Valuation of financial instruments

Concurrent with the public offering described in Note 4 of these financial statements, the Company completed certain financing arrangements with OMF Fund II SO LTD. ("Orion") that included an amended and restated gold prepay credit agreement and an amended and restated offtake agreement.

#### *Gold prepay*

The Company has determined that the interest component present in the second amended and restated gold prepay agreement represents a financial liability and has evaluated the liability under IFRS 9 and the valuation of financial instruments.

In determining the fair value of the financing arrangement 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, metal prices and metal price volatility. Using the inputs above to determine the fair value of the components and the related credit spread, the Company used a discounted cash flow analysis to determine the present value of the financial liability.

#### *Offtake*

The initial offtake agreement entered into in 2016 included a collar on the price of gold that Orion will pay for each ounce, which resulted in the recognition of an embedded derivative. The 2019 amendment removed this collar and thus eliminated the embedded derivative, at which time the Company derecognized the related financial liability. The 2020 amendments are primarily related to an increase in the annual gold quantity to be delivered to Orion and extending the term of the agreement. Management has determined that the terms of the second amended and restated offtake agreement remain substantially the same as the existing offtake agreement. As a result, the Company has concluded that there are no embedded derivatives to value at this time.

#### Deferred revenue

The Company entered into a gold prepay agreement with Orion in 2016 and entered into amendments to the agreements in 2019 as discussed in Note 4 of the audited consolidated financial statements for the year ended December 31, 2019, and in 2020 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 was not a derivative as it is satisfied through the delivery of non-financial items (i.e. gold commodity from the Company's production), rather than cash or financial assets. The 2019 amendment to the gold prepay agreement was related to security on the assets of the Company, management did not consider this a significant change to the contract. The 2020 amendment is primarily related to the additional principal amount (i.e. additional ounces to be delivered and metal pricing) and as such management has determined that the terms of the agreement remain substantially the same. The Company has concluded that the second amended and restated gold prepay agreement should continue to be recorded as deferred revenue.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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### 4. RECENT EVENTS

#### (a) COVID-19 response plan

##### Mercedes, Mexico

On April 1, 2020, the Company announced that the Mercedes mine was in the process of taking final steps to place the mine into care and maintenance as part of action required in order to help protect the health of our employees, their families and neighboring communities from the growing threat of the COVID-19 pandemic. This action was in response of the Mexican federal government's mandate that all non-essential businesses temporarily suspend operations until April 30th, 2020. On April 27, 2020, Mexico's General Health Council and the Health Ministry, published an amendment to the March 31, 2020 decree, which extends the suspension of non-essential activities until May 30, 2020.

On site activity will be limited to work required to prevent irreversible damage to the mine or the surrounding environment as a result of suspending normal operations. Precautionary measures and controls to help protect the care and maintenance personnel will be taken. These measures will include a requirement for employees on site to remain at the mine for extended periods to limit the potential for transfer of the virus.

To date, there are no known or suspected cases of COVID-19 infection among mine personnel.

The mine's strategy of enhanced hygiene practices and other precautionary measures and controls will continue. These practices include, but are not limited to, avoiding all physical contact, daily medical checkups including body temperature measurement, physical distancing, increased cleaning and sanitation and continued education on good hygiene.

##### South Arturo and McCoy-Cove, Nevada

Mining activities at South Arturo and exploration efforts at McCoy-Cove are continuing with no significant interruption to date.

##### Hasaga and Greenstone Gold, Ontario

As a result of the closure of non-essential businesses in Ontario on March 18, 2020 due to COVID-19 and for the health and safety of our employees and contractors, it was decided to delay the program pending further guidance from the federal and provincial governments in Canada.

During the quarter, operations at Greenstone were not directly impacted by COVID-19. The managing partner is closely monitoring the situation and has closed access to its offices and site. All employees and consultants are working remotely.

#### (b) Public offering and financing arrangement

##### Public offering

On March 4, 2020, the Company completed a public offering of 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. An aggregate of 25,335,000 Common Shares were issued by the Company at a price of C\$1.50 per common share for aggregate gross proceeds of C\$38.0 million.

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, 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.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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### 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, amending and restating the existing amended and restated gold prepay credit agreement dated January 31, 2019, and (ii) an amended and restated offtake agreement amending and restating the amended and restated offtake agreement dated January 31, 2019.

### *Gold prepay*

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, 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 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 and fees of \$0.40 million for net proceeds of \$14.94 million.

The remaining terms of the second amended and restated gold prepay agreement remain substantially the same as the existing gold prepay agreement.

### *Offtake agreement*

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. 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 remaining terms of the second amended and restated offtake agreement remain substantially the same as the existing offtake agreement.

### *Investec credit agreement*

The Company also entered into a first amending agreement with Investec Bank plc ("Investec"), amending certain provisions contained in the credit agreement dated January 24, 2019 between the Company and Investec. 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. Refer to Note 15(iv) for further details.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

	March 31, 2020	December 31, 2019
Cash	\$ 66,394	\$ 58,369
Short-term money market investments	36	39
<b>Total cash and cash equivalents</b>	<b>\$ 66,430</b>	<b>\$ 58,408</b>

### 6. RECEIVABLES

	March 31, 2020	December 31, 2019
Recoverable taxes (i)	\$ 8,993	\$ 12,016
Taxes receivable (ii)	714	714
Trade receivables (iii)	303	574
Other receivable	13	16
<b>Total receivables</b>	<b>\$ 10,023</b>	<b>\$ 13,320</b>

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

(ii) Taxes receivable are Alternative Minimum Tax ("AMT") payments incurred in the United States that are expected to be realized within the next year.

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

### 7. INVENTORY

	March 31, 2020	December 31, 2019
Finished goods	\$ 7,243	\$ 3,381
Work-in-process	530	380
Current ore stockpiles	874	3,217
Materials and supplies	14,820	15,543
<b>Total current inventory</b>	<b>23,467</b>	<b>22,521</b>
Long-term ore stockpiles	3,125	3,281
<b>Total inventory</b>	<b>\$ 26,592</b>	<b>\$ 25,802</b>

The amount of inventory recognized as an expense for the period ended March 31, 2020 was \$18.37 million (\$14.72 million for the period ended March 31, 2019) and is included in cost of sales excluding depletion, depreciation and amortization. Long-term inventory is comprised of low grade ore not expected to be processed in the next year.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

### 8. OTHER ASSETS

	March 31, 2020	December 31, 2019
Investments (i)	\$ 17	\$ 31
Deferred finance costs (ii)	537	516
<b>Total other assets</b>	<b>\$ 554</b>	<b>\$ 547</b>

- (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 March 31, 2020 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

<b>Property</b>	March 31, 2020	December 31, 2019
Hardrock, Ontario (i)	\$ 223	\$ 244
Northern Empire Mill, Ontario (ii)	1,583	1,729
McCoy-Cove, Nevada (iii)	600	600
South Arturo, Nevada (iv)	4,359	4,027
	<b>\$ 6,765</b>	<b>\$ 6,600</b>

- (i) The Company has a C\$0.63 million (\$0.45 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 (\$0.22 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 (\$1.58 million) in restricted cash and cash equivalents relating to reclamation obligations associated with the Northern Empire Mill in Ontario including:
- a C\$0.15 million (\$0.11 million) standby letter of credit with the Toronto Dominion Bank in the name of the Company's wholly owned subsidiary, Goldstone Resources Inc., and payable in favour of the MNDM;
  - a C\$1.68 million (\$1.18 million) standby letter of credit with the Royal Bank of Canada and payable in favour of the MNDM; and
  - C\$0.42 million (\$0.29 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 25(b).
- (iv) The Company has \$4.36 million in restricted cash relating to the reclamation of the Company's 40% ownership of the South Arturo project.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

### 10. OTHER LONG-TERM ASSETS

	March 31, 2020	December 31, 2019
Receivable (i)	\$ 1,427	\$ 1,427
Deferred finance costs (ii)	1,513	1,580
Total other long-term assets	2,940	3,007
Less current portion	1,250	1,230
Long-term portion	\$ 1,690	\$ 1,777

(i) The Company has \$1.43 million in AMT credits which are expected to be fully realized by the end of 2021. The receivable is AMT recoverable 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, 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
<b>Balance, December 31, 2019</b>	<b>195,590</b>	<b>139,765</b>	<b>126,611</b>	<b>461,966</b>
IFRS 16 total transition adjustments	-	-	219	219
Balance, January 1, 2020	195,590	139,765	126,830	462,185
Additions	4,693	(867)	662	4,488
Disposals	-	-	(165)	(165)
Change in estimate of environmental rehabilitation	365	24	-	389
Non-cash adjustments	(428)	115	-	(313)
Foreign currency adjustment	-	(5,383)	(513)	(5,896)
<b>Balance, March 31, 2020</b>	<b>\$ 200,220</b>	<b>\$ 133,654</b>	<b>\$ 126,814</b>	<b>\$ 460,688</b>
<b>Accumulated depreciation and impairment</b>				
Balance, January 1, 2019	\$ 112,002	\$ 1,510	\$ 25,855	\$ 139,367
Depletion, depreciation and amortization	10,418	-	11,529	21,947
Disposals	-	-	(46)	(46)
Foreign currency adjustment	-	60	198	258
<b>Balance, December 31, 2019</b>	<b>122,420</b>	<b>1,570</b>	<b>37,536</b>	<b>161,526</b>
Depletion, depreciation and amortization (iii)	2,529	-	2,595	5,124
Disposals	-	-	(45)	(45)
Foreign currency adjustment	-	(105)	(361)	(466)
<b>Balance, March 31, 2020</b>	<b>\$ 124,949</b>	<b>\$ 1,465</b>	<b>\$ 39,725</b>	<b>\$ 166,139</b>
<b>Carrying amounts</b>				
Balance, December 31, 2019	\$ 73,170	\$ 138,195	\$ 89,075	\$ 300,440
<b>Balance, March 31, 2020</b>	<b>\$ 75,271</b>	<b>\$ 132,189</b>	<b>\$ 87,089</b>	<b>\$ 294,549</b>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

(i) Mineral properties subject to depletion

Property	December 31, 2019	Additions	Change in estimate of environmental provision	Transfers	Depletion	Non-cash adjustments	March 31, 2020
South Arturo, Nevada	\$ 4,262	\$ 421	\$ 280	\$ -	\$ (524)	\$ -	\$ 4,439
Mercedes, Mexico	68,908	4,272	85	-	(2,005)	(428)	70,832
	\$ 73,170	\$ 4,693	\$ 365	\$ -	\$ (2,529)	\$ (428)	\$ 75,271

Property	January 1, 2019	Additions	Change in estimate of environmental provision	Transfers	Depletion	Non-cash adjustments	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

(ii) Mineral properties not subject to depletion

Property	December 31, 2019	Additions	Change in estimate of environmental provision	Transfers	Non-cash adjustments	Currency adjustment	March 31, 2020
Rahill-Bonanza, Ontario	\$ 13,835	\$ -	\$ -	\$ -	\$ -	\$ (1,169)	\$ 12,666
Hasaga, Ontario	10,228	-	-	-	-	(865)	9,363
Greenstone Gold, Ontario	38,388	-	-	-	-	(3,244)	35,144
McCoy-Cove, Nevada	51,647	-	24	-	-	-	51,671
Rye, Nevada	108	-	-	-	-	-	108
Rodeo Creek, Nevada	150	-	-	-	-	-	150
South Arturo, Nevada	23,839	(867)	-	-	115	-	23,087
	\$ 138,195	\$ (867)	\$ 24	\$ -	\$ 115	\$ (5,278)	\$ 132,189

Property	January 1, 2019	Additions	Change in estimate of environmental provision	Transfers	Non-cash adjustments	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

(iii) Depreciation, depletion and amortization on property, plant and equipment during the period ended March 31, 2020 and 2019 include amounts allocated to:

	Three months ended March 31,	
	2020	2019
Depreciation, depletion and amortization	\$ 4,836	\$ 4,712
Recorded in exploration, evaluation and pre-development	50	32
Recorded in general and administrative	226	108
Recorded in property maintenance	1	1
	5,113	4,853
Inventory movement	11	246
Total depletion, depreciation and amortization	\$ 5,124	\$ 5,099

































