



Management's Discussion and Analysis

For the year ended December 31, 2018

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Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis ("MD&A") of Premier Gold Mines Limited (the "Company" or "Premier") should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2018 and the notes thereto. The Company's audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise stated, all amounts discussed herein are denominated in U.S. dollars. This MD&A was prepared as of March 6, 2019 and all information is current as of such date. Readers are encouraged to read the Company's public information filings on SEDAR at www.sedar.com.

This discussion provides management's analysis of Premier's historical financial and operating results and provides estimates of Premier's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance.

OVERVIEW

Company Overview

Premier is a growth oriented, Canadian based, mining company involved in the exploration, development and production of gold and silver deposits in Canada, the United States and Mexico. The Company's common shares are listed on the Toronto Stock Exchange ("TSX") under the symbol PG and its head office is located at Suite 200, 1100 Russell Street, Thunder Bay, Ontario, P7B 5N2.

The Company's principal mining assets include:

- Wholly owned Mercedes Mine in Sonora, Mexico,
- A 40% interest in the South Arturo Mine in Nevada, USA, and
- A 50% interest in the Hardrock Gold Project through a partnership with Greenstone Gold Mines located along the Trans-Canada highway in Ontario, Canada.

Other key advanced exploration and development properties include:

- A 100% interest in the Cove gold property located in Nevada, USA,
- An earn-in agreement with Barrick Gold, related to the McCoy-Cove property located in Nevada, USA,
- A 100% interest in the Hasaga Gold Project in Red Lake, Ontario, Canada, and
- A 44% joint venture interest with Goldcorp in the Rahill Bonanza projects, also of Red Lake Ontario, Canada.

Functional and Presentation Currency Change

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

Quarter and Year 2018 Operating and Financial Highlights

Fourth Quarter

- Production of 23,042 ounces of gold and 120,730 ounces of silver
- Cash costs¹ of \$619 per ounce of gold sold, a 28% reduction from Q3 2018
- AISC¹ of \$798 per ounce of gold sold, a 21% reduction from Q3 2018
- Revenue of \$19.9 million
- Mine operating income of \$6.1 million
- Net loss of \$8.9 million

Year 2018

- Production of 89,699 ounces of gold and 321,814 ounces of silver
- Sales of 87,036 ounces of gold at an average realized price¹ of \$1,264 per ounce
- Cash costs¹ of \$788 per ounce of gold sold
- AISC¹ of \$927 per ounce of gold sold
- Revenue of \$113.9 million
- Mine operating income of \$16.5 million
- Net loss of \$20.4 million

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

Key Operating and Financial Statistics

		Three months ended December 31		Years ended December 31	
<i>(in millions of U.S. dollars, unless otherwise stated) ^(iv)</i>		2018	2017	2018	2017
Ore milled	<i>tonnes</i>	188,444	227,353	861,058	1,074,426
Gold produced	<i>ounces</i>	23,042	24,385	89,699	139,658
Silver produced	<i>ounces</i>	120,730	77,082	321,814	357,901
Gold sold	<i>ounces</i>	15,653	23,000	87,036	155,727
Silver sold	<i>ounces</i>	90,135	77,096	299,819	338,831
Realized Price <i>(2017 as restated) ⁽ⁱⁱⁱ⁾</i>					
Average realized gold price ^(i,ii)	<i>\$/ounce</i>	1,250	1,265	1,264	1,254
Average realized silver price ^(i,ii)	<i>\$/ounce</i>	15	16	16	17
Non-IFRS Performance Measures					
Co-product cash costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	619	665	788	524
Co-product all-in sustaining costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	798	792	927	627
Co-product cash costs per ounce of silver sold ^(i,ii)	<i>\$/ounce</i>	10	10	10	9
Co-product all-in sustaining costs per ounce of silver sold ^(i,ii)	<i>\$/ounce</i>	13	11	13	11
By-product cash costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	591	643	771	508
By-product all-in sustaining costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	785	775	917	615
Financial Measures <i>(2017 as restated) ⁽ⁱⁱⁱ⁾</i>					
Gold revenue	<i>m \$</i>	19.4	29.0	109.6	194.6
Silver revenue	<i>m \$</i>	0.5	1.3	4.2	5.7
Total revenue	<i>m \$</i>	19.9	30.2	113.9	200.3
Mine operating income	<i>m \$</i>	6.1	7.2	16.5	64.0
Net income / (loss)	<i>m \$</i>	(8.9)	(3.6)	(20.4)	16.2
Earnings / (loss) per share	<i>/share</i>	(0.04)	(0.02)	(0.10)	0.08
Adjusted earnings / (loss) per share ^(i,ii)	<i>/share</i>	(0.00)	(0.02)	(0.06)	0.08
EBITDA ^(i,ii)	<i>m \$</i>	(5.4)	5.7	9.3	80.4
Adjusted EBITDA ^(i,ii)	<i>m \$</i>	2.9	5.7	17.6	80.4
Cash & cash equivalents balance	<i>m \$</i>	43.9	103.0	43.9	103.0
Cash flow from operations	<i>m \$</i>	(7.5)	(0.1)	(10.7)	64.0
Free cash flow ^(i,ii)	<i>m \$</i>	(14.5)	(5.4)	(37.6)	42.4
Exploration, evaluation & pre-development expense	<i>m \$</i>	4.4	5.7	22.2	26.3
Capital <i>(2017 as restated) ⁽ⁱⁱⁱ⁾</i>					
Total capital expenditures	<i>m \$</i>	7.0	5.1	26.9	21.6
Capital expenditures - sustaining ^(i,ii)	<i>m \$</i>	1.6	1.3	7.0	9.6
Capital expenditures - expansionary ^(i,ii)	<i>m \$</i>	5.4	3.8	19.9	12.0

⁽ⁱ⁾ A cautionary note regarding Non-IFRS financial metrics is included in the "Non-IFRS Measures" section of this Management's Discussion and Analysis.

⁽ⁱⁱ⁾ Cash costs, all-in sustaining costs, free cash flow, EBITDA, adjusted EBITDA, adjusted earnings (loss) per share, sustaining and expansionary capital expenditures as well as average realized gold/silver price per ounce are Non-IFRS metrics and discussed in the section "Non-IFRS Measures" of this Management's Discussion and Analysis.

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

^(iv) May not add due to rounding.

2018 Guidance

Production estimates for 2018 were derived from life of mine operating plans prepared on the basis of mineral reserves associated with each property. Accordingly, the following table represents the revised assumptions and guidance for 2018.

Gold Guidance 2018				
Mine	Production ounces	Realized Gold Price per ounce ⁽ⁱ⁾	Cash Cost per ounce ⁽ⁱ⁾	AISC per ounce ⁽ⁱ⁾
South Arturo	20,000 - 25,000	\$1,200	\$425 - \$475	\$475 - \$525
Mercedes	70,000 - 75,000	\$1,200	\$875 - \$925	\$1000 - \$1050
Consolidated	90,000 - 100,000	\$1,200	\$775 - \$825	\$900 - \$950

Mercedes mine silver forecast of 225,000 - 250,000 oz for 2018.

⁽ⁱ⁾ See "Non-IFRS Measures" section.

RESULTS OF OPERATIONS

Selected Quarterly Information

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

	For the years 2017 and 2018							
	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Gold sales (ounces) ⁽ⁱⁱ⁾	15,653	21,466	20,642	29,275	23,000	37,920	43,212	51,594
Silver sales (ounces) ⁽ⁱⁱ⁾	90,135	85,376	58,098	66,210	77,096	90,545	97,356	73,834
<i>(in thousands of U.S. dollars, unless otherwise stated)</i>	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017 <i>Restated⁽ⁱ⁾</i>	Q3 2017 <i>Restated⁽ⁱ⁾</i>	Q2 2017 <i>Restated⁽ⁱ⁾</i>	Q1 2017 <i>Restated⁽ⁱ⁾</i>
Revenue	19,885	27,336	27,470	39,176	30,240	49,989	55,532	64,547
Costs of sales	(10,582)	(19,305)	(20,539)	(21,337)	(17,106)	(26,286)	(21,676)	(20,499)
Depletion, depreciation and amortization	(3,234)	(6,011)	(8,126)	(8,197)	(5,927)	(9,936)	(12,363)	(22,504)
Mine operating income / (loss)	6,069	2,020	(1,195)	9,641	7,207	13,767	21,493	21,545
Other significant income / (loss):								
Gain attributable to Greenstone Gold development commitment	2,349	2,450	3,403	1,690	1,593	991	1,421	1,290
Write-down of inventory	(8,260)	-	-	-	-	-	-	-
Income / (loss) for the period	(8,908)	(1,844)	(7,654)	(2,020)	(3,647)	2,261	12,501	5,055
Basic and diluted income / (loss) per share	(0.04)	(0.01)	(0.04)	(0.01)	(0.02)	0.01	0.06	0.02

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

⁽ⁱⁱ⁾ May not total to annual amounts due to rounding.

Sales

A total of 15,653 gold ounces were sold during the fourth quarter of 2018, with 1,280 ounces from South Arturo and 14,373 ounces from Mercedes compared to the third quarter total of 21,466 ounces, of which 1,932 ounces were from South Arturo and 19,534 ounces from Mercedes. While production has increased from the previous quarter, sales were lower due to the write-down of finished goods inventory as a result of Republic Metals Corporation bankruptcy as further discussed in Note 28 of the December 31, 2018 audited consolidated financial statements.

Historical gold sales ounces over the past eight quarters follow the beginning of production at South Arturo in the third quarter of 2016 and the purchase of the Mercedes mine in the fourth quarter of 2016. Production at South Arturo, as expected, has been trending downward following completion of Phase 2 open pit mining. While the transition from the completed Phase 2 open pit to the El Nino underground extension and the next Phase 1 pit has begun, 2018 saw lower quarterly gold sales from South Arturo as compared to the quarter of 2017 due to the processing of stockpiles from the Phase 2 open pit.

Mercedes production has been impacted this year by the requirement to redesign stopes in new mining zones following changes in geologic interpretations which resulted in lower mined grades during the transition period. Production improved in the third and fourth quarters of 2018 following the completion of stope designs in the new Diluvio, Lupita, and Rey de Oro deposits.

Revenue

Revenue of \$19.9 million for the fourth quarter of 2018 is consistent with lower quarterly sales ounces and a higher average realized gold price of \$41 per ounce than in the third quarter of 2018. For the year ending 2018, the realized gold price is \$10 per ounce higher than the year ended 2017.

Net Income / (Loss)

Net income / (loss) presented over the eight quarters is generally reflective of the limited life of the South Arturo Phase 2 open pit where production has been winding down in the second half of 2017 and into 2018 with the processing of stockpile ounces.

Higher production than expected in the first half of 2018 for South Arturo was offset by a decrease in Mercedes production and the exploration and pre-development activity on the other U.S. properties. Fourth quarter improvement in Mercedes operations along with a slight decrease in exploration, evaluation and pre-development activity contributed to the reduction in the net loss compared to prior periods in 2018.

Quarter Results

	Three months ended December 31		Years ended December 31	
	2018	2017 as restated ⁽ⁱ⁾	2018	2017 as restated ⁽ⁱ⁾
<i>(in thousands of U.S. dollars, unless otherwise noted)</i>				
Revenue	19,885	30,240	113,867	200,308
Cost of sales	(10,582)	(17,106)	(71,763)	(85,567)
Depletion, depreciation and amortization	(3,234)	(5,927)	(25,568)	(50,730)
Mine operating income	6,069	7,207	16,536	64,011
Expenses				
Exploration, evaluation, and pre-development	4,449	5,725	22,233	26,251
Property maintenance	41	115	243	328
General and administrative	3,547	2,257	9,528	7,893
Share-based payments	37	117	2,571	2,716
Re-measurement of environmental rehabilitation provision	-	(170)	(99)	(297)
Operating income / (loss)	(2,005)	(837)	(17,940)	27,120

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

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

Revenue and Mine Operating Income

The decrease in revenue for the three months and year ended December 31, 2018 compared with the prior-year period was due to the decrease in sales volume of 7,347 and 68,691 gold ounces respectively and a decrease in the average realized gold selling price of \$15 per ounce for the quarter offset by a small increase of \$10 per ounce year to date. Cost of sales on a per ounce basis for the quarter was lower than in the prior-year period due to improved cost structure at Mercedes. Mercedes cost of sales per ounce for the year ended 2018 was higher than the year ended 2017 due to the weighting of Mercedes mine sales to South Arturo sales which are at a lower cost. Depletion is at a lower cost per ounce also due to the weighting of Mercedes with the longer life of mine.

Expenses

Exploration, evaluation and pre-development expense for the three months ended December 31, 2018 was \$4.4 million compared to \$5.7 million for the prior-year period. For the year ended December 31, 2018, expenses were \$22.2 million compared to \$26.3 million for the prior-year period. See further discussion in the Exploration, Evaluation and Pre-development section below.

General and administrative expenditures for the three months and year ended December 31, 2018 were \$3.5 million and \$9.5 million compared to \$2.3 million and \$7.9 million in the prior-year period respectively. The year to date increase in administrative costs is the result of increased corporate development activity and is also in part attributed to the conversion to in-house technology services from contracted services in 2017.

Share-based payments are related to the annual grant and vesting of stock options and restricted share units. A lower share price at December 31, 2018 impacted the three months ended December 31, 2018 compared to the prior-year period.

Other Income / Expense

<i>(in thousands of U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2018	2017 <i>as restated⁽ⁱ⁾</i>	2018	2017 <i>as restated⁽ⁱ⁾</i>
Investment and other income	1,618	11	1,684	12
Interest earned	135	279	680	743
Gain on disposal of property, plant and equipment	-	24	321	38
Gain / (loss) on derivatives	(306)	(97)	637	(1,127)
Loss on investments	(16)	(210)	(110)	(337)
Loss on foreign exchange	(1,519)	(747)	(2,756)	(711)
Write-down of inventory	(8,260)	-	(8,260)	-
Write-down of property, plant and equipment	-	(160)	-	(1,584)
Gain attributable to Greenstone Gold development commitment	2,349	1,593	9,891	5,294
	(5,999)	693	2,087	2,328

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

Investment and other income increased during the three months and year ended December 31, 2018 when compared to the prior-year period, mainly due to the recognition of income due to the cancellation of a Mercedes retirement savings plan which was not benefiting employees.

Interest income is lower compared to the prior-year period for the three months and year ended December 31, 2018 as a result of a decrease in cash balances as discussed further in the liquidity section.

A gain on disposal of property, plant and equipment for the year ended December 31, 2018 is related to the disposal of a non-core mineral interest for minimal proceeds less costs and the elimination of the related environmental rehabilitation obligation of \$0.4 million.

The loss on derivatives of \$0.3 million for the three months ended December 31, 2018 is due to a reduction in the year to date fair value gain of \$0.5 million on the offtake obligation from the previous quarter. The gain for the year ended December 31, 2018 of \$0.6 million also includes a gain on the fair value adjustment for the warrant liability of \$0.4 million. The loss of \$1.1 million in the prior-year period was due to a fair value adjustment to the forward contract.

The loss on investments is not significant and is related to fair market value adjustments on Canadian equities held.

Canadian dollars, Mexican pesos and other monetary balances are impacted by fluctuations in the valuation of the U.S. dollar against the Canadian dollar and the Peso. For the three months ended December 31, 2018, the U.S. dollar strengthened by 5.1%, causing a foreign exchange loss on Canadian cash balances. The U.S. dollar also strengthened against the Peso by 4.4% causing an additional loss on Peso denominated cash balances. For the year ended December 31, 2018, the U.S. dollar strengthened against the Canadian dollar by 8.2% and weakened against the Peso by 0.3% causing an overall exchange loss of \$2.8 million.

The write-down of inventory in the three months ended December 31, 2018 was due to the RMC bankruptcy as further discussed in Note 28 of the December 31, 2018 audited consolidated financial statements.

The gain attributable to the Greenstone Gold development commitment for the three months and year ended December 31, 2018 was \$2.3 million compared to \$1.6 million and \$9.9 million compared to \$5.3 million respectively in the prior-year period, directly attributable to the level of exploration and pre-development work being carried out on the property as further discussed in the Exploration, Evaluation and Pre-Development section. The project continues to be fully funded by the co-ownership partner, Centerra Gold Inc. ("Centerra").

Interest and Finance Expense

<i>(in thousands of U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2018	2017 <i>as restated⁽ⁱ⁾</i>	2018	2017 <i>as restated⁽ⁱ⁾</i>
Environmental rehabilitation accretion	376	298	1,279	932
Interest paid	327	971	1,984	4,798
Amortization of finance costs	56	2,025	1,090	5,065
Amortization of gold prepay interest	(269)	(422)	(1,306)	(1,920)
Silver stream accretion	226	-	693	-
Amortization of discount	-	2	4	10
	716	2,874	3,744	8,885

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

For the three months ended December 31, 2018, the environmental accretion was similar compared to the prior-year period and mainly due to the long-term risk-free rate. For the year ended December 31, 2018, the environmental accretion increased when compared to the prior-year period due to an increase in the provision for McCoy-Cove and Mercedes mine as well as increases in the long-term risk-free rates.

Interest costs and amortization of finance costs for the three months ended December 31, 2018 decreased when compared to the prior-year period due to the lower level of debt held; \$20 million in 2018 versus \$45 million in 2017. In addition, the \$20 million remaining debt was repaid on May 4, 2018.

The amortization of the gold prepay interest is declining as the deferred revenue balance is drawn down reflected in the decreasing expense for the three months and year ended December 31, 2018 as compared to the prior-year period. Finance cost also now includes accretion on the silver stream deferred revenue arrangement considered to have a significant financing component as required under the new IFRS 15 standard as discussed in the 'Critical Accounting Judgements and Estimates, Policies and Changes' section of this MD&A. As this change has been applied using the modified retrospective approach, there is no comparative for 2017.

Current and Deferred Taxes

<i>(in thousands of U.S. dollars)</i>	Three months ended December 31		Years ended December 31	
	2018	2017 <i>as restated⁽ⁱ⁾</i>	2018	2017 <i>as restated⁽ⁱ⁾</i>
Income / (loss) before income taxes	(8,720)	(3,018)	(19,597)	20,563
Current tax recovery / (expense)	(664)	3,604	(2,781)	(5,166)
Deferred tax recovery / (expense)	476	(4,233)	1,952	772
Income / (loss) for the period	(8,908)	(3,647)	(20,426)	16,169

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

(ii) May not add due to rounding.

Current income taxes are comprised of net proceeds tax in Nevada related to the South Arturo mine operation, mining royalty tax at Mercedes operations, Mercedes withholding tax and a current provision for income taxes for the Mexico service company providing operations staff for Mercedes. The current income tax expense decreased by \$4.3 million for the three months ended and \$2.4 million for the year ended December 31, 2018 compared to the prior-year periods primarily due to a reduction in net proceeds tax on processing at the South Arturo mine operation which was offset by an increase in Mercedes tax. In addition, alternative minimum tax ("AMT") for the U.S. operations of \$1.1 million was recorded in 2017, prior to the repeal of AMT U.S. tax reform legislation on December 22, 2017.

Deferred tax recoveries include a reversal of the deferred tax liability for Premier Gold Mines NWO Inc. due to exploration expensed for accounting purposes but capitalized for tax purposes and a recovery of mining royalty deferred taxes for Mercedes Mine. The current deferred tax recovery changed by \$4.7 million for the three months ended December 31, 2018 compared to the prior-year period due to a reversal of deferred tax recovery related to foreign exchange gains and losses in 2017 which was not required in 2018. The \$1.2 million increase in deferred tax recovery for the year ended December 31, 2018 compared to the prior-year related to the Premier Gold Mines NWO Inc. recovery noted as well as a benefit on deferred royalty taxes due to the use of previously unrecognized loss carryovers. Also included in 2017 was a deferred tax recovery related to the deferred flow-through premium on flow-through financing from 2016 of \$1.0 million.

Other Comprehensive Income / (Loss)

Other comprehensive income / (loss) includes the exchange gain or loss on the translation of foreign operations and is now impacted by the Premier subsidiaries that have a functional currency of CAD and MXN as a result of the change in presentation currency discussed in Note 2(f) to the December 31, 2018 audited consolidated financial statements of the Company. The exchange gain for the three months ended December 31, 2018 is \$0.9 million compared to a gain of \$0.1 million for the prior-year period as a result of a 5.1% swing for the CAD to USD rate versus a weakening of 0.3% for 2017. For the year ended December 31, 2018, the exchange loss is \$3.1 million compared to a gain of \$6.7 million in the prior-year period based on a weakening of the CAD to USD rate of 8.2% in 2018 and a 7.3% swing in the opposite direction in 2017.

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

Mining Operations

The following tables provide financial and non-financial information for the three months ended December 31, 2018 and 2017 respectively.

		Three months ended December 31, 2018		
<i>(in millions of U.S. dollars, unless otherwise stated) ^(v)</i>		Mercedes	South Arturo	Total
Ore & Metals				
Ore milled	<i>tonnes</i>	183,158	5,286	188,444
Gold produced	<i>ounces</i>	22,465	577	23,042
Silver produced	<i>ounces</i>	119,039	1,691	120,730
Gold sold	<i>ounces</i>	14,373	1,280	15,653
Silver sold	<i>ounces</i>	90,135	-	90,135
Average gold grade	<i>grams/t</i>	3.96	4.14	
Average silver grade	<i>grams/t</i>	44.78	-	
Average gold recovery rate	<i>%</i>	96.3	82.2	
Average silver recovery rate	<i>%</i>	45.2	-	
Realized Price <i>(2017 as restated) ^(iv)</i>				
Average realized gold price ^(i,ii)	<i>\$/ounce</i>	1,247	1,279	1,250
Average realized silver price ^(i,ii)	<i>\$/ounce</i>	15	-	15
Non-IFRS Performance Measures				
Co-product cash costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	639	385	619
Co-product all-in sustaining costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	808	678	798
Co-product cash costs per ounce of silver sold ^(i,ii)	<i>\$/ounce</i>	10	-	10
Co-product all-in sustaining costs per ounce of silver sold ^(i,ii)	<i>\$/ounce</i>	13	-	13
By-product cash costs per ounce of gold sold ^(i,ii,iii)	<i>\$/ounce</i>	609	385	591
By-product all-in sustaining costs per ounce of gold sold ^(i,ii,iii)	<i>\$/ounce</i>	795	678	785
Financial Measures <i>(2017 as restated) ^(iv)</i>				
Gold revenue	<i>m \$</i>	17.8	1.6	19.4
Silver revenue	<i>m \$</i>	0.5	-	0.5
Total revenue	<i>m \$</i>	18.2	1.6	19.9
Mine operating income	<i>m \$</i>	5.3	0.8	6.1
Exploration, evaluation & pre-development expense	<i>m \$</i>	-	0.2	0.2
Capital <i>(2017 as restated) ^(iv)</i>				
Total capital expenditures	<i>m \$</i>	3.1	3.6	6.8
Capital expenditures - sustaining ^(i,ii)	<i>m \$</i>	1.6	-	1.6
Capital expenditures - expansionary ^(i,ii)	<i>m \$</i>	1.6	3.6	5.2

⁽ⁱ⁾ A cautionary note regarding Non-IFRS financial metrics is included in the "Non-IFRS Measures" section of this Management's Discussion and Analysis.

⁽ⁱⁱ⁾ Cash costs, all-in sustaining costs, sustaining and expansionary capital expenditures as well as average realized gold/silver price per ounce are Non-IFRS metrics and discussed in the section "Non-IFRS Measures" of this Management's Discussion and Analysis.

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

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

^(v) May not add due to rounding.

		Three months ended December 31, 2017		
<i>(in millions of U.S. dollars, unless otherwise stated) ^(v)</i>		Mercedes	South Arturo	Total
Ore & Metals				
Ore milled	<i>tonnes</i>	182,470	44,883	227,353
Gold produced	<i>ounces</i>	19,913	4,472	24,385
Silver produced	<i>ounces</i>	77,082	-	77,082
Gold sold	<i>ounces</i>	17,119	5,882	23,000
Silver sold	<i>ounces</i>	77,096	-	77,096
Average gold grade	<i>grams/t</i>	3.52	3.75	
Average silver grade	<i>grams/t</i>	33.95	-	
Average gold recovery rate	%	96.5	82.7	
Average silver recovery rate	%	38.7	-	
Realized Price <i>(2017 as restated) ^(iv)</i>				
Average realized gold price ^(i,ii)	<i>\$/ounce</i>	1,258	1,287	1,265
Average realized silver price ^(i,ii)	<i>\$/ounce</i>	16	-	16
Non-IFRS Performance Measures				
Co-product cash costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	760	386	665
Co-product all-in sustaining costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	894	497	792
Co-product cash costs per ounce of silver sold ^(i,ii)	<i>\$/ounce</i>	10	-	10
Co-product all-in sustaining costs per ounce of silver sold ^(i,ii)	<i>\$/ounce</i>	11	-	11
By-product cash costs per ounce of gold sold ^(i,ii,iii)	<i>\$/ounce</i>	731	386	643
By-product all-in sustaining costs per ounce of gold sold ^(i,ii,iii)	<i>\$/ounce</i>	871	497	775
Financial Measures <i>(2017 as restated) ^(iv)</i>				
Gold revenue	<i>m \$</i>	21.4	7.6	29.0
Silver revenue	<i>m \$</i>	1.3	-	1.3
Total revenue	<i>m \$</i>	22.7	7.6	30.2
Mine operating income / (loss)	<i>m \$</i>	7.6	(0.4)	7.2
Exploration, evaluation & pre-development expense	<i>m \$</i>	0.3	0.3	0.6
Capital <i>(2017 as restated) ^(iv)</i>				
Total capital expenditures	<i>m \$</i>	3.0	0.6	3.6
Capital expenditures - sustaining ^(i,ii)	<i>m \$</i>	1.1	0.3	1.3
Capital expenditures - expansionary ^(i,ii)	<i>m \$</i>	1.9	0.3	2.2

⁽ⁱ⁾ A cautionary note regarding Non-IFRS financial metrics is included in the "Non-IFRS Measures" section of this Management's Discussion and Analysis.

⁽ⁱⁱ⁾ Cash costs, all-in sustaining costs, sustaining and expansionary capital expenditures as well as average realized gold/silver price per ounce are Non-IFRS metrics and discussed in the section "Non-IFRS Measures" of this Management's Discussion and Analysis.

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

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

^(v) May not add due to rounding.

The following tables provide financial and non-financial information for the year ended December 31, 2018 and 2017 respectively.

		Year ended December 31, 2018		
<i>(in millions of U.S. dollars, unless otherwise stated) ^(v)</i>		Mercedes	South Arturo	Total
Ore & Metals				
Ore milled	<i>tonnes</i>	665,522	195,536	861,058
Gold produced	<i>ounces</i>	68,719	20,980	89,699
Silver produced	<i>ounces</i>	309,165	12,649	321,814
Gold sold	<i>ounces</i>	65,760	21,276	87,036
Silver sold	<i>ounces</i>	299,819	-	299,819
Average gold grade	<i>grams/t</i>	3.34	3.97	
Average silver grade	<i>grams/t</i>	35.34	-	
Average gold recovery rate	%	96.0	84.1	
Average silver recovery rate	%	40.9	-	
Realized Price <i>(2017 as restated) ^(iv)</i>				
Average realized gold price ^(i,ii)	<i>\$/ounce</i>	1,251	1,305	1,264
Average realized silver price ^(i,ii)	<i>\$/ounce</i>	16	-	16
Non-IFRS Performance Measures				
Co-product cash costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	908	419	788
Co-product all-in sustaining costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	1,073	478	927
Co-product cash costs per ounce of silver sold ^(i,ii)	<i>\$/ounce</i>	10	-	10
Co-product all-in sustaining costs per ounce of silver sold ^(i,ii)	<i>\$/ounce</i>	13	-	13
By-product cash costs per ounce of gold sold ^(i,ii,iii)	<i>\$/ounce</i>	885	419	771
By-product all-in sustaining costs per ounce of gold sold ^(i,ii,iii)	<i>\$/ounce</i>	1,060	478	917
Financial Measures <i>(2017 as restated) ^(iv)</i>				
Gold revenue	<i>m \$</i>	81.9	27.8	109.6
Silver revenue	<i>m \$</i>	4.2	-	4.2
Total revenue	<i>m \$</i>	86.1	27.8	113.9
Mine operating income	<i>m \$</i>	4.1	12.5	16.5
Exploration, evaluation & pre-development	<i>m \$</i>	1.3	1.3	2.6
Capital <i>(2017 as restated) ^(iv)</i>				
Total capital expenditures	<i>m \$</i>	17.4	8.4	25.9
Capital expenditures - sustaining ^(i,ii)	<i>m \$</i>	7.0	0.0	7.0
Capital expenditures - expansionary ^(i,ii)	<i>m \$</i>	10.4	8.4	18.8

⁽ⁱ⁾ A cautionary note regarding Non-IFRS financial metrics is included in the "Non-IFRS Measures" section of this Management's Discussion and Analysis.

⁽ⁱⁱ⁾ Cash costs, all-in sustaining costs, sustaining and expansionary capital expenditures as well as average realized gold/silver price per ounce are Non-IFRS metrics and discussed in the section "Non-IFRS Measures" of this Management's Discussion and Analysis.

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

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

^(v) May not add due to rounding.

		Year ended December 31, 2017		
<i>(in millions of U.S. dollars, unless otherwise stated) ^(v)</i>		Mercedes	South Arturo	Total
Ore & Metals				
Ore milled	<i>tonnes</i>	683,545	390,881	1,074,426
Gold produced	<i>ounces</i>	82,534	57,124	139,658
Silver produced	<i>ounces</i>	337,983	19,918	357,901
Gold sold	<i>ounces</i>	85,285	70,442	155,727
Silver sold	<i>ounces</i>	338,831	-	338,831
Average gold grade	<i>grams/t</i>	3.93	5.22	
Average silver grade	<i>grams/t</i>	37.63	-	
Average gold recovery rate	%	95.6	87.0	
Average silver recovery rate	%	40.9	-	
Realized Price ^(iv) (2017 as restated)				
Average realized gold price ^(i,ii)	<i>\$/ounce</i>	1,254	1,253	1,254
Average realized silver price ^(i,ii)	<i>\$/ounce</i>	17	-	17
Non-IFRS Performance Measures				
Co-product cash costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	706	304	524
Co-product all-in sustaining costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	854	351	627
Co-product cash costs per ounce of silver sold ^(i,ii)	<i>\$/ounce</i>	9	-	9
Co-product all-in sustaining costs per ounce of silver sold ^(i,ii)	<i>\$/ounce</i>	11	-	11
By-product cash costs per ounce of gold sold ^(i,ii,iii)	<i>\$/ounce</i>	676	304	508
By-product all-in sustaining costs per ounce of gold sold ^(i,ii,iii)	<i>\$/ounce</i>	832	351	615
Financial Measures ^(iv) (2017 as restated)				
Gold revenue	<i>m \$</i>	106.4	88.2	194.6
Silver revenue	<i>m \$</i>	5.7	-	5.7
Total revenue	<i>m \$</i>	112.1	88.2	200.3
Mine operating income	<i>m \$</i>	34.3	29.7	64.0
Exploration, evaluation & pre-development expense	<i>m \$</i>	1.1	0.8	1.9
Capital ^(iv) (2017 as restated)				
Total capital expenditures	<i>m \$</i>	18.2	1.2	19.4
Capital expenditures - sustaining ^(i,ii)	<i>m \$</i>	9.2	0.4	9.6
Capital expenditures - expansionary ^(i,ii)	<i>m \$</i>	9.0	0.8	9.8

⁽ⁱ⁾ A cautionary note regarding Non-IFRS financial metrics is included in the "Non-IFRS Measures" section of this Management's Discussion and Analysis.

⁽ⁱⁱ⁾ Cash costs, all-in sustaining costs, sustaining and expansionary capital expenditures as well as average realized gold/silver price per ounce are Non-IFRS metrics and discussed in the section "Non-IFRS Measures" of this Management's Discussion and Analysis.

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

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

^(v) May not add due to rounding.

Production

Consolidated gold production for the three months ended December 31, 2018 was 23,042 ounces of gold compared to 24,385 ounces of gold in the prior-year period. Lower gold production was attributable to South Arturo's transition out of Phase 2 processing, which was offset by a stronger output by Mercedes of 22,465 ounces compared to 19,913 ounces in the prior-year period. Gold production from Mercedes in the fourth quarter of 2018 improved over the prior-year period due to higher mined grades upon transitioning to the new Rey de Oro and Lupita zones as well as consistent production from the Diluvio zone. Consolidated silver production for the three months ended December 31, 2018 was 120,730 ounces, significantly higher than the 77,082 ounces produced in the prior-year period, primarily due to the higher production from Mercedes.

For the year ending December 31, 2018, production at Mercedes was lower than the prior-year due to the requirement to redesign stopes in the Diluvio zone following changes in geologic interpretations and resource modeling during the first half of 2018. This resulted in lower mined grades from the processing of development ore and less stope ore during the transition period in Diluvio. Accordingly, average gold grade in 2018 was 3.34 g/t compared to 3.93 g/t in the prior-year and average recovery for the year

was 96.0%, up slightly from the prior-year of 95.6%.

As expected, gold production at South Arturo has transitioned from the completed Phase 2 open pit to processing stockpiles during the development of the El Nino underground extension and the Phase 1 open pit. South Arturo's average gold recovery for the three months ended December 31, 2018 was 82.2%, similar to the prior-year period of 82.7%.

For the year ending December 31, 2018, gold production at South Arturo was 20,980 compared to 57,124 ounces in the prior-year period. This level of output was expected, as explained above.

Revenue

Gold revenue of \$19.4 million and silver revenue of \$0.5 million for the three months ended December 31, 2018 was lower when compared to \$29.0 million and \$1.3 million respectively in the prior-year period. The decrease in gold revenue is mainly attributable to the planned lower production from South Arturo as described above and a lower gold sales price. The decrease in silver revenue is mainly attributable to IFRS 15 variable consideration adjustment against deferred revenue on silver contracts.

Cash Costs¹

Cash costs per ounce of gold sold was \$619 for the three months ended December 31, 2018 compared to \$665 in the prior-year period. Fourth quarter cash costs represent a 28% or \$239 per ounce cost reduction over the third quarter of 2018.

For the year ending December 31, 2018, due mainly to the production impacts during the first half of the year as described above at Mercedes and a larger weighted average of production out of Mercedes versus South Arturo, consolidated cash costs per ounce of gold sold was \$788 compared to \$524 in the prior-year.

All-in Sustaining Costs¹

All-in sustaining costs per ounce of gold sold was \$798 for the three months ended December 31, 2018 compared to \$792 in the prior-year period. Fourth quarter ASIC were lower by 21% or \$210 per ounce, as compared to the third quarter of 2018.

For the year ending December 31, 2018, all-in sustaining costs per ounce of gold sold was \$927 compared to \$627 in the prior-year. As described above, the increase relative to the prior-year period was primarily due to the planned lower production from South Arturo and lower grades from the stockpile during the transition period at South Arturo.

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

Exploration

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

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

Exploration, Evaluation and Pre-development

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

(in thousands of U.S. dollars) (ii)	Three months ended December 31			Years ended December 31
	2018	2017 as restated ⁽ⁱ⁾	2018	2017 as restated ⁽ⁱ⁾
Rahill-Bonanza, Ontario, Canada	1	15	29	73
Hasaga, Ontario, Canada	195	504	2,905	3,579
Greenstone Gold, Ontario, Canada	2,107	1,338	8,786	4,492
McCoy-Cove, Nevada, USA	1,221	1,701	5,161	11,359
South Arturo, Nevada, USA	173	294	1,294	831
Goldbanks, Nevada, USA	531	1,306	2,037	3,207
Mercedes Mine, Sonora, Mexico	57	326	1,331	1,122
Cristina, Mexico	-	4	-	1,156
Rye, Nevada, USA	23	-	60	-
Rodeo Creek, Nevada, USA	4	-	4	-
Other	174	237	626	432
	4,486	5,725	22,233	26,251

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

(ii) May not add due to rounding.

Hasaga

There was no drilling completed at Hasaga during the fourth quarter as the drilling program was finalized in the third quarter with the data being analyzed to prepare plans for further exploration. For the year, 19,529 meters were drilled at the project. The drilling sought to infill and expand mineralization within the C-Zone and to test and define the D-Zone. A follow-up drilling program is being considered for 2019 based on excellent assay results on the C and D-Zones as a result of the better understanding of the structural controls. In addition, the 1.6 km gap west of Hasaga zones to the Buffalo zone has potential for new discoveries.

Greenstone

Expenditures totalled \$4.2 million in the fourth quarter (contributed by Centerra on a 100% basis) for a total of \$17.6 million during 2018, on a range of project activities. Key expenditures include external engineering on public infrastructure programs including tailings management facility, process plant engineering, hydro infrastructure relocation, infrastructure repositioning, support permit applications, legal consultation and operating support to First Nations.

McCoy-Cove

A Preliminary Economic Assessment ("PEA") was completed in the first half of 2018 on the McCoy-Cove project, including designs for underground exploration development and drilling, preliminary engineering, dewatering, and environmental baseline studies, and a life of mine plan. Dewatering simulations, including a pump test of the proposed underground advanced exploration areas around the Helen Zone were completed during 2017. During the fourth quarter of 2018, spending focused on pre-development, including engineering and permitting to change the portal and power line to safer and more practical locations and changing the design of the waste rock stockpile to improve economics without compromising the environment. Well drilling, pump tests, and updating of the groundwater model will be completed in the first half of 2019 and underground exploration development is now expected to begin in the fourth quarter of 2019.

A McCoy-Cove "Earn-in" agreement was signed with Barrick Gold in December 2017 to explore the claims surrounding the Cove properties. During the fourth quarter, 1,431 meters were drilled with a total of 9,725 meters for the whole year concentrating on the top two priority target areas of Lakeside and Windy Point with a focus on vectoring towards the most favorable geologic controls. The drilling was split between the Windy point and Lakeside east extension areas, both with encouraging results.

Goldbanks

A total of 1,762 meters was drilled at the Goldbanks property during the fourth quarter for a total of 5,474 meters during 2018. Drilling during the year focused primarily on the Hawkeye target, located in the northwest portion of the property. In general, results for these shallow open-pit targets were disappointing and do not require additional follow-up.

South Arturo

Exploration activity in the fourth quarter and during 2018 focused on analysis of near pit and underground resource expansion drilling that occurred earlier in the year for Phases 1 and 3 and El Nino, respectively. A total of 6,279 meters were drilled in 2018.

Mercedes

Exploration drilling continued during the fourth quarter with 1,972 meters completed for a total drilling of 40,721 meters for the year. An average of three drill rigs were on site for the quarter. Drilling continued to target the Diluvio and Marianas veins with encouraging results for replacing reserves.

The 2018 exploration program tested several targets early in the year with the focus of adding near mine resources and reserves, supporting mine production, extensions of the main mine trend and testing new geological targets.

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

as restated ¹ (in thousands of U.S. dollars) ²	Status	Cumulative to December 31, 2016	Year ended December 31, 2017	Cumulative to December 31, 2017	Year ended December 31, 2018	Cumulative life of project to date
Rahill-Bonanza, Ontario, Canada	Active	16,375	73	16,448	29	16,477
East Bay, Ontario, Canada	Swap (i)	1,625	-	1,625	-	1,625
PQ North, Ontario, Canada	Swap (i)	9,884	-	9,884	-	9,884
Hasaga, Ontario, Canada	Swap (i)	12,237	3,579	15,815	2,905	18,720
Brookbank, Ontario, Canada	50% sold (ii)	1,489	-	1,489	-	1,489
Hardrock, Ontario, Canada	50% sold (ii)	96,672	-	96,672	-	96,672
Greenstone Gold, Ontario, Canada	Active (ii)	23,508	4,507	28,015	8,786	36,801
McCoy-Cove, Nevada, USA	Active	32,302	11,359	43,660	5,161	48,821
South Arturo, Nevada, USA	Active	1,107	831	1,938	1,294	3,233
Goldbanks, Nevada, USA	Active	1,518	3,207	4,725	2,037	6,762
Mercedes Mine, Sonora, Mexico	Active	-	1,121	1,121	1,331	2,452
Cristina, Mexico	Inactive (iii)	476	1,156	1,632	-	1,632
Rye, Nevada, USA	Active	-	-	-	60	60
Rodeo Creek, Nevada, USA	Active	-	-	-	4	4
Other	(iv)	4,046	417	4,464	626	5,090
		201,239	26,251	227,489	22,233	249,722

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

² May not add due to rounding.

- (i) East Bay (35% co-ownership) and PQ North (100% owned) properties were exchanged during 2015 for the Hasaga property (100%) as discussed in the December 31, 2015 audited consolidated financial statements.
- (ii) Brookbank and Hardrock properties (100% owned) were transferred into the 50% owned Greenstone Gold partnership during 2015, Centerra continues to sole-fund the Greenstone Gold partnership until their development commitment is complete.
- (iii) Cristina property located in Mexico was under an exploration agreement that was not renewed in 2017.
- (iv) Other includes inactive mineral interests and current charges for regional technical services costs not charged to a property, the inactive properties include:
- Faymar property located in Deloro Township in the Timmins Gold Camp. This property was sold in 2018.
 - Nortoba-Tyson property located in Dorothea Township in the Thunder Bay Mining District.
 - Northern Empire West Extension and Northern Empire property located in McComber and Summers Township in the Thunder Bay Mining District.
 - Leitch-Sand River property located near Beardmore, Ontario.
 - Santa Teresa mineral concession and Quasaro property located in Mexico (claims under an option to purchase agreement).
 - Raingold property comprised of 6 patented mining claims. This property was sold in 2018.
 - Bartec property located in Barraute Township, in the Val D'or district of Quebec in 2015 (claim not renewed).

Selected Financial Data

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

		For the years ended December 31		
<i>(in thousands of U.S. dollars, unless otherwise stated)</i>		2018	2017 as restated ⁽ⁱ⁾	2016 as restated ⁽ⁱ⁾
Revenue				
Gold ounces sold	<i>ounces</i>	87,036	155,727	90,263
Revenue	<i>000 \$</i>	109,628	194,638	112,485
Realized price	<i>\$/ounce</i>	1,264	1,254	1,246
Silver ounces sold	<i>ounces</i>	299,819	338,831	65,380
Revenue	<i>000 \$</i>	4,239	5,669	1,125
Realized price	<i>\$/ounce</i>	16	17	17
Total revenue		113,867	200,308	113,610
Cost of goods sold				
Mining cost	<i>000 \$</i>	71,763	85,567	29,519
Depletion, depreciation and amortization	<i>000 \$</i>	25,568	50,730	51,075
Total cost of sales		97,331	136,297	80,595
Other operating expenses				
Exploration, evaluation and pre-development	<i>000 \$</i>	22,233	26,251	26,206
General and administration	<i>000 \$</i>	9,528	7,893	8,720
Other income / expense				
Gain / (loss) on investments	<i>000 \$</i>	(110)	(337)	1,624
Gain / (loss) on derivatives	<i>000 \$</i>	637	(1,127)	(842)
Gain on ongoing development commitment	<i>000 \$</i>	9,891	5,294	11,742
Write-down inventory	<i>000 \$</i>	(8,260)	-	-
Transaction costs on acquisition of mine	<i>000 \$</i>	-	-	(3,910)
Finance costs	<i>000 \$</i>	3,744	8,884	(2,362)

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

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

The onset of production from South Arturo and Mercedes in the last half of 2016 had a significant impact on operations and the Company's 2016 cash position. Production from both sites for most of 2017 accounts for the significant increase in revenue. The variance in other income / (expense) from 2016 to 2017 is largely related to the consolidation and divestment of mineral property interests which notably includes the gain on Premier's divestment of a 50% interest in the Hardrock and Brookbank properties to the Greenstone Gold Mines partnership.

Throughout 2018, South Arturo transitioned from the completed Phase 2 open pit to the El Nino underground extension and the Phase 1 pit. South Arturo processing during this period pertained to the stockpiles from the Phase 2 open pit. Accordingly, this had a significant impact on the 2018 cash position. During 2018, Mercedes production had been impacted by the requirement to redesign stopes in new mining zones following changes in geologic interpretations. These changes resulted in lower mined grades during this transition period. Production improved in the second half of 2018 following the completion of stope designs in the new Diluvio, Lupita, and Rey de Oro deposits.

Lower overall 2018 exploration, evaluation and predevelopment spending was partially due to the McCoy-Cove project, as 2018 focused on completing the Preliminary Economic Assessment ("PEA") and hydrology assessment work. As a result, there was also less drilling on the property in 2018 when compared to 2017. In 2018, Greenstone Gold focused on higher spending in exploration, evaluation and predevelopment which related to external engineering, infrastructure and support permit applications, while no exploration, evaluation and predevelopment was undertaken for the Cristina project, in Mexico during 2018.

FINANCIAL POSITION

Balance Sheet Review

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

Assets

The decrease in cash and cash equivalents of \$59.2 million was primarily the result of the repayment of debt of \$20.1 million, \$26.9 million in capital expenditures on property, plant and equipment for the South Arturo and Mercedes mines, and \$10.7 million use of cash for operating activities which includes a \$7.9 million use of cash for working capital.

Receivables increased by \$11.8 million mainly due to an increase in recoverable taxes in Mexico of \$10.3 million as a result of the timing of value added tax filings.

South Arturo 2018 production was generated from ore stockpiles resulting in a reduction in the cash cost of short and long-term stockpile inventory of \$1.3 million. Cash cost in finished goods inventory at Mercedes increased by \$1.8 million due to the timing of sales. During the quarter, there was a \$8.3 million write-down of finished goods inventory as a result of Republic Metals Corporation bankruptcy as further discussed in Note 28 of the December 31, 2018 audited consolidated financial statements.

Property, plant and equipment decreased by \$1.8 million during the year despite \$26.9 million in capital additions offset by \$20.9 million in current depletion, depreciation and amortization. The decrease includes a change in estimate on the Mercedes environmental rehabilitation of \$3.3 million (related to changes in the risk-free rate), and the foreign currency effect on Canadian held assets of \$5.8 million. The Company spent \$26.9 million on capital investment, with the primary focus on sustaining and growth capital expenditures.

Liabilities

Accounts payable decreased by \$0.6 million mainly due to operational activities at Mercedes. Taxes payable decreased by \$3.0 million, impacted by a decrease in net proceeds tax due to reduced production at South Arturo of \$1.8 million and a reduction of \$1.5 million due to mining royalty taxes paid by Mercedes. The current portion of long-term debt was reduced by the \$20.0 million debt repayment to Orion on May 4, 2018 and a \$0.1 million final payment on a promissory note on July 1, 2018.

Deferred taxes decreased by \$2.2 million with the deferred royalty taxes at Mercedes decreasing by \$1.1 million related to timing differences on provisions and with regular deferred taxes decreasing for Premier Gold Mines NWO Inc. by \$1.1 million due to the capitalization of exploration expenditures for tax purposes but expensed for accounting purposes.

The long-term deferred revenue decreased \$11.1 million due to the quarterly settlements of the gold prepay and silver stream. The long-term provision for environmental rehabilitation decreased by \$1.9 million mainly due to the change in estimate of the Mercedes rehabilitation provision related to rate.

Working Capital

Working capital ratio of 2.92:1 improved slightly compared to 2.49:1 at December 31, 2017 mainly due to the repayment of debt that was included in current liabilities.

Non-current assets decreased by \$4.3 million including:

- \$0.9 million increase in restricted cash and cash equivalents;
- \$1.8 million decrease in property plant and equipment: \$26.9 million in capital additions; \$2.3 million reduction due to a change in estimate on the environmental rehabilitation provision; disposal \$1.6 million, \$20.9 million in depletion, depreciation and amortization, a net currency adjustment of \$5.8 million; and
- \$3.3 million decrease in South Arturo long-term stockpile inventory.

Liquidity and Capital Resources

For the year ended December 31, 2018, the Company had cash and cash equivalents of \$43.9 million, a decrease of \$59.2 million from December 31, 2017.

Operating activities used cash of \$10.7 million and include the following key items:

- \$42.1 million from mining operations after adding back non-cash depletion included in inventory;
- \$22.2 million spent in exploration and pre-development activities (offset by the Greenstone Gold development commitment gain of \$9.9 million);
- \$13.2 million deducted for deferred revenue on metal agreements included in operating revenue;
- \$9.5 million spent in general and project administration expenditures; and

- \$7.9 million in working capital decrease due to an increase in accounts receivable of \$12.0 million, a reduction in accounts payable, accrued liabilities and taxes payable of \$3.4 million, an inventory decrease of \$7.3 million and a decrease in prepaids of \$0.2 million.

Investment activities were almost solely related to capital investment of \$26.9 million focused on mining operations.

Financing activities included the debt repayment of \$20.1 million, interest of \$2.0 million paid on the gold prepay and the Orion debt offset by \$1.3 million cash received from the exercise of stock options.

Liquidity Outlook

<i>(in thousands of U.S. dollars)</i>	Years ended December 31	
	2018	2017 restated ⁽ⁱ⁾
Cash and cash equivalents	43,882	103,046
Working capital	53,560	85,826
Long term debt and deferred revenue	11,386	22,512

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

Premier funds current exploration, evaluation, pre-development and development expenditures through existing cash and financings. The Company anticipates that it will have sufficient funds to manage current projects through 2019 through the credit facility entered into subsequent to year. The Company also actively manages the ongoing pre-development activities at the Greenstone Gold property through its partnership agreement with Centerra (who is expected to continue to sole-fund the project into 2020).

Premier periodically funds a portion of its Canadian exploration activities via flow-through share financings. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through shares are renounced to investors in accordance with income tax legislation. All of the flow-through financing completed on October 14, 2016 has been spent prior to the December 31, 2017 deadline and no flow-through financing has been entered into for 2018.

Equity

The Company is authorized to issue an unlimited number of common shares of which 203,214,036 were outstanding at December 31, 2018 and 210,430,482 at the date of this report, March 6, 2019 and which includes the equity issued related to the financing activities discussed in the subsequent events Note 29 of the December 31, 2018 audited consolidated financial statements. Also in connection with the financing, the Company had 3.5 million warrants issued and outstanding as of March 6, 2019. At December 31, 2018 and March 6, 2019, the Company had outstanding options to purchase an aggregate of 9,488,000 and 9,042,000 common shares respectively under its share incentive plan with exercise prices ranging from CAD\$2.19 to CAD\$4.78 per share and expiry dates ranging from August 29, 2019 to May 14, 2023. At December 31, 2018, there were 195,000 unvested stock options.

During the year ended December 31, 2018, 311,500 restricted share units ("RSU"s) were issued under the restricted share unit plan of the Company. Each RSU has the same value as one Premier Gold Mines Limited common share. The RSUs vest equally over a three-year period vesting on August 31 of each year. The RSUs are expected to settle in cash. During the period, 31,000 RSUs were forfeited and 193,000 RSUs were settled for cash.

On July 20, 2017, the Company announced that approval had been received from the Toronto Stock Exchange for a normal course issuer bid to purchase up to 19,599,646 of its issued and outstanding shares from July 25, 2017 until July 24, 2018. No shares were purchased under the bid which has now expired.

MINE OPERATING SEGMENTS

Mercedes Mine

Mercedes mine is located 60 kilometres southeast of the town of Magdalena de Kino and 150 kilometres north-northeast of the city of Hermosillo in the state of Sonora, Mexico. Operations are exploiting low sulfidation quartz veins and quartz veinlet stockwork for gold and silver using underground modified overhand cut and fill, narrow vein longitudinal longhole mining, and longhole open stoping methods at an ore extraction rate of approximately 2,000 tonnes per day. Processing is by wet milling with a Merrill-Crowe recovery system.

		Three months ended December 31		Years ended December 31	
		2018	2017	2018	2017
<i>(in millions of U.S. dollars, unless otherwise stated) ^(iv)</i>					
Ore milled	tonnes	183,158	182,470	665,522	683,545
Gold produced	ounces	22,465	19,913	68,719	82,534
Silver produced	ounces	119,039	77,082	309,165	337,983
Gold sold	ounces	14,373	17,119	65,760	85,285
Silver sold	ounces	90,135	77,096	299,819	338,831
Average gold grade	grams/t	3.96	3.52	3.34	3.93
Average silver grade	grams/t	44.78	33.95	35.34	37.63
Average gold recovery rate	%	96.3	96.5	96.0	95.6
Average silver recovery rate	%	45.2	38.7	40.9	40.9
Realized Price (2017 as restated) ⁽ⁱⁱⁱ⁾					
Average realized gold price ^(i,ii)	\$/ounce	1,247	1,258	1,251	1,254
Average realized silver price ^(i,ii)	\$/ounce	15	16	16	17
Non-IFRS Performance Measures					
Co-product cash costs per ounce of gold sold ^(i,ii)	\$/ounce	639	760	908	706
Co-product all-in sustaining costs per ounce of gold sold ^(i,ii)	\$/ounce	808	894	1,073	854
Co-product cash costs per ounce of silver sold ^(i,ii)	\$/ounce	10	10	10	9
Co-product all-in sustaining costs per ounce of silver sold ^(i,ii)	\$/ounce	13	11	13	11
By-product cash costs per ounce of gold sold ^(i,ii)	\$/ounce	609	731	885	676
By-product all-in sustaining costs per ounce of gold sold ^(i,ii)	\$/ounce	795	871	1,060	832
Financial Measures (2017 as restated) ⁽ⁱⁱⁱ⁾					
Gold revenue	m \$	17.8	21.4	81.9	106.4
Silver revenue	m \$	0.5	1.3	4.2	5.7
Total revenue	m \$	18.2	22.7	86.1	112.1
Mine operating income	m \$	5.3	7.6	4.1	34.3
Exploration, evaluation & pre-development expense	m \$	0.0	0.3	1.3	1.1
Capital (2017 as restated) ⁽ⁱⁱⁱ⁾					
Total capital expenditures	m \$	3.1	3.0	17.4	18.2
Capital expenditures - sustaining ^(i,ii)	m \$	1.6	1.1	7.0	9.2
Capital expenditures - expansionary ^(i,ii)	m \$	1.6	1.9	10.4	9.0

⁽ⁱ⁾ A cautionary note regarding Non-IFRS financial metrics is included in the "Non-IFRS Measures" section of this Management's Discussion and Analysis.

⁽ⁱⁱ⁾ Cash costs, all-in sustaining costs, sustaining and expansionary capital expenditures as well as average realized gold/silver price per ounce are Non-IFRS metrics and discussed in the section "Non-IFRS Measures" of this Management's Discussion and Analysis.

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

^(iv) May not add due to rounding.

Production

Mercedes production for the three months ended December 31, 2018 of 22,465 ounces of gold and 119,039 ounces of silver was higher for both gold and silver, when compared to 19,913 and 77,082 respectively in the prior-year period. Increased quarterly output was the result of higher mined grades upon transitioning to the new Rey de Oro and Lupita zones as well as consistent production from the Diluvio zone. Average gold grade for the quarter was 3.96 g/t compared to 3.52 g/t in the prior-year period and average recovery for the quarter was 96.3%, comparable to 96.5% in the prior-year period.

For the year ending December 31, 2018, production was impacted by the transition to redesigned stopes at Diluvio. This resulted in lower mined grades from the processing of development ore and less stope ore during the transition period. Accordingly, average gold grade for the year was 3.34 g/t compared to 3.93 g/t in the prior-year and average recovery for the year was 96.0%, up slightly from 95.6% in the prior-year.

Sales and Revenue

Gold ounces sold were 14,373 and silver ounces sold were 90,135 for the three months ended December 31, 2018, compared to 17,119 ounces and 77,096 ounces respectively in the prior-year period. Gold revenue of \$17.8 million and silver revenue of \$0.5 million for the three months ended December 31, 2018 compared to \$21.4 million and \$1.3 million respectively in the prior-year period were mainly due to lower production, as explained above, resulting from the need to remodel the resources and redesign the stopes in Diluvio and lower selling prices.

Cash Costs¹

Co-product cash cost per ounce of gold sold was \$639 per ounce for the three months ended December 31, 2018 compared to \$760 per ounce in the prior-year period. Co-product cash cost per ounce of silver sold was \$10 per ounce for the three months ended December 31, 2018, similar to the prior-year period. The improvement in cash costs over the prior-year period is mainly due to increased output from the Diluvio zone and higher ore grades following the transition to the new Rey de Oro and Lupita zones.

Full year co-product cash cost per ounce of gold sold was \$908 per ounce compared to \$706 per ounce in the prior-year. Co-product cash cost per ounce of silver sold was \$10 per ounce for the year ended December 31, 2018, up from \$9 in the prior-year. The increase in gold cash costs relative to the prior-year period was primarily driven by lower ore tonnes and grades during the first three quarters of the year as explained above.

All-in Sustaining Costs¹

All-in sustaining cost per ounce of gold sold was \$808 per ounce for the three months ended December 31, 2018 compared to \$894 per ounce in the prior-year period. The decrease relative to the prior-year period was driven by increased ore grade and ounce production, as explained above.

Exploration Activities

Exploration drilling for the three months ended December 31, 2018 was 1,973 meters completed and a total drilling of 40,721 meters for the year. An average of six drill rigs were active during the year. The drill program continued to target the Diluvio, Rey de Oro and Barrancas veins with encouraging results for replacing reserves. Surface drilling on the Aida vein focused on confirming the continuity of the veining with the goal of converting resources in the vein to reserves.

Capital exploration expenditures for the three months ended December 31, 2018 of \$0.4 million include drilling, geology and other related costs.

The 2019 exploration program will follow a similar pattern as the 2018 program with preliminary testing of several targets early in the year and converting resources to reserves later in the year. The focus remains on adding near mine resources and reserves, supporting mine production, extensions of the main mine trend and testing new geological targets.

Capital Expenditures

Capital expenditures were primarily related to underground mine development, the completion of a new tailings dam, and exploration. For the three months ended December 31, 2018, total capital expenditures at Mercedes were \$3.1 million which includes \$1.6 million of sustaining capital, \$0.4 million on exploration capital and \$1.2 million of expansionary capital. Capital spending in the prior-year period was similar at \$3.0 million.

For the full year, total capital expenditures were \$17.4 million, focusing on underground mine development, and the building of a new tailings dam, and exploration. Of the total capital expenditures, \$7.0 million was sustaining in nature. This compares to total capital expenditures of \$18.2 million in the prior-year of which \$9.2 million was sustaining in nature.

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

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

		Years 2018 and 2017							
<i>(in millions of U.S. dollars, unless otherwise stated) ^(iv)</i>		Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Ore & Metals									
Ore milled	<i>tonnes</i>	183,158	159,608	154,442	168,314	182,470	156,402	177,883	166,790
Gold produced	<i>ounces</i>	22,465	17,465	13,780	15,009	19,913	18,564	21,893	22,164
Silver produced	<i>ounces</i>	119,039	88,390	44,366	57,370	77,082	82,856	89,474	88,572
Gold sold	<i>ounces</i>	14,373	19,534	14,673	17,180	17,119	24,894	26,379	16,894
Silver sold	<i>ounces</i>	90,135	85,376	58,098	66,210	77,096	90,545	97,356	73,834
Average gold grade	<i>grams/t</i>	3.96	3.52	2.90	2.91	3.52	3.88	4.03	4.34
Average silver grade	<i>grams/t</i>	44.78	39.40	23.82	31.78	33.95	36.50	36.47	43.90
Average gold recovery rate	<i>%</i>	96.3	96.6	95.8	95.2	96.5	95.4	94.9	95.4
Average silver recovery rate	<i>%</i>	45.2	43.7	37.5	33.4	38.7	45.2	43.0	37.3
Realized Price ^{(2017 as restated) ⁽ⁱⁱⁱ⁾}									
Average realized gold price ^(i,ii)	<i>\$/ounce</i>	1,247	1,210	1,269	1,287	1,258	1,292	1,249	1,204
Average realized silver price ^(i,ii)	<i>\$/ounce</i>	15	15	16	17	16	17	17	17
Non-IFRS Performance Measures									
Co-product cash costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	639	904	1,161	921	760	793	577	675
Co-product all-in sustaining costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	808	1,059	1,325	1,096	894	998	707	785
Co-product cash costs per ounce of silver sold ^(i,ii)	<i>\$/ounce</i>	10	10	12	11	10	10	10	7
Co-product all-in sustaining costs per ounce of silver sold ^(i,ii)	<i>\$/ounce</i>	13	12	13	13	11	13	12	8
By-product cash costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	609	884	1,142	897	731	772	550	632
By-product all-in sustaining costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	795	1,046	1,312	1,081	871	988	688	746
Financial Measures ^{(2017 as restated) ⁽ⁱⁱⁱ⁾}									
Gold revenue	<i>m \$</i>	17.8	23.5	18.5	22.0	21.4	32.0	32.8	20.2
Silver revenue	<i>m \$</i>	0.5	1.5	1.1	1.2	1.3	1.5	1.6	1.3
Total revenue	<i>m \$</i>	18.2	25.0	19.6	23.2	22.7	33.5	34.4	21.5
Mine operating income / (loss)	<i>m \$</i>	5.3	1.0	(4.7)	2.4	7.6	7.0	13.9	5.7
Exploration, evaluation & pre-development expense	<i>m \$</i>	0.0	0.6	0.0	0.6	0.3	0.3	0.2	0.3
Capital ^{(2017 as restated) ⁽ⁱⁱⁱ⁾}									
Total capital expenditures	<i>m \$</i>	3.1	5.5	4.4	4.4	3.0	6.6	5.0	3.7
Capital expenditures - sustaining ^(i,ii)	<i>m \$</i>	1.6	1.9	1.8	1.8	1.1	4.0	2.3	1.8
Capital expenditures - expansionary ^(i,ii)	<i>m \$</i>	1.6	3.6	2.6	2.6	1.9	2.5	2.6	1.9

⁽ⁱ⁾ A cautionary note regarding Non-IFRS financial metrics is included in the "Non-IFRS Measures" section of this Management's Discussion and Analysis.

⁽ⁱⁱ⁾ Cash costs, all-in sustaining costs, sustaining and expansionary capital expenditures as well as average realized gold/silver price per ounce are Non-IFRS metrics and discussed in the section "Non-IFRS Measures" of this Management's Discussion and Analysis.

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

^(iv) May not add due to rounding.

South Arturo Mine

The mine is 45 kilometres northwest of the town of Carlin, Nevada, USA. Operations are exploiting a Carlin-style disseminated gold deposit by open pit methods but are now transitioning and expanding to include other open pit and underground deposits. An underground deposit called El Nino being developed out of the completed Phase 2 open pit. Premier holds a 40% interest in South Arturo while Barrick holds the remaining 60% and is the operator for the joint venture.

		Three months ended December 31		Years ended December 31	
		2018	2017	2018	2017
<i>(in millions of U.S. dollars, unless otherwise stated) ^(v)</i>					
Ore & Metals					
Ore milled	<i>tonnes</i>	5,286	44,883	195,536	390,881
Gold produced	<i>ounces</i>	577	4,472	20,980	57,124
Gold sold	<i>ounces</i>	1,280	5,882	21,276	70,442
Silver produced	<i>ounces</i>	1,691	-	12,649	19,918
Average gold grade	<i>grams/t</i>	4.14	3.75	3.97	5.22
Average gold recovery rate	<i>%</i>	82.2	82.7	84.1	87.0
Realized Price <i>(2017 as restated) ^(iv)</i>					
Average realized gold price ^(i,ii)	<i>\$/ounce</i>	1,279	1,287	1,305	1,253
Non-IFRS Performance Measures					
Co-product cash costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	385	386	419	304
Co-product all-in sustaining costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	678	497	478	351
By-product cash costs per ounce of gold sold ^(i,ii,iii)	<i>\$/ounce</i>	385	386	419	304
By-product all-in sustaining costs per ounce of gold sold ^(i,ii,iii)	<i>\$/ounce</i>	678	497	478	351
Financial Measures <i>(2017 as restated) ^(iv)</i>					
Gold revenue	<i>m \$</i>	1.6	7.6	27.8	88.2
Mine operating income / (loss)	<i>m \$</i>	0.8	(0.4)	12.5	29.7
Exploration, evaluation & pre-development expense	<i>m \$</i>	0.2	0.3	1.3	0.8
Capital <i>(2017 as restated) ^(iv)</i>					
Total capital expenditures	<i>m \$</i>	3.6	0.6	8.4	1.2
Capital expenditures - sustaining ^(i,ii)	<i>m \$</i>	-	0.3	0.0	0.4
Capital expenditures - expansionary ^(i,ii)	<i>m \$</i>	3.6	0.3	8.4	0.8

⁽ⁱ⁾ A cautionary note regarding Non-IFRS metrics is included in the "Non IFRS Measures" section of this Management's Discussion and Analysis.

⁽ⁱⁱ⁾ Cash costs, all-in sustaining costs, sustaining and expansionary capital expenditures as well as average realized gold/silver price per ounce are Non-IFRS metrics and discussed in the section "Non-IFRS Measures" of this Management's Discussion and Analysis.

⁽ⁱⁱⁱ⁾ Given the small nature and timing of South Arturo silver output, no silver by-product credits are reported. 2017 silver output has been re-stated

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

^(v) May not add due to rounding.

Production

South Arturo production for the three months ended December 31, 2018 of 577 ounces of gold was lower when compared to 4,472 ounces in the prior-year period. This was expected, as mining transitions from the completed Phase 2 open pit to processing of lower grade stockpiles during the development of the El Nino underground and the Phase 1 open pit deposit. South Arturo average recovery for the third quarter was 82.2%, down from the prior-year period of 82.7%.

Full year production was 20,980 ounces of gold, lower than the prior-year due to the ongoing transition of mining and the processing of the lower grade stockpiles, as explained above.

Sales and Revenue

Gold ounces sold were 1,280 for the three months ended December 31, 2018, compared to 5,882 ounces in the prior-year period due to the processing of lower grade stockpiled ore as explained above. Accordingly, gold revenue was \$1.6 million for the three months ended December 31, 2018 compared to \$7.6 million in the prior-year period due to lower volumes and a lower average realized selling price.

Full year 2018 gold ounce sales of 21,276 compares to 70,442 for the prior-year, reflecting the lower annual production as explained above.

Cash Costs¹

Co-product cash cost per ounce of gold sold was \$385 for the three months ended December 31, 2018 compared to \$386 in the prior-year period.

Co-product cash cost per ounce of gold sold was \$419 in 2018 compared to \$304 in the prior-year. The increase relative to the prior-year reflects the mining transition and the processing of lower grade stockpiles as explained above.

All-in Sustaining Costs¹

All-in sustaining cost per ounce of gold sold was \$678 for the three months ended December 31, 2018 compared to \$497 in the prior-year period.

Full year 2018 cost per ounce of gold sold was \$478 as compared to \$351 in the prior-year. The increase in costs reflects the mining transition and the processing of lower grade stockpiles as explained above.

Exploration Activities

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

Capital Expenditures

Capital expenditures of \$3.6 million for the three months ended December 31, 2018 and for the year were \$8.4 million, primarily for stripping of the Phase 1 open pit and underground development at El Nino.

South Arturo operational and financial information for the current and previous quarters is as follows:

		Years 2018 and 2017							
<i>(in millions of U.S. dollars, unless otherwise stated) ^(v)</i>		Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Ore & Metals									
Ore milled	<i>tonnes</i>	5,286	21,334	23,379	145,536	44,883	79,479	112,466	154,053
Gold produced	<i>ounces</i>	577	2,635	2,227	15,541	4,472	8,113	15,724	28,815
Gold sold	<i>ounces</i>	1,280	1,932	5,969	12,095	5,882	13,026	16,833	34,700
Silver produced	<i>ounces</i>	1,691	1,122	7,380	2,456	-	2,575	7,533	9,810
Average gold grade	<i>grams/t</i>	4.14	4.48	3.58	3.95	3.75	3.79	5.01	6.55
Average gold recovery rate	<i>%</i>	82.2	85.7	82.8	84.1	82.7	83.8	86.7	88.8
Realized Price	<i>(2017 as restated) ^(iv)</i>								
Average realized gold price ^(i,ii)	<i>\$/ounce</i>	1,279	1,200	1,318	1,317	1,287	1,264	1,253	1,242
Non-IFRS Performance Measures									
Co-product cash costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	385	396	475	398	386	363	332	244
Co-product all-in sustaining costs per ounce of gold sold ^(i,ii)	<i>\$/ounce</i>	678	498	506	439	497	371	451	261
By-product cash costs per ounce of gold sold ^(i,ii,iii)	<i>\$/ounce</i>	385	396	475	398	386	363	332	244
By-product all-in sustaining costs per ounce of gold sold ^(i,ii,iii)	<i>\$/ounce</i>	678	498	506	439	497	371	451	261
Financial Measures <i>(2017 as restated) ^(iv)</i>									
Gold revenue	<i>m \$</i>	1.6	2.3	7.9	15.9	7.6	16.5	21.1	43.1
Mine operating income / (loss)	<i>m \$</i>	0.8	1.0	3.5	7.2	(0.4)	6.7	7.6	15.8
Exploration, evaluation & pre-development expense	<i>m \$</i>	0.2	0.4	0.6	0.1	0.3	0.4	0.1	-
Capital <i>(2017 as restated) ^(iv)</i>									
Total capital expenditures	<i>m \$</i>	3.6	2.8	1.6	0.5	0.6	0.5	-	0.1
Capital expenditures - sustaining ^(i,ii)	<i>m \$</i>	-	-	-	0.0	0.3	-	-	0.1
Capital expenditures - expansionary ^(i,ii)	<i>m \$</i>	3.6	2.8	1.6	0.5	0.3	0.5	-	0.0

⁽ⁱ⁾ A cautionary note regarding Non-IFRS metrics is included in the "Non-IFRS Measures" section of this Management's Discussion and Analysis.

⁽ⁱⁱ⁾ Cash costs, all-in sustaining costs, free cash flow, EBITDA, sustaining and expansionary capital expenditures as well as average realized gold/silver price per ounce are Non-IFRS metrics and discussed in the section "Non-IFRS Measures" of this Management's Discussion and Analysis.

⁽ⁱⁱⁱ⁾ Given the small nature and timing of South Arturo silver output, no silver by-product credits are reported, with any revenues offsetting costs. 2017 silver output re-stated.

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

^(v) May not add due to rounding.

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

COMMITMENTS AND CONTINGENCIES

Environmental Rehabilitation Provision

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

<i>(in thousands of U.S. dollars)</i> ⁽ⁱ⁾	Years ended December 31	
	2018	2017 as restated ⁽ⁱ⁾
Northern Empire Mill, Ontario	1,380	1,566
Faymar-Deloro, Ontario	-	391
Hasaga, Ontario, Canada	167	186
McCoy-Cove, Nevada, USA	3,500	1,713
South Arturo, Nevada, USA	3,973	4,805
Mercedes, Sonora, Mexico	12,375	14,648
	21,395	23,309

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

⁽ⁱⁱ⁾ May not add due to rounding.

Northern Empire Mill, Ontario

There were no reclamation expenditures during the fourth quarter with changes in the provision due to accretion and currency adjustments. There was no rehabilitation program scheduled for 2018 and little activity is schedule for 2019 which will mainly focus on security.

Faymar Deloro, Ontario

This property was sold in April to Central Timmins Exploration Corp, therefore the property and its liabilities, including the rehabilitation provision have been written off.

Hasaga, Ontario

There were no reclamation expenditures during the fourth quarter with changes in the provision due to accretion and currency adjustments. No expenditures related to progressive rehabilitation or closure are anticipated for the immediate future, as the property is currently being assessed for potential development.

McCoy-Cove, Nevada

There were \$0.1 million in expenditures for the three months ending December 31, 2018 and a total of \$0.2 million for the year ended December 31, 2018. The provision was impacted by an updated risk-free discount rate, accretion, change in timing of the rehabilitation, new disturbances in exploration roads and the reassessment of the rehabilitation cost using the Nevada Standardized Reclamation Cost Estimate ("SRCE").

The McCoy-Cove reclamation obligation is partly related to the McCoy portion of the property purchased from Newmont Mining Corporation in 2014. The property had a remaining obligation from previous mining activities, most of which was completed prior to acquiring the property. There are ongoing reclamation activities related to the tailings dam and the cleanup of the old pads. Structural reclamation is on hold for several years pending a new mine plan for the property.

A portion of the obligation is related to the Cove-Helen underground project and will not commence reclamation for several years.

The provision was impacted by an updated risk-free discount rate and accretion.

South Arturo, Nevada

South Arturo reclamation obligation is managed by Barrick and is based on a 20-year reclamation plan with minimal expenditures until 2021. Main reclamation activities will begin in 2025. There were no reclamation expenditures related to closure activities during the fourth quarter. The change in provision is mainly due to updated risk-free discount rates and accretion.

Mercedes, Mexico

There were no reclamation expenditures related to closure activities for the three months ending December 31, 2018. The change in the provision is mainly due to accretion and updated risk-free discount rate. Based on the current life of mine projection no expenditures are anticipated in the immediate future as the mine will continue in operation.

Contractual Obligations and Commitments

The following is a summary of the commitments of the Company at December 31, 2018:

	As at December 31, 2018						
<i>(in thousands of U.S. dollars) as restated ⁽ⁱ⁾</i>	2019	2020	2021	2022	2023	2024 and later	Total
Contracts and operating leases	1,912	347	21	3	2	-	2,285
Debt repayment	-	-	-	-	-	-	-
Exploration expenditure commitment - Rye Vein project	3,000	-	-	-	-	-	3,000
Provisions for environmental rehabilitation ⁽ⁱⁱ⁾	210	41	542	4,290	2,174	19,090	26,347
	5,122	388	563	4,293	2,176	19,090	31,632

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

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

Gold Forward Contracts

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

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

Surety Bonds

At December 31, 2018, the Company has outstanding surety bonds in the amount of \$10.2 million in favor of the United States Department of the Interior, Bureau of Land Management ("BLM") as financial support for environmental reclamation and exploration permitting. The surety bonds are secured by a \$0.6 million deposit and are subject to fees competitively determined in the market place. The obligations associated with these instruments are generally related to performance requirements that the Company addresses through its ongoing operations. As specific requirements are met, the BLM as beneficiary of the instrument will return the instrument to the issuing entity. As these instruments are associated with operating sites with long-lived assets, they will remain outstanding until closure.

Off Balance Sheet Arrangements

The Company has not participated in off-balance sheet or income statement arrangements other than the surety bonds discussed above.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are disclosed in Note 24 of the December 31, 2018 audited consolidated financial statements with no significant changes for the quarter.

Transactions with Key Management Personnel

Key management personnel remuneration includes the following amounts:

<i>(in thousands of U.S. dollars) as restated⁽ⁱ⁾</i>	Three months ended December 31		Years ended December 31	
	2018	2017 as restated ⁽ⁱ⁾	2018	2017 as restated ⁽ⁱ⁾
Salary, wages and benefits	1,830	2,134	3,804	3,649
Share-based payments	-	-	1,661	1,447
	1,830	2,134	5,465	5,096

Directors remuneration includes the following amounts:

<i>(in thousands of U.S. dollars) as restated⁽ⁱ⁾</i>	Three months ended December 31		Years ended December 31	
	2018	2017 as restated ⁽ⁱ⁾	2018	2017 as restated ⁽ⁱ⁾
Fees earned and other remuneration	59	61	249	257
Share-based payments	-	-	399	375
	59	61	648	632

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

SUBSEQUENT EVENTS

Credit Facility and Financing Package

On February 1, 2019 the Company announced the closing of a \$50.0 million secured revolving term credit facility with Investec Bank plc ("Investec"), as administrative agent for the lenders thereunder (the "Investec Credit Facility") and certain financing arrangements with OMF Fund II SO Ltd. and Orion Mine Finance Fund II LP (collectively, "Orion") for aggregate gross proceeds of approximately \$18.3 million.

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

In connection with the closing of the Orion financing arrangements:

- Orion subscribed for seven million common shares of the Company for aggregate gross proceeds of approximately \$8.3 million or approximately C\$1.58 per common share;
- The Company issued two million common share purchase warrants to Orion with each warrant exercisable into one common share with an exercise price of C\$2.05 for a period of three years;
- The original silver stream agreement entered into on September 30, 2016 was amended and restated pursuant to which:
 - Orion paid an additional deposit of US\$10.0 million to a wholly owned subsidiary of the Company which will deliver to Orion 100% of the silver production from the Mercedes Mine and 100% of the silver production from the South Arturo Mine attributable to the Company until the delivery of 3.75 million ounces of silver (including deliveries previously made to Orion), after which the delivery will be reduced to 30% of the silver production from the Mercedes Mine and the South Arturo Mine;
 - The Company is required to deliver at least 300,000 ounces of refined silver in each calendar year to Orion until 2.1 million ounces of refined silver in aggregate have been delivered to Orion after the date hereof;
 - Orion will continue to pay an ongoing cash purchase price equal to 20% of the prevailing silver price; and
 - Orion has security over the assets relating to the South Arturo Mine in addition to the Mercedes Mine.
- The original offtake agreement entered into on September 30, 2016 was amended and restated to increase the annual gold sale quantity to 60,000 ounces of gold, subject to an annual aggregate maximum of 40,000 ounces of gold from each of (i) all of the Company's producing projects (other than the Mercedes Mine) and (ii) the Mercedes Mine; and
- The original gold prepay agreement entered into on September 30, 2016 was amended and restated to provide security to Orion over the assets relating to the South Arturo Mine and to provide for Orion's consent to security changes at the Mercedes Mine to facilitate the Investec Credit Facility.

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

CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES, POLICIES AND CHANGES

Functional and Presentation Currency Change

Functional Currency

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

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

As the Company's Canadian subsidiaries have not commenced mining operations, primarily operate in CAD and are financed in CAD, management has determined that their functional currency remains CAD. The Company's USA and Mexico mining and exploration and development operations continue to remain with a functional currency of USD with the sales and majority of costs incurred in USD. For the international operations used for the deferred revenue arrangements related to gold and silver sales, the functional currency also remains USD. The holding companies with debt in Mexican pesos remain in pesos.

The Company has accounted for the change in functional currency prospectively, as required under IAS 21 with no impact of this change on prior-year comparative information other than in conjunction with the change in presentation currency as discussed below.

Presentation Currency

On January 1, 2018, the Company elected to change its presentation currency from CAD to USD. The change in presentation currency is to better reflect the Company's business activities and to improve comparability of the Company's financial results with other publicly traded businesses in the mining industry. The Company applied the change to USD presentation currency retrospectively and restated the comparative financial information as if the new presentation currency had always been the Company's presentation currency in accordance with the guidance in IAS 21 and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

From January 1, 2018, the USD presentation is consistent with the functional currency of the Company. For periods prior to January 1, 2018, the statements of financial position for each period presented have been translated from the CAD functional currency to the new USD presentation currency at the rate of exchange prevailing at the respective financial position date with the exception of equity items which have been translated at accumulated historical rates from the Company's date of incorporation in 2006. The statements of income / (loss) and comprehensive income / (loss) were translated at the average exchange rates for the reporting period, or at the exchange rate prevailing at the date of the transactions. Exchange differences arising in 2017 on translation from the CAD functional currency to the USD presentation currency have been recognized in other comprehensive income / (loss) and accumulated as a separate component of equity. In addition to the comparative financial statements, the Company has presented a third statement of financial position as at January 1, 2017 as required by IFRS.

Equity has been restated using historical average exchange rates other than for significant transactions for which the actual historical rate was used with the difference being presented as an adjustment to the foreign currency exchange reserve.

Share Capital and Warrants

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

The Company periodically issues units to investors consisting of common shares and warrants in non-brokered private placements or as additional consideration in a brokered financing or purchase transaction. Each whole warrant issued entitles the holder to acquire a common share of the Company, at a fixed Canadian dollar price over a specified term. These warrants are not transferable from the original investor to a new investor. Prior to January 1, 2018, these warrants were considered equity instruments and not financial liabilities or financial derivatives however, in connection with the change in functional currency described in Note 2(c) of the December 31, 2018 consolidated audited financial statements, they are now considered derivatives because their exercise price is in CAD whereas the Company's functional currency is in USD. Accordingly, the Company now recognizes the warrants at fair value with changes recognized in profit or loss with the initial recognition of warrants existing at January 1, 2018 recorded as an adjustment to share capital.

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

Accounting Standards Adopted January 1, 2018

IFRS 9 – Financial Instruments

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

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

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

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

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

Application of IFRS 9 to the Company's other financial instruments also has no impact on the Company's financial position or results of operations and there is no financial impact that requires disclosure. The Company did have an early repayment of debt however, there was no change in terms of the debt instrument and an adjustment to the amortized cost was recorded in the year.

IFRS 15 – Revenue from Contracts with Customers

On January 1, 2018, the Company adopted IFRS 15 – *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 – *Revenue*, IAS 11 – *Construction Contracts* and the related interpretations. In adopting the guidance, the Company has opted to use the modified retrospective basis in accordance with the transitional provisions of IFRS 15 whereby the cumulative effect of initially applying the standard has been recognized as an adjustment to the opening deficit at January 1, 2018 and comparative figures are not restated and continue to be reported under the accounting standards in effect for those periods.

The Company's revenue is generated mainly from the sale of gold and silver through various revenue streams. Typical for the mining industry, each metal sale transaction is stand alone and without multiple element arrangements. For gold and silver sales, revenue is recognized after the related performance obligations have been met which is concluded to be essentially the same under IFRS 15 and IAS 18. In general, the performance obligations of the sale transactions are satisfied at a point in time with reliably measurable transaction prices and no financing consideration due to the nature of the commodity market where the Company operates.

Management has determined that the application of IFRS 15 with respect to sales transactions did not result in an adjustment to the consolidated financial statements except as discussed in the gold prepay and silver stream arrangements below.

Gold Prepay and Silver Stream

The Company entered into a gold prepay and silver stream agreement with Orion in 2016 in conjunction with the acquisition of the Mercedes Mine. Advance payments were received from Orion on execution of the agreements, with a right to receive deliveries of the gold and silver from the production of certain of the Company's mines based on a predetermined pricing formula during the future delivery date. The advance payments were recorded as deferred revenue, with amounts recognized in revenue as deliveries are made to Orion and as further discussed in Note 11 of the December 31, 2018 consolidated audited financial statements. The gold prepay agreement has an interest component, the silver stream does not.

Under IFRS 15, where consideration is received in advance of the Company's performance of its obligation, there is an inherent financing component. Where the period between receipt of consideration and revenue recognition for these contracts is greater than one year, the Company is required to determine whether a significant financing component exists. The Company performed this assessment on these arrangements and determined that the financing component was significant to the silver stream but

was not to the gold prepay.

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

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

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

The impact of the initial adoption of this change in accounting policy using the modified retrospective approach was an adjustment to reduce the opening deficit on January 1, 2018 of \$0.3 million with a corresponding adjustment to reduce the deferred revenue balance. The impact to the net loss for the period was an increase to non-cash silver revenue of \$0.1 million and a recognition of silver stream accretion of \$0.2 million.

Recent Accounting Pronouncements

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 – Leases which replaces the existing lease accounting guidance in IAS 17. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exemptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice.

The standard is effective for annual reporting periods beginning January 1, 2019 although early application is permitted for companies that also apply IFRS 15 – Revenue from Contracts with Customers. The Company has planned to apply IFRS 16 at the date it becomes effective and will adopt it using the modified retrospective approach, resulting in no restatement of prior year comparatives and the cumulative impact of applying IFRS 16 will be recognized at January 1, 2019. The Company has completed the assessment of its equipment and building rentals, land leases and service agreements and therefore will recognize additional right of use assets and lease liabilities as well as a decrease in lease expense and a corresponding increase in both depreciation expense and finance charges.

Upon adoption, the Company has elected to apply the available exemptions as permitted by IFRS 16 to recognize a lease expense on a straight-line basis for short-term leases (lease term of 12 months or less) and low value assets (\$5,000 or less). There was close attention paid to all of the Company's development, mining and drilling contracts to ensure that they did not contain embedded leases for property, plant and equipment. None of those contracts resulted in right of use of an asset. The quantitative impact of adopting IFRS 16 will be provided in the Company's first 2019 quarterly report.

IFRIC 23, Uncertainty over Income Tax Treatments

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

Significant Accounting Judgements and Estimates

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities, disclosure of commitments and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions. Actual results could differ from these estimates.

The significant judgements and estimates used in the preparation of the audited consolidated financial statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities and earnings within the next financial year include:

Business Combinations

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

Purchase Price Allocation

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

Inventory Valuation

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

Impairment and Reversal of Impairment for Non-Current Assets

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

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

Recoverable Ounces

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

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

Application of Variable Consideration Constraint in Silver Stream Agreement

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

Asset Retirement Obligations

Management assesses the asset retirement obligations on an annual basis or when new information becomes available. This assessment includes the estimation of the future rehabilitation costs required based on the existing laws and regulations in each

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

Valuation of Financial Instruments

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

The Company also issued warrants either in connection with a private placement or as purchase consideration in a business combination that, effective January 1, 2018 the date of the functional currency change of the parent company, are recorded as a financial liability. As such, in determining fair value, management judgement is required in respect to input variables of the financial model used for estimation purposes. These variables include such inputs as the Company's stock price, stock price variability, trading volumes and risk-free rates of return.

Deferred Revenue

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

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

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

Commercial Production

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

Functional Currency of Foreign Subsidiaries

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

Deferred Income Taxes

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

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

Other Estimates

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

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

NON-IFRS MEASURES

The Company has included certain terms or performance measures commonly used in the mining industry that are not defined under International Financial Reporting Standards (“IFRS”) in this document. These include: co-product and by-product cash cost per ounce sold, co-product and by-product all-in sustaining cost (“AISC”) per ounce sold, earnings before interest, tax, depreciation and amortization (“EBITDA”), adjusted earnings before interest, tax, depreciation and amortization, free cash flow, capital expenditures (expansionary), capital expenditures (sustaining), adjusted net earnings and average realized price per ounce. Non-IFRS measures do not have any standardized meaning prescribed under IFRS, and therefore, they may not be comparable to similar measures employed by other companies. The data presented is intended to provide additional information and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS and should be read in conjunction with the Company's consolidated financial statements.

Definitions

Adjusted net earnings and earnings per share excludes significant write-down adjustments.

Adjusted EBITDA removes the effect of significant write-down adjustments on earnings before interest, tax, depreciation and amortization (including accretion) and excludes exchange gain/loss on translation of foreign operations.

All-in sustaining costs on a by-product basis per ounce include total production cash costs on a by-product basis plus incorporates costs related to sustaining production.

All-in sustaining costs on a co-product basis per ounce include total production cash costs on a co-product basis plus incorporates costs related to sustaining production.

Average realized gold price represents the sale price of gold per ounce before deducting mining royalty (Mexico), treatment and refining charges as well as gain or losses derived from the stream agreements with Orion.

Average realized silver price represents the sale price of silver per ounce before deducting mining royalty (Mexico), treatment and refining charges as well as gain or losses derived from the stream agreements with Orion.

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

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

Capital expenditure (sustaining) is a capital expenditure necessary to maintain existing levels of production. The sustaining capital expenditures maintain the existing mine fleet, mill and other facilities so that they function at levels consistent from year to year.

Cost of sales per ounce sold is calculated by dividing the attributable cost of sales by the attributable ounces sold.

EBITDA - Earnings before interest, tax, depreciation and amortization (including accretion). Excludes exchange gain/loss on translation of foreign operations.

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

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

Rehabilitation – accretion and amortization include depreciation on the assets related to the rehabilitation provision of gold operations and accretion on the rehabilitation provision of gold operations.

Cash Costs

Cash costs per ounce sold represents all direct and indirect operating costs related to the physical activities of producing gold, including on-site mining costs, processing, third-party smelting, refining and transport costs, on-site general and administrative costs, community site relations, royalties and royalty tax. State of Nevada net proceeds taxes are excluded. Cash costs incorporate the Company's share of production costs but exclude, among other items, the impact of depreciation, depletion and amortization (“DD&A”), reclamation costs, financing costs, capital development and exploration and income taxes. In order to arrive at consolidated cash costs, the Company includes its attributable share of total cash costs from operations where less than 100% interest in the economic share of production is held.

Cash costs are computed on a co-product basis, however, by-product cost per ounce metrics have also been provided in order to provide more information to the Company's stakeholders.

Cash cost: by-product - When deriving the cash costs associated with an ounce of gold, the Company includes by-product credits,

as the Company considers that the cost to produce the gold is reduced as a result of the by-product sales incidental to the gold production process. Accordingly, total production costs are reduced for revenues earned from silver sales.

Cash cost: co-product - When deriving the cash costs associated with an ounce of gold, the Company allocates a share of production costs to the co-product based on the ratio of silver sales dollars to gold sales dollars.

Cash costs per ounce is a common performance measure in the mining industry, but does not have any standardized meaning. In determining its cash cost and cash cost per ounce, the Company has considered the guidelines provided by the World Gold Council, a non-regulatory, non-profit market development organization for the gold industry. A Company's adoption of the standard is voluntary and other companies may quantify these measures differently as a result of different underlying principles and policies applied.

All-in Sustaining Costs

AISC include total production cash costs incurred at the Company's mining operations, which forms the basis of the Company's by-product and co-product cash costs. Additionally, the Company includes sustaining capital expenditures which are expended to maintain existing levels of production (to which costs do not contribute to a material increase in annual gold ounce production over the next 12 months), rehabilitation accretion and amortization, general and administrative (excluding stock compensation) and exploration and evaluation expenses. The measure seeks to reflect the full cost of production from current operations, therefore expansionary capital is excluded. Certain other cash expenditures, including tax payments (including the State of Nevada net proceeds tax), dividends and financing costs are also excluded. The Company reports AISC on a per ounce sold basis.

This performance measure was adopted as a result of an initiative undertaken within the gold mining industry; however, this performance measure has no standardized meaning and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. In determining AISC, the Company has considered the guidelines provided by the World Gold Council, a non-regulatory, non-profit market development organization for the gold industry. A Company's adoption of the standard is voluntary and other companies may quantify these measures differently as a result of different underlying principles and policies applied.

The following table provides a reconciliation of the net earnings, net earnings per share, adjusted net earnings and adjusted net earnings per share for the three months and year ended December 31, 2018 and 2017:

	Three months ended December 31		Year ended December 31	
	2018	2017 as restated ⁽ⁱ⁾	2018	2017 as restated ⁽ⁱ⁾
<i>(in thousands of U.S. dollars unless otherwise indicated)</i>				
<i>as restated ⁽ⁱ⁾</i>				
Net earnings / (loss)	(8,908)	(3,647)	(20,426)	16,169
Other expense adjustments ⁽ⁱⁱ⁾	8,260	-	8,260	-
Adjusted net earnings / (loss) ⁽ⁱⁱⁱ⁾	(648)	(3,647)	(12,166)	16,169
Net earnings / (loss) per share	(0.04)	(0.02)	(0.10)	0.08
Adjusted net earnings / (loss) per share	(0.00)	(0.02)	(0.06)	0.08

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

(ii) Other expense adjustment in Q4 2018 is a write-down of inventory due to RMC bankruptcy as discussed in Note 28 of the December 31, 2018 audited consolidated financial statements.

(iii) Adjusted net earnings / (loss) and adjusted net earnings / (loss) per share are non-IFRS performance measures. For more information, see the "Non-IFRS Measures" section of the 2018 Management's Discussion & Analysis.

The following table provides a reconciliation of the EBITDA and Adjusted EBITDA for the three months and year ended December 31, 2018 and 2017:

Reconciliation of EBITDA and Adjusted EBITDA

<i>(in thousands of U.S. dollars) as restated ⁽ⁱ⁾</i>	Three months ended December 31		Year ended December 31	
	2018	2017 <i>as restated⁽ⁱ⁾</i>	2018	2017 <i>as restated⁽ⁱ⁾</i>
Income / (loss) for the period	(8,908)	(3,647)	(20,426)	16,169
Depreciation	3,285	5,874	25,867	50,955
Interest	37	2,873	3,065	8,884
Taxes	188	630	829	4,394
EBITDA ⁽ⁱⁱⁱ⁾	(5,398)	5,730	9,335	80,402
Other expense adjustment ⁽ⁱⁱ⁾	8,260	-	8,260	-
Adjusted EBITDA ⁽ⁱⁱⁱ⁾	2,862	5,730	17,595	80,402

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

(ii) Other expense adjustment in Q4 2018 is write-down of inventory due to RMC bankruptcy. See Note 28 of the December 31, 2018 audited consolidated financial statements.

(iii) EBITDA and Adjusted EBITDA are Non-IFRS performance measures. For more information, see the "Non-IFRS Measures" section of the 2018 Management's Discussion & Analysis.

The following table provides a reconciliation on a co-product basis for cash cost and AISC cost for the three months ended December 31, 2018:

For the three months ended December 31, 2018									
<i>in thousands of U.S. dollars, except per ounce information in dollars ⁽ⁱ⁾</i>									
Co-Product	Mercedes		South Arturo		Consolidated Gold		Mercedes		Total 000\$
	Gold 000\$	Per gold ounce sold	Gold 000\$	Per gold ounce sold	Gold 000\$	Per gold ounce sold	Silver 000\$	Per silver ounce sold	
Cost of sales excluding depletion, depreciation and amortization	9,158	637	529	413	9,687	619	895	10	10,582
Depletion, depreciation and amortization	2,630	183	347	271	2,977	190	257	3	3,234
Total cost of sales	11,788	820	876	684	12,664	809	1,152	13	13,815
Depletion, depreciation and amortization	(2,630)	(183)	(347)	(271)	(2,977)	(190)	(257)	(3)	(3,234)
Royalty tax	121	8	-	-	121	8	12	0	133
Other costs ⁽ⁱⁱ⁾	(91)	(6)	(36)	(28)	(126)	(8)	(9)	(0)	(135)
Cash cost : co-product	9,188	639	493	385	9,682	619	898	10	10,579
General and administrative	477	33	305	238	782	50	47	1	829
Rehabilitation - accretion and amortization	448	31	34	26	482	31	44	0	525
Sustaining capital expenditures	1,454	101	-	-	1,454	93	142	2	1,596
Sustaining exploration and evaluation expense	52	4	36	28	88	6	5	0	93
All-in sustaining cost : co-product	11,619	808	868	678	12,487	798	1,135	13	13,622
Total ounces produced		22,465		577		23,042		119,039	
Total ounces sold ⁽ⁱⁱⁱ⁾		14,373		1,280		15,653		90,135	

⁽ⁱ⁾ Results may not add due to rounding

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

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

The following table provides a reconciliation on a co-product basis for cash cost and AISC cost for the three months ended December 31, 2017:

For the three months ended December 31, 2017									
<i>in thousands of U.S. dollars, except per ounce information in dollars ⁽ⁱ⁾</i>									
Co-Product	Mercedes		South Arturo		Consolidated Gold		Mercedes		Total 000\$
	Gold 000\$	Per gold ounce sold	Gold 000\$	Per gold ounce sold	Gold 000\$	Per gold ounce sold	Silver 000\$	Per silver ounce sold	
Cost of sales excluding depletion, depreciation and amortization	13,425	784	2,483	422	15,909	692	754	10	16,663
Depletion, depreciation and amortization	3,381	197	2,051	349	5,431	236	191	2	5,622
Total cost of sales	16,806	982	4,534	771	21,340	928	945	12	22,285
Depletion, depreciation and amortization	(3,381)	(197)	(2,051)	(349)	(5,431)	(236)	(191)	(2)	(5,622)
Other costs ⁽ⁱⁱ⁾	(408)	(24)	(211)	(36)	(619)	(27)	(22)	(0)	(641)
Cash cost : co-product	13,017	760	2,272	386	15,290	665	733	10	16,022
General and administrative	450	26	242	41	692	30	24	-	716
Rehabilitation - accretion and amortization	548	32	66	11	614	27	30	-	645
Sustaining capital expenditures	1,016	59	283	48	1,299	56	41	1	1,340
Sustaining exploration and evaluation expense	269	16	60	10	329	14	13	-	342
All-in sustaining cost : co-product	15,301	894	2,923	497	18,224	792	841	11	19,065
Total ounces produced		19,913		4,472		24,385		77,082	
Total ounces sold		17,119		5,882		23,000		77,096	

⁽ⁱ⁾ Results may not add due to rounding

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

The following table provides a reconciliation on a co-product basis for cash cost and AISC cost for the year ended December 31, 2018:

For the twelve months ended December 31, 2018									
<i>in thousands of U.S. dollars, except per ounce information in dollars ⁽ⁱ⁾</i>									
Co-Product	Mercedes		South Arturo		Consolidated Gold		Mercedes		Total 000\$
	Gold 000\$	Per gold ounce sold	Gold 000\$	Per gold ounce sold	Gold 000\$	Per gold ounce sold	Silver 000\$	Per silver ounce sold	
Cost of sales excluding depletion, depreciation and amortization	59,603	906	9,019	424	68,622	788	3,140	10	71,763
Depletion, depreciation and amortization	18,364	279	6,253	294	24,617	283	951	3	25,568
Total cost of sales	77,967	1,186	15,273	718	93,239	1,071	4,091	14	97,331
Depletion, depreciation and amortization	(18,364)	(279)	(6,253)	(294)	(24,617)	(283)	(951)	(3)	(25,568)
Royalty tax	419	6	-	-	419	5	25	0	444
Other costs ⁽ⁱⁱ⁾	(321)	(5)	(111)	(5)	(432)	(5)	(19)	(0)	(452)
Cash cost : co-product	59,700	908	8,908	419	68,608	788	3,146	10	71,755
General and administrative	1,347	20	649	30	1,996	23	85	0	2,081
Rehabilitation - accretion and amortization	1,583	24	482	23	2,066	24	94	0	2,160
Sustaining capital expenditures	6,666	101	0	0	6,666	77	374	1	7,040
Sustaining exploration and evaluation expense	1,269	19	120	6	1,388	16	62	0	1,450
All-in sustaining cost : co-product	70,565	1,073	10,160	478	80,725	927	3,762	13	84,487
Total ounces produced		68,719		20,980		89,699		309,165	
Total ounces sold ⁽ⁱⁱⁱ⁾		65,760		21,276		87,036		299,819	

⁽ⁱ⁾ Results may not add due to rounding

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

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

The following table provides a reconciliation on a co-product basis for cash cost and AISC cost for the year ended December 31, 2017:

For the twelve months ended December 31, 2017									
<i>in thousands of U.S. dollars, except per ounce information in dollars ⁽ⁱ⁾</i>									
Co-Product	Mercedes		South Arturo		Total		Mercedes		Total 000\$
	Gold 000\$	Per gold ounce sold	Gold 000\$	Per gold ounce sold	Gold 000\$	Per gold ounce sold	Silver 000\$	Per silver ounce sold	
Cost of sales excluding depletion, depreciation and amortization	60,584	710	21,838	310	82,423	529	3,216	9	85,639
Depletion, depreciation and amortization	16,363	192	33,498	476	49,862	320	868	3	50,730
Total cost of sales	76,948	902	55,337	786	132,285	849	4,084	12	136,369
Depletion, depreciation and amortization	(16,363)	(192)	(33,498)	(476)	(49,862)	(320)	(868)	(3)	(50,730)
Other costs ⁽ⁱⁱ⁾	(408)	(5)	(416)	(6)	(824)	(5)	(22)	(0)	(845)
Cash cost : co-product	60,177	706	21,423	304	81,599	524	3,194	9	84,794
General and administrative	450	5	482	7	931	6	24	0	955
Rehabilitation - accretion and amortization	1,941	23	2,418	34	4,358	28	103	0	4,461
Sustaining capital expenditures	9,243	108	376	5	9,619	62	491	1	10,110
Sustaining exploration and evaluation expense	1,024	12	60	1	1,083	7	54	0	1,138
All-in sustaining cost : co-product	72,834	854	24,758	351	97,592	627	3,866	11	101,458
Total ounces produced		82,534		57,124		139,658		337,983	
Total ounces sold ⁽ⁱⁱⁱ⁾		85,285		70,442		155,727		338,831	

⁽ⁱ⁾ Results may not add due to rounding

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

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

The following table provides a reconciliation on a by-product basis for gold cash cost and AISC for the three months ended December 31, 2018:

For the three months ended December 31, 2018						
<i>in thousands of U.S. dollars, except per ounce information in dollars ⁽ⁱ⁾</i>						
By-Product	Mercedes		South Arturo		Total	
	000\$	Per gold ounce sold	000\$	Per gold ounce sold	000\$	Per gold ounce sold
Cost of sales excluding depletion, depreciation and amortization	10,053	699	529	413	10,582	676
Depletion, depreciation and amortization	2,887	201	347	271	3,234	207
Total cost of sales	12,940	900	876	684	13,815	883
Depletion, depreciation and amortization	(2,887)	(201)	(347)	(271)	(3,234)	(207)
Royalty tax	133	9	-	-	133	8
By-product credits	(1,332)	(93)	-	-	(1,332)	(85)
Other costs ⁽ⁱⁱ⁾	(100)	(7)	(36)	(28)	(135)	(9)
Cash cost : by-product	8,754	609	493	385	9,247	591
General and administrative	523	36	305	238	829	53
Rehabilitation - accretion and amortization	492	34	34	26	525	34
Sustaining capital expenditures	1,596	111	-	-	1,596	102
Sustaining exploration and evaluation expense	57	4	36	28	93	6
All-in sustaining cost : by-product	11,423	795	868	678	12,291	785
Total gold ounces produced		22,465		577		23,042
Total gold ounces sold		14,373		1,280		15,653

⁽ⁱ⁾ Results may not add due to rounding

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

The following table provides a reconciliation on a by-product basis for gold cash cost and AISC for the three months ended December 31, 2017:

For the three months ended December 31, 2017						
<i>in thousands of U.S. dollars, except per ounce information in dollars ⁽ⁱ⁾</i>						
By-Product	Mercedes		South Arturo		Total	
	000\$	Per gold ounce sold	000\$	Per gold ounce sold	000\$	Per gold ounce sold
Cost of sales excluding depletion, depreciation and amortization	14,180	828	2,483	422	16,663	724
Depletion, depreciation and amortization	3,572	209	2,051	349	5,622	244
Total cost of sales	17,751	1,037	4,534	771	22,285	969
Depletion, depreciation and amortization	(3,572)	(209)	(2,051)	(349)	(5,622)	(244)
By-product credits	(1,235)	(72)	-	-	(1,235)	(54)
Other costs ⁽ⁱⁱ⁾	(429)	(25)	(211)	(36)	(641)	(28)
Cash cost : by-product	12,515	731	2,272	386	14,787	643
General and administrative	473	28	242	41	716	31
Rehabilitation - accretion and amortization	579	34	66	11	645	28
Sustaining capital expenditures	1,057	62	283	48	1,340	58
Sustaining exploration and evaluation expense	282	16	60	10	342	15
All-in sustaining cost : by-product	14,907	871	2,923	497	17,830	775
Total gold ounces produced		19,913		4,472		24,385
Total gold ounces sold		17,119		5,882		23,000

⁽ⁱ⁾ Results may not add due to rounding

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

The following table provides a reconciliation on a by-product basis for gold cash cost and AISC for the year ended December 31, 2018:

For the twelve months ended December 31, 2018						
<i>in thousands of U.S. dollars, except per ounce information in dollars ⁽ⁱ⁾</i>						
By-Product	Mercedes		South Arturo		Total	
	000\$	Per gold ounce sold	000\$	Per gold ounce sold	000\$	Per gold ounce sold
Cost of sales excluding depletion, depreciation and amortization	62,743	954	9,019	424	71,763	825
Depletion, depreciation and amortization	19,314	294	6,253	294	25,568	294
Total cost of sales	82,058	1,248	15,273	718	97,331	1,118
Depletion, depreciation and amortization	(19,314)	(294)	(6,253)	(294)	(25,568)	(294)
Royalty tax	444	7	-	-	444	5
By-product credits	(4,653)	(71)	-	-	(4,653)	(53)
Other costs ⁽ⁱⁱ⁾	(341)	(5)	(111)	(5)	(452)	(5)
Cash cost : by-product	58,193	885	8,908	419	67,102	771
General and administrative	1,432	22	649	30	2,081	24
Rehabilitation - accretion and amortization	1,678	26	482	23	2,160	25
Sustaining capital expenditures	7,040	107	0	0	7,040	81
Sustaining exploration and evaluation expense	1,331	20	120	6	1,450	17
All-in sustaining cost : by-product	69,674	1,060	10,160	478	79,834	917
Total gold ounces produced		68,719		20,980		89,699
Total gold ounces sold		65,760		21,276		87,036

⁽ⁱ⁾ Results may not add due to rounding

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

The following table provides a reconciliation on a by-product basis for gold cash cost and AISC for the year ended December 31, 2017:

For the twelve months ended December 31, 2017						
<i>in thousands of U.S. dollars, except per ounce information in dollars ⁽ⁱ⁾</i>						
By-Product	Mercedes		South Arturo		Total	
	000\$	Per gold ounce sold	000\$	Per gold ounce sold	000\$	Per gold ounce sold
Cost of sales excluding depletion, depreciation and amortization	63,800	748	21,838	310	85,638	550
Depletion, depreciation and amortization	17,232	202	33,498	476	50,730	326
Total cost of sales	81,032	950	55,337	786	136,369	876
Depletion, depreciation and amortization	(17,232)	(202)	(33,498)	(476)	(50,730)	(326)
By-product credits	(5,704)	(67)	-	-	(5,704)	(37)
Other costs ⁽ⁱⁱ⁾	(429)	(5)	(416)	(6)	(845)	(5)
Cash cost : by-product	57,667	676	21,423	304	79,090	508
General and administrative	473	6	482	7	955	6
Rehabilitation - accretion and amortization	2,044	24	2,418	34	4,461	29
Sustaining capital expenditures	9,734	114	376	5	10,110	65
Sustaining exploration and evaluation expense	1,078	13	60	1	1,138	7
All-in sustaining cost : by-product	70,996	832	24,758	351	95,754	615
Total gold ounces produced		82,534		57,124		139,658
Total gold ounces sold		85,285		70,442		155,727

⁽ⁱ⁾ Results may not add due to rounding

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

RISKS AND RISK MANAGEMENT

Financial Instruments and Related Risks

The Company's activities expose it to risks, including financial and operational risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns and which are more fully described in the risks and uncertainties section.

For financial instruments, the carrying amounts of cash and cash equivalents, receivables and accounts payable and accrued liabilities are considered to be reasonable approximations of their fair values due to the short term nature of these instruments. At December 31, 2018 and December 31, 2017, the carrying amount of restricted cash and notes payable are considered to be a reasonable approximation of their fair value as there have been no significant changes in market interest rates since inception.

Debt is initially recognized at fair value, net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are held at amortized cost using the effective interest method.

Derivative instruments are recorded at fair value through profit or loss and are recorded on the statement of financial position at fair market value. Fair value for derivative instruments are determined using valuation techniques with assumptions based on market conditions existing at the statement of financial position date or settlement date of the derivative.

For full details on the financial instruments and related risks affecting the Company, please refer to the Company's audited annual consolidated financial statements, notes and information for the year ended December 31, 2018.

Management of Capital Risk

The Company manages its share capital, equity settled employee benefits reserve, warrant reserve and contributed capital as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

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

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

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

Risks and Uncertainties

Fluctuating Commodity Prices

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

Dependence on Key Personnel

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

Dependence on Third Parties

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

more of these key business alliances or contracts, could adversely impact Premier, its business, operating results and prospects.

No Assurance of Title

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

Construction and Start-up of New Mines

The success of construction projects and the start up of new mines by the Company is subject to a number of factors including the availability and performance of engineering and construction contractors, mining contractors, suppliers and consultants, the receipt of required governmental approvals and permits in connection with the construction of mining facilities and the conduct of mining operations (including environmental permits), the successful completion and operation of ore passes, the adsorption/desorption/recovery plants and conveyors to move ore, among other operational elements. Any delay in the performance of any one or more of the contractors, suppliers, consultants or other persons on which the Company is dependent in connection with its construction activities, a delay in or failure to receive the required governmental approvals and permits in a timely manner or on reasonable terms, or a delay in or failure in connection with the completion and successful operation of the operational elements in connection with new mines could delay or prevent the construction and start up of new mines as planned. There can be no assurance that current or future construction and start up plans implemented by the Company will be successful, that the Company will be able to obtain sufficient funds to finance construction and start up activities, that personnel and equipment will be available in a timely manner or on reasonable terms to successfully complete construction projects, that the Company will be able to obtain all necessary governmental approvals and permits or that the completion of the construction, the start up costs and the ongoing operating costs associated with the development of new mines will not be significantly higher than anticipated by the Company. Any of the foregoing factors could adversely impact the operations and financial condition of the Company.

Permits and Licenses

The operations of Premier require licenses and permits from various governmental authorities. Premier believes that it presently holds all necessary licenses and permits required to carry on with activities which it is currently conducting under applicable laws and regulations, and Premier believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in regulations and in various operating circumstances. Where required, obtaining necessary licenses and permits can be a complex and time consuming process. The costs and delays associated with obtaining necessary licenses and permits could stop or materially delay or restrict Premier from proceeding with the development of an exploration project. There can be no assurance that Premier will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations at its mineral projects or that Premier will be able to comply with the conditions of all such necessary licenses and permits in an economically viable manner.

Environmental Regulations and Potential Liabilities

The operations of Premier are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental hazards may exist on the properties on which Premier holds interests which are unknown to Premier at present and which have been caused by previous or existing owners or operators of the properties. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration or mining operations may be required to compensate those suffering loss or damage by reason of the exploration or mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on Premier and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties. The potential financial exposure may be significant.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, railways, power sources and water supply are important determinants affecting capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such

infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Aboriginal Claims and Consultation Issues

Aboriginal interests and rights as well as related consultation issues may impact Premier's ability to pursue exploration, development and mining at its projects. Premier may enter into agreements with First Nations and other Aboriginal communities in order to manage its relationship with those groups but there is no assurance that claims or other assertions of rights by Aboriginal communities or consultation issues will not arise on or with respect to Premier's properties or activities. These could result in significant costs and delays or materially restrict Premier's activities.

Fluctuations in Foreign Currency Exchange Rates

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

The effects of the foreign exchange rates on operating costs and on future cash flows may be significant. Premier does not currently have any hedging contracts in connection with its use of Canadian dollars or Mexican Pesos. Depreciation of the Canadian dollar against the U.S. dollar or Mexican Peso would increase the costs associated with the exploration and development of Premier's properties and potentially increase future operating costs, taxes and royalties paid. These increased costs could materially adversely affect Premier's results of operation and financial condition.

Availability and Costs of Infrastructure, Energy and Other Commodities

Mining, processing, capital development projects and exploration activities depend on adequate infrastructure. Reliable access to energy and power sources and water supply are important factors that affect capital and operating costs. If the Company does not have timely access to adequate infrastructure, there is no assurance that it will be able to start or continue exploiting and develop projects, complete them on timely basis or at all. There is no assurance that the ultimate operations will achieve the anticipated production volume, or that construction costs and operating costs will not be higher than estimates calculated.

The profitability of the Company's business is also affected by the market prices and availability of commodities and resources which are consumed or otherwise used in connection with the Company's operations and development projects such as diesel fuel, electricity, finished steel, tires, steel, chemicals and reagents. Prices of such commodities and resources are also subject to volatile price movements, which can be material and can occur over short periods of time due to factors beyond the Company's control.

If there is a significant and sustained increase in the cost of certain commodities, the Company may decide that it is not economically feasible to continue all of the Company's commercial production and development activities and this could have an adverse effect on profitability. Higher worldwide demand for critical resources like input commodities, drilling equipment, mobile mining equipment, tires and skilled labour could affect the Company's ability to acquire them and lead to delays in delivery and unanticipated cost increases, which could have an effect on the Company's operating costs, capital expenditures and production schedules.

Further, the Company relies on certain key third party suppliers and contractors for services, equipment, raw materials used in, and the provision of services necessary for, the development, construction and continuing operation of its assets. As a result, the Company's activities are subject to a number of risks some of which are outside its control, including negotiating agreements with suppliers and contractors on acceptable terms, the inability to replace a supplier or a contractor and its equipment, raw materials or services in the event that either party terminates the agreement, interruption of operations or increased costs in the event that a supplier or contractor ceases its business due to insolvency or other unforeseen event and failure of a supplier or contractor to perform under its agreement with the Company. The occurrences of one or more of these events could have a material effect on the business, results of operations and financial condition of the Company.

Uncertainty of Production Estimates

Future estimates of gold production for the Company's operation as a whole are derived from a mining plan and these estimates are subject to change. There is no assurance the production estimates will be achieved and failure to achieve production estimates could have a materially adverse effect on the Company's future cash flow, results of operations and financial condition. These plans are based on, among other things, mining experience, reserve estimates, assumptions regarding ground conditions and physical characteristics of ores and estimated rates and costs of production. Actual ore production may vary from estimates for a variety of reasons, including risks and hazards of the types discussed above.

Such occurrences could result in damage to mineral properties, interruptions in production, money losses and legal liabilities and could cause a mineral property that has been mined profitably in the past to become unprofitable.

Any decrease in production or change to the timing of production or the prices realized for gold sales, will directly affect the amount and timing of the cash flow from operations. A production shortfall or any of these other factors would change the timing of the Company's projected cash flow and its ability to use the cash to fund capital expenditures.

Financing Risk

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing debt and equity market conditions, the price of gold, the performance of the Company and other factors outlined herein. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such

financing will be favourable to the Company.

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

In addition, failure to comply with covenants under the Company's current or future debt agreements or to make scheduled payments of the principal of, or to pay interest on, its indebtedness or to make scheduled payments under hedging arrangements would likely result in an event of default under the debt agreements and would allow the lenders to accelerate the debt under these agreements, which may affect the Company's financial condition.

Losses from or Liabilities for Risks which are not Insured

Hazards such as unusual or unexpected geological formations and other conditions are involved in mineral exploration and development and mining. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities would have a material, adverse effect on the Company's financial position and results of operations.

Although the Company maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable against, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial condition and results of operations.

Governmental Regulation

Exploration, development and mining of minerals are subject to extensive federal, provincial, state and local laws and regulations governing acquisition of the mining interests, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, water use, land use, land claims that may be brought by First Nations and other aboriginal groups, environmental protection and remediation, endangered and protected species, mine safety and other matters. No assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied or amended in a manner that could have a material adverse effect on the business, financial condition and results of operations of Premier. The costs and delays associated with obtaining necessary licences and permits and complying with these licences and permits and applicable laws and regulations could stop or materially delay or restrict Premier from proceeding with the development of a project. Any failure to comply with applicable laws and regulations or licences and permits, even if inadvertent, could result in interruption or closure of exploration, development or mining operations or material fines, penalties or other liabilities. Premier may be required to compensate those suffering loss or damage by reason of its mining operations and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits.

These laws and regulations are administered by various governmental authorities including the federal, provincial and municipal governments of Canada, the USA and Mexico.

Health and Safety

Mining operations generally involve a high degree of risk. Personnel involved in the Company's operations are subject to many inherent risks, including but not limited to, rock bursts, cave-ins, flooding, fall of ground, electricity, slips and falls and moving equipment that could result in occupational illness, health issues and personal injuries. The Company has implemented various health and safety measures designed to mitigate such risks. Such precautions, however, may not be sufficient to eliminate health and safety risks and employees, contractors and others may not adhere to the occupational health and safety programs that are in place. Any such occupational health and personal safety issues may adversely affect the business of the Company and its future operations.

Tax Matters

The Company's taxes are affected by a number of factors, some of which are outside of its control, including the application and interpretation of the relevant tax laws and treaties. If the Company's filing position, application of tax incentives or similar 'holidays' or benefits were to be challenged for whatever reason, this could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company is subject to routine tax audits by various tax authorities. Tax audits may result in additional tax, interest payments and penalties which would negatively affect the Company's financial condition and operating results. New laws and regulations or changes in tax rules and regulations or the interpretation of tax laws by the courts or the tax authorities may also have a substantial negative impact on the Company's business. There is no assurance that the Company's current financial condition will not be materially adversely affected in the future due to such changes.

Information Technology

The Company is reliant on the continuous and uninterrupted operations of its Information Technology ("IT") systems. User access and security of all IT systems are critical elements to the operations of the Company. Protection against cyber security incidents and cloud security, and security of all of the Company's IT systems are critical to the operations of the Company. Any IT failure pertaining to availability, access or system security could result in disruption for personnel and could adversely affect the reputation, operations or financial performance of the Company.

The Company's IT systems could be compromised by unauthorized parties attempting to extract business sensitive, confidential

or personal information, corrupting information or disrupting business processes or by inadvertent or intentional actions by the Company's employees or vendors. A cyber security incident resulting in a security breach or failure to identify a security threat, could disrupt business and could result in the loss of business sensitive, confidential or personal information or other assets, as well as litigation, regulatory enforcement, violation of privacy and security laws and regulations and remediation costs.

Labour Difficulties

Factors such as work slowdowns or stoppages caused by the attempted unionization of operations and difficulties in recruiting qualified miners and hiring and training new miners could materially adversely affect the Company's business. This would have a negative effect on the Company's business and results of operations which might result in the Company not meeting its business objectives.

Nature of Mineral Exploration and Mining

The economics of exploring and developing mineral properties are affected by many factors including capital and operating costs, variations of the grades and tonnages of ore mined, fluctuating mineral market prices, costs of mining and processing equipment and such other factors as government regulations, allowable production, importing and exporting of minerals and environmental protection.

The effect of these factors cannot be accurately predicted, but the combination of these factors may result in Premier not receiving an adequate return on invested capital. The operations of Premier are also subject to all of the hazards and risks normally incidental to exploration and development of mineral properties, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The activities of Premier may be subject to prolonged disruptions due to inclement or hazardous weather conditions depending on the location of operations in which Premier has interests. Hazards, such as unusual or unexpected geological formations, rock bursts, formation pressures, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. Other risks include, but are not limited to, mechanical equipment performance problems, industrial accidents, labour disputes, drill rig shortages, the unavailability of materials and equipment, power failures, hydrological conditions, earthquakes, fires, landslides and other Acts of God. While Premier may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which Premier cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of Premier and, potentially, its financial position.

Estimates of Mineral Resources and Mineral Reserves

Mineral reserves and mineral resources are estimates only, and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that mineral reserves can be mined or processed profitably. Mineral reserve and mineral resource estimates may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing and other relevant issues. There are numerous uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Company's control. Such estimation is a subjective process, and the accuracy of any mineral reserve or mineral resource estimate is a function of the quantity and quality of available data, the nature of the ore body and of the assumptions made and judgments used in engineering and geological interpretation. These estimates may require adjustments or downward revisions based upon further exploration or development work or actual production experience. Fluctuations in gold or silver prices, results of drilling, metallurgical testing and production, the evaluation of mine plans after the date of any estimate, permitting requirements or unforeseen technical or operational difficulties, may require revision of mineral reserve and mineral resource estimates. Prolonged declines in the market price of gold (or applicable by-product metal prices) may render mineral reserves containing relatively lower grades of mineralization uneconomical to recover and could materially reduce the Company's mineral reserves. Should reductions in mineral resources or mineral reserves occur, the Company may be required to take a material write-down of its investment in mining properties, reduce the carrying value of one or more of its assets or delay or discontinue production or the development of new projects, resulting in increased net losses and reduced cash flow. Mineral resources and mineral reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations. There is a degree of uncertainty attributable to the calculation and estimation of mineral resources and mineral reserves and corresponding grades being mined and, as a result, the volume and grade of mineral reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of mineral reserves and mineral resources, or of the Company's ability to extract these mineral reserves, could have a material adverse effect on the Company's results of operations and financial condition. Mineral resources are not mineral reserves and have a greater degree of uncertainty as to their existence and feasibility. There is no assurance that mineral resources will be upgraded to proven or probable mineral reserves.

Competition

There is significant competition in the precious metals mining industry for mineral rich properties that can be developed and produced economically, the technical expertise to find, develop, and operate such properties, the labour to operate the properties and the capital for the purpose of funding such properties. Many competitors not only explore for and mine precious metals, but conduct refining and marketing operations on a global basis. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than Premier, Premier may be unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund its operations and develop its projects. Existing or future competition in the mining industry could materially adversely affect

Premier's prospects for mineral exploration and success in the future. Increased competition can result in increased costs and lower prices for metal and minerals produced and reduced profitability. Consequently, the revenues of Premier, its operations and financial condition could be materially adversely affected.

From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In determining whether or not Premier will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which Premier may be exposed and its financial position at that time.

Conflicts of Interest

The directors and officers of Premier may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interests of Premier. In the event that such a conflict of interest arises at a meeting of the directors of Premier, a director is required by the Ontario Business Companies Act ("OBCA") to disclose the conflict of interest and to abstain from voting on the matter.

Current Global Financial Condition

Current global financial conditions have been subject to increased volatility, and access to public financing, particularly for resource companies, has been negatively impacted. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, such financing may not be on terms favourable to the Company. If increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the value and price of the Common Shares could be adversely affected.

Risks Relating to Premier Common Shares Generally

No Guarantee of Positive Return on Investment

There is no guarantee that an investment in the securities of Premier will earn any positive return in the short term or long term. The mineral exploration and development business is subject to numerous inherent risks and uncertainties, and any investment in the securities of Premier should be considered a speculative investment. Past successful performance provides no assurance of any future success. The purchase of securities of Premier involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. An investment in the securities of Premier is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Volatility of the Trading Price of Premier Common Shares

The Premier Common Shares are listed on the TSX. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continued fluctuations in price will not occur, which may result in losses to investors. The purchase of Premier Common Shares should be undertaken only by investors who have no need for immediate liquidity in their investment. The trading price of the Premier Common Shares may increase or decrease in response to a number of events and factors, including, but not limited to: Premier's operating performance and the performance of competitors and other similar companies; volatility in gold and other metal prices; the public's reaction to Premier's press releases, other public announcements and Premier's filings with the various securities regulatory authorities; the failure of Premier to meet the reporting and other obligations under Canadian securities laws or imposed by the TSX; changes in recommendations by research analysts who track the Premier Common Shares or the shares of other companies in the resource sector; a reduction in coverage by such research analysts; changes in general economic and/or political conditions; the arrival or departure of key personnel; and acquisitions, strategic alliances or joint ventures involving Premier or its competitors, which, if involving the issuance of Premier Common Shares, or securities exercisable or exchangeable for or convertible into Premier Common Shares, would result in dilution to present and prospective holders of Premier Common Shares. In addition, the market price of the Premier Common Shares is affected by many variables not directly related to Premier's success and are, therefore, not within Premier's control, including other developments that affect the market for all resource sector securities, the breadth of the public market for the Premier Common Shares, and the attractiveness of alternative investments. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. Premier may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

No Dividend Record

Premier does not have a dividend policy and has never declared or paid any dividends to its shareholders. Premier intends to invest all available funds toward the development and growth of its business and does not expect to pay any cash dividends for the foreseeable future. The payment of any cash dividend to shareholders of Premier in the future will be at the discretion of the directors of Premier and will depend on, among other things, the financial condition, capital requirements and earnings of Premier, and any other factors that the directors of Premier may consider relevant.

Issuance of Preference Shares

As of December 31, 2018, there were no Preference Shares outstanding; however, pursuant to its articles, Premier is authorized to issue an unlimited number of Preference Shares, in one or more series, with the designation of, and the rights, privileges, restrictions and conditions attached thereto, determined at the discretion of the directors of Premier, subject to the articles of Premier and the OBCA. Payment of dividends and repayment of the liquidation preference of such Preference Shares may take preference over dividends or other payments to holders of Premier Common Shares.

MANAGEMENT'S REPORT ON INTERNAL CONTROLS

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the President and Chief Executive Officer ("CEO") and the Executive Vice President and Chief Financial Officer ("CFO"), as appropriate to permit timely decisions regarding public disclosure.

The Corporation's management, including the CEO and CFO, have as at December 31, 2018, designed Disclosure Controls and Procedures (as defined in National Instrument 52-109 of the Canadian Securities Administrators), or caused them to be designed under their supervision, to provide reasonable assurance that material information relating to the issuer is made known to them by others, particularly during the period in which the interim or annual filings are being prepared; and information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Control over Financial Reporting

The Corporation's management, including the CEO and CFO, are responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under the supervision of, the CEO and CFO and effected by management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Corporation's management, including the CEO and CFO, believe that disclosure controls and procedures and internal control over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Corporation have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed.

Management used the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to evaluate the effectiveness of the Company's internal controls for the year ended December 31, 2018. Based on this evaluation, management concluded that the Company's internal control over financial reporting was designed and operating effectively as at December 31, 2018 to provide reasonable assurance the financial information is recorded, processed, summarized and reported in a timely manner.

Due to its inherent limitations, internal controls over financial reporting and disclosure may not prevent or detect all misstatements. Management will continue to monitor the effectiveness of its internal control over financial reporting and disclosure controls and procedures and may make modifications from time to time as considered necessary.

There have been no changes in the Company's internal control over financial reporting during the three months and year ended December 31, 2018, that have materially affected or are reasonably likely to materially affect, the Company's internal control over financial reporting.

MINERAL RESERVES AND RESOURCES
Summary of 2018 Proven and Probable Reserves for Gold and Silver

GOLD (Au) PROPERTY	PROVEN RESERVES			PROBABLE RESERVES			PROVEN+PROBABLE RESERVES		
	Tonnes Mt	Grade g/t	Ounces 000's	Tonnes Mt	Grade g/t	Ounces 000's	Tonnes Mt	Grade g/t	Ounces 000's
Greenstone (Hardrock) ⁽¹⁾	-	-	-	70.85	1.02	2,324	70.85	1.02	2,324
Mercedes ⁽²⁾	0.19	9.01	56	3.19	3.31	339	3.38	3.63	395
South Arturo ⁽³⁾	1.51	3.20	155	1.34	2.79	120	2.84	3.01	275
TOTAL	1.70	3.87	211	75.38	1.15	2,783	77.08	1.21	2,994

SILVER (Ag) PROPERTY	PROVEN RESERVES			PROBABLE RESERVES			PROVEN+PROBABLE RESERVES		
	Tonnes Mt	Grade g/t	Ounces 000's	Tonnes Mt	Grade g/t	Ounces 000's	Tonnes Mt	Grade g/t	Ounces 000's
Greenstone (Hardrock) ⁽¹⁾	-	-	-	-	-	-	-	-	-
Mercedes ⁽²⁾	0.19	80.97	503	3.19	21.67	2,222	3.38	25.05	2,725
South Arturo ⁽³⁾	-	-	-	-	-	-	-	-	-
TOTAL	0.19	80.97	503	3.19	21.67	2,222	3.38	25.05	2,725

Summary of 2018 Mineral Resources for Gold and Silver (exclusive of mineral reserves)

GOLD (Au) PROPERTY	MEASURED RESOURCES			INDICATED RESOURCES			M+I RESOURCES			INFERRED RESOURCES		
	Tonnes Mt	Grade g/t	Ounces 000's	Tonnes Mt	Grade g/t	Ounces 000's	Tonnes Mt	Grade g/t	Ounces 000's	Tonnes Mt	Grade g/t	Ounces 000's
Greenstone ⁽¹⁾	2.03	1.07	70	18.38	2.27	1,340	20.41	2.15	1,410	13.68	3.09	1,360
Mercedes ⁽²⁾	0.25	3.32	27	3.00	3.41	329	3.25	3.40	356	1.72	4.18	231
South Arturo ⁽³⁾	2.40	1.06	81	6.82	1.03	228	9.22	1.03	309	0.76	1.30	32
McCoy-Cove ⁽⁴⁾	-	-	-	0.95	11.22	342	0.95	11.22	342	3.66	11.24	1,322
Hasaga ⁽⁵⁾	-	-	-	42.29	0.83	1,124	42.29	0.83	1,124	25.14	0.78	631
TOTAL	4.68	1.18	178	71.44	1.46	3,363	76.12	1.45	3,541	44.96	2.47	3,576

SILVER (Ag) PROPERTY	MEASURED RESOURCES			INDICATED RESOURCES			M+I RESOURCES			INFERRED RESOURCES		
	Tonnes Mt	Grade g/t	Ounces 000's	Tonnes Mt	Grade g/t	Ounces 000's	Tonnes Mt	Grade g/t	Ounces 000's	Tonnes Mt	Grade g/t	Ounces 000's
Greenstone ⁽¹⁾	-	-	-	-	-	-	-	-	-	-	-	-
Mercedes ⁽²⁾	0.25	51.23	417	3.00	36.94	3,564	3.25	38.05	3,981	1.72	36.11	1,997
South Arturo ⁽³⁾	-	-	-	-	-	-	-	-	-	-	-	-
McCoy-Cove ⁽⁴⁾	-	-	-	0.95	29.53	900	0.95	29.53	900	3.66	20.89	2,457
Hasaga ⁽⁵⁾	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	0.25	51.23	417	3.95	35.16	4,464	4.20	36.13	4,881	5.38	25.76	4,454

- (1) **GREENSTONE GOLD:** Mineral reserves and resources were calculated at a gold price of US\$1250 and US\$1320 respectively. The current independent technical report on the property, dated December 21, 2016, is entitled "Hardrock Project, Ontario, Canada" was completed by G Mining Services Inc.
- (2) **MERCEDES:** For 2018, mineral reserves and mineral resources were calculated under the supervision of Stephen McGibbon, Executive Vice-President of Project & Corporate Development at Premier Gold Mines Ltd at gold prices of US\$1200 and US\$1400 and silver prices of US\$16.50 and US\$19.25 respectively. The independent technical report on the property dated April 18, 2018, entitled "TECHNICAL REPORT ON THE MERCEDES GOLD-SILVER MINE, SONORA STATE, MEXICO" provides detail on resource estimate methodologies and assumptions.
- (3) **SOUTH ARTURO:** Calculations have been prepared by employees of Barrick under the supervision of Rick Sims, Vice President, Resources and Reserves, of Barrick, Geoffrey Locke, Manager, Metallurgy, of Barrick and Mike Tsafaras, P. Eng., Manager, Value Realization of Barrick. Except as noted below, reserves have been estimated based on an assumed gold price of US\$1,200 per ounce, an assumed silver price of US\$16.50 per ounce
- (4) **MCCOY-COVE:** Mineral resources at Cove were estimated using a gold price of US\$1400 per ounce. One ounce of gold is equivalent to 140 ounces of silver. The current independent technical report on the property, dated June 29, 2018, is entitled "PRELIMINARY ECONOMIC ASSESSMENT FOR THE COVE PROJECT, LANDER COUNTY, NEVADA" and was completed by Practical Mining LLC
- (5) **HASAGA:** Mineral resources at Hasaga were estimated using a gold price of US\$1400 per ounce. The current independent technical report on the property, dated February 24, 2017, is entitled "NATIONAL INSTRUMENT 43-101 TECHNICAL REPORT: HASAGA PROJECT, RED LAKE MINING DISTRICT, ONTARIO, CANADA, NTS MAP SHEETS 52K/13 AND 52 N/04" and was completed by MRB and Associates.

CAUTIONARY STATEMENT ON FORWARD LOOKING STATEMENTS

Certain information set forth in this MD&A, including management's assessment of the Company's future plans and operations, contains forward looking statements. By their nature, forward looking statements are subject to numerous risks and uncertainties, some of which are beyond the Company's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of resource estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be inaccurate and, as such, reliance should not be placed on forward looking statements. Premier's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward looking statements will transpire or occur, or if any of them do so, what benefits, if any, that Premier will derive there from. Premier disclaims any intention or obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise except as required by applicable law.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com, or on the Company's web-site at www.premiergoldmines.com.

"Steve Filipovic"
(Signed) Steve Filipovic
Chief Financial Officer
Thunder Bay, Canada
March 6, 2019