

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED JUNE 30, 2008**

The following Management's Discussion and Analysis ("MD&A") of Premier Gold Mines Limited (the "Corporation" or "Premier" or "PG") should be read in conjunction with the unaudited interim financial statements for the three months ended June 30, 2008 and the notes thereto. The Corporation's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars. This MD&A was prepared as of August 12, 2008, and all information is current as of such date. Readers are encouraged to read the Corporation's public information filings on SEDAR at [www.sedar.com](http://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.

Certain information set forth in this MD&A, including management's assessment of the Corporation'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 Corporation's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve 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.

## **Overview**

Premier is a Canadian-based mineral exploration company, focused on exploring for and developing gold deposits within the Americas. Premier has a diverse portfolio of advanced-stage gold exploration properties in Northwestern Ontario, Canada and a joint venture in Mexico.

Premier is active in three districts of Canada: Red Lake, Geraldton and the Musselwhite Mine area. In Red Lake, Premier is involved in 4 joint ventures, the flagship of which is the Rahill-Bonanza Joint Venture with Red Lake Gold Mines, an affiliate of Goldcorp Inc.

The Red Lake Mining District is world renowned for high-grade gold with Goldcorp's Red Lake Gold Mines (RLGM) considered to be one of the highest grade producing gold mines in the world. The mines of Red Lake have produced tens of millions of ounces of gold, making it one of the world's most prolific gold camps. The Rahill-Bonanza Property (49% PG) is located immediately adjacent to, and along strike from, the RLGM complex.

Premier's East Bay Project, also joint ventured with Red Lake Gold Mines (35% PG), is being assessed for potential underground development subsequent to aggressive diamond drilling completed prior to 2006. Two other joint ventures in the Red Lake District include the Newman-Madsen Project (50% PG) and the Argosy Mine Project (49% PG).

The PQ North Property is strategically located just north of, and along strike from, Goldcorp's Musselwhite Gold Mine. Premier has signed a Letter of Intent with the North Caribou Lake First Nation that paves the way for a major exploration program to begin immediately on the property. The PQ North Property encompasses a major fold structure along strike from and within the main rock unit (Northern Banded Iron Formation) that hosts the gold-bearing ore zones at Musselwhite. Previous drilling on the Properties has returned several significant intersections and has identified structural units similar to those at the mine. Premier holds the right to earn a 100% interest in the PQ North Property subject to a 2% Net Smelter Returns Royalty of which Premier retains the right to acquire 1% by paying to the vendor \$1 Million.

The Geraldton Project, Premier's newest property, is located in the heart of the Beardmore-Geraldton Greenstone Belt, a highly prospective high-grade gold district that has seen relatively little exploration over the past several decades. The Project area covers approximately 10 square kilometres of some of the strategic ground in the region and is host to three past-producing mines and numerous exploration targets in a district that has more than 4.1 Million ounces of historic gold production. Premier, operator of the Project, holds the option to earn up to a 70% interest in the project by making cash and share payments to Roxmark Mines Limited and performing exploration on the joint venture property.

In 2007, Premier signed a Letter of Intent with Sutter Gold Mines ("Sutter") to jointly explore the Santa Teresa mineral concession, located in the historic and high grade El Alamo District of Baja California Norte, Mexico. The concession is accessible by road and is located approximately 100 kilometres southeast of Ensenada, Mexico and 250 kilometres from San Diego, California, USA. Premier can earn up to a 65% interest in the project by performing exploration on the Property and by making payments in cash and shares to Sutter.

The Santa Teresa Concession (STC) is located adjacent to, and on strike from, the past-producing Princessa Mine (the district's largest gold producer), whose ore body was known to extend close to the STC boundary. Data suggests that southerly extension of the structure that hosts the Princessa Mine has not been tested. Gold production in the El Alamo District halted at its peak owing to technological and political circumstances early in the 20<sup>th</sup> century, thus presenting a unique opportunity to the JV today. No diamond drilling has previously been conducted on the STC and little mining was conducted deeper than 120 metres below surface anywhere in the district. A diamond drill program is currently underway.

Premier continues to evaluate other high quality, high grade Americas-based gold projects with the strong belief that "*A World of Opportunity*" lies before it and aggressive exploration in proven districts will repeatedly reward our shareholders.

## **Results of Operations**

Premier management was very active during Q2 of 2008 positioning the Corporation for future growth. A total of some 34,756 metres of diamond drilling was completed during the quarter on three projects.

### **Red Lake District, Northwestern Ontario**

Some 13,141 metres of diamond drilling was completed on the Rahill-Bonanza joint venture property during the quarter. Exploration, operated by Red Lake Gold Mines (RLGM) for the joint venture, focused primarily on depth extensions at the Bonanza deposit, deep drilling beneath the Wilmar Mine workings and deep underground drilling from RLGM through the eastern portion of the joint venture property.

At the Bonanza deposit, which is host to a resource exceeding 900,000 ounces of gold, extension drilling at depth continues to intersect the horizon with initial results that include 6.56g/t Au across 5.0 metres and 21.78g/t Au across 3.0 metres in hole PG08046. Additional drilling intersected this horizon further at depth where visible gold was noted in several holes (assays pending). The current program consisted of in-fill drilling, in support of potential "advanced" underground exploration in the future, and extension drilling aimed at growing the current gold resource at Bonanza.

At Wilmar, drilling tested below, and in the vicinity of the workings of the past-producing Wilmar Gold Mine where, over a period of four years, 203,256 tons of ore was mined at an average grade of 0.30 oz/ton Au (10.3g/t Au). The deposit remained open at depth when the mine shutdown and drilling performed down-dip of the mine workings by the joint venture in 2007 returned numerous significant intersections including 18.1g/t Au over 2.0 metres and 14.2g/t Au over 5.0 metres.

A recent deep hole that veered away from its intended target, the Wilmar Mine host horizon at depth, made a significant geological discovery. This hole intersected the prolific "Mine Horizon" approximately 3 kilometres from the western-most occurrence of this deformation corridor at the RLGM complex. The RLGM has produced more than 18 million ounces of gold, discovered nearly 10 million additional ounces of resources, and is widely considered to be the world's richest gold mine. The "Mine Horizon" consists of a series of variably deformed, altered and veined rocks. This deformation was encountered over a core length of approximately 500 metres and has an estimated true width of 300-350 metres. Several intensely veined intervals hosting minor amounts of pyrite and pyrrhotite, with traces of arsenopyrite and chalcopyrite were intersected returning highly anomalous gold values. A wedge hole has again intersected this horizon with assays pending.

Drilling onto the Joint Venture project from the Campbell Complex of Red Lake Gold Mines, which is located immediately east of the property, has now been completed. This hole, collared on the 41 Level (some 1875 metres or 6150 feet below surface) of the Red Lake Gold Mines complex, successfully intersected the primary target opening up significant exploration potential along strike from the mine onto the joint venture project. An important "black line fault" was identified followed by altered mafic and ultramafic rock units, identical to those that host the main zones at the mine. Assays are pending for this zone, however prior to reaching the main target area, a narrow gold-bearing zone was intersected returning an assay of 6.80 gpt Au (0.20 oz/ton) over 1.0 metre. Drilling at the mine is now being completed to test the area between the mine zones and this intersection.

There was no other activity on properties held by Premier in the Red Lake District during the quarter.

## **Geraldton District, Northwestern Ontario**

A total of 18,395 metres of diamond drilling was completed during the second quarter on the Geraldton Project. This drilling was completed in four planned target areas including the Kailey Zone and High Grade Areas, (both proximal to the past-producing Little Long Lac Gold Mine) the TAZ area and the Crown Vein area.

The Kailey zone is a bulk tonnage target proximal and parallel to the historic Little Long Lac Gold Mine from which more than 600,000 ounces of gold was produced during the period 1934-53 at an average grade of 11.66g/t Au. Highlights from ongoing drilling include 1.32g/t Au across 191.2 metres, 2.16g/t Au across 92.2 metres, 1.47g/t Au across 162.0 metres and 1.15gt Au across 140.2 metres. Drilling in the Kailey Zone identified parallel horizons (K1 -- North & K2 -- South) which converge in the central and eastern sections. The most recent three intersections had true widths approaching 100 metres. Drilling cut off the horizon to the east with mineralization remaining open primarily down-plunge where drilling was recently focused. It is management's belief that these horizons could also direct future exploration towards discovering and delineating higher-grade mineralization potentially amenable to underground mining methods. Higher grade intersections of 6.14g/t Au across 3.0 metres in hole PLL08045 and 7.06g/t Au across 3.0 metres in hole PLL08048 demonstrate this potential. In order to test this theory, drilling is currently being performed to test the K1 horizon at depth. Table 1 includes all Kailey Zone intercepts released during Q2 2008.

Table 1 Kailey Zone Intercepts Released During Q2 2008

Hole - ID	From	To	Interval (m, ft)	Zone	Grade (g)	Grade (opt)
PLL08009	18.0	82.0	64.0 (210 ft)	K1	1.14	0.03
	28.0	79.0	51.0 (167 ft)	K2	1.33	0.04
PLL08012	137.0	163.0	26.0 (85 ft)	K2	1.34	0.04
	385.0	386.0	1.0 (3.3 ft)	Main East	13.58	0.40
PLL08014			Abandoned			
PLL08015	78.0	127.0	49.0 (161 ft)	K2	1.32	0.04
PLL08016			18.0 (59 ft)		1.48	0.04
PLL08017	171.0	196.0	25.0 (82 ft)	K2	0.63	0.02
PLL08018	37.0	39.3	2.3 (7.5 ft)	Main West	33.93	0.99
	144.0	165.0	21.0 (69 ft)	K2	1.40	0.04
PLL08021	66.0	87.0	21.0 (69 ft)	K1	1.21	0.04
	226.0	239.0	13.0 (43 ft)	K2	1.40	0.04
PLL08023	93.0	113.0	20.0 (66 ft)	K1	1.31	0.04
PLL08025	74.0	102.0	28.0 (92 ft)	K1	1.36	0.04
PLL08026	157.0	173.0	16.0 (52 ft)	K1	5.87	0.17
	170.0	172.0	2.0 (6.6 ft)	K1	39.64	1.16
PLL08027	53.0	81.0	28.0 (92 ft)	K2	1.25	0.04
	219.0	233.0	14.0 (46 ft)	K1	1.02	0.03
PLL08029	9.0	110.0	101.0 (331 ft)	K1-K2	2.01	0.06
	9.0	82.0	73.0 (240 ft)	K1-K2	2.45	0.07
	32.0	33.0	1.0 (3.3 ft)	K1-K2	42.97	1.25
PLL08030	43.0	146.0	103.0 (338 ft)	K1-K2	1.43	0.04
	47.0	48.0	1.0 (3.3 ft)	K1-K2	10.47	0.31
PLL08032	52.0	163.0	111 (364 ft)	K1-K2	1.18	0.03
PLL08043	6.8	147.0	140.2 (460 ft)	K1-K2	1.15	0.03
	6.8	68.0	62.2 (204 ft)	K2	1.23	0.04
	85.0	147.0	62.0 (203 ft)	K1	1.33	0.04
PLL08045	6.0	168.0	162.0 (531 ft)	K1-K2	1.47	0.04
	27.0	72.0	45.0 (148 ft)	K2	1.61	0.05
	91.5	168.0	76.5 (251 ft)	K1	1.93	0.06
PLL08048	5.8	197.0	191.2 (627 ft)	K1-K2	1.32	0.04
	5.8	98.0	92.2 (302 ft)	K2	2.16	0.06
	212.0	215.0	3.0 (9.84 ft)	K1a	7.06	0.21

Assay results on the TAZ and Crown Vein areas were pending at the end of Q2. It is anticipated that diamond drilling will continue at a brisk pace with 2 to 3 diamond drills during most of 2008.

### **El Alamo District, Baja California Norte, Mexico**

Premier signed a Joint Venture Agreement with Sutter Gold Mining Inc., whereby Premier can earn up to a 50% interest in the Santa Teresa Concessions (STC) by making certain payments to Sutter and spending \$1.5 million in exploration and acquisitions, and up to 65% by spending a further \$4.0 million. The project is located in the historic and high grade El Alamo District in Mexico, approximately 250 kilometres south of San Diego, California, USA.

Table 2 Significant Results at Santa Teresa, Mexico During Q2 2008

Hole-ID	Zone	Section (m)	From	To	Length (m)	AU (g/t)	Length (ft)	AU (opt)	Comment
ST001	QUINOTA	150 SE	127.4	128.6	1.2	26.19	3.9	0.76	VG
	NEW		133.5	134.5	1.0	2.55	3.3	0.07	VG
ST005	QUINOTA	210 SE	239.0	241.0	2.0	479.31	6.6	13.98	VG; ASSAYS PENDING WITH VG
ST007	NEW	100 SE	47.5	48.5	1.0	14.55	3.3	0.42	
	NEW		56.5	57.5	1.0	2.35	3.3	0.07	
	BORRACHA		88.8	90.0	1.2	13.90	3.9	0.41	
	PRINCESSA		163.0	164.0	1.0	17.04	3.3	0.50	
ST008	BORRACHA	100 SE	55.0	56.0	1.0	33.87	3.3	0.99	
	PRINCESSA		121.1	122.1	1.0	39.41	3.3	1.15	
	FW PRINCESSA		128.5	129.5	1.0	3.07	3.3	0.09	VG
ST009		100 SE							ALL ASSAYS < 1.0 GPT
ST010	QUINOTA	100 SE	142.1	143.0	0.9	2.56	3.0	0.07	
	CRUDA		214.0	217.0	3.0	8.17	9.8	0.24	
		including	215.0	216.0	1.0	13.00	3.3	0.38	
ST011	QUINOTA	50 SE	83.0	84.0	1.0	1.82	3.3	0.05	
ST012	QUINOTA	50 SE	52.6	53.6	1.0	2.01	3.3	0.06	
	NEW		141.5	142.5	1.0	3.06	3.3	0.09	
	NEW		149.5	150.5	1.0	3.00	3.3	0.09	
	CRUDA		201.5	204.0	2.5	12.58	8.2	0.37	
		including	201.5	202.5	1.0	29.11	3.3	0.85	
	HW PRINCESSA		249.0	250.0	1.0	1.78	3.3	0.05	
	PRINCESSA		258.5	259.5	1.0	1.84	3.3	0.05	
ST013	BORRACHA	50 SE	25.0	26.4	1.4	6.73	4.6	0.20	
	NEW		42.0	43.0	1.0	2.25	3.3	0.07	
	CRUDA		83.1	84.1	1.0	102.89	3.3	3.00	VG
	PRINCESSA		110.5	113.7	3.2	6.89	10.5	0.20	
		including	112.7	113.7	1.0	18.84	3.3	0.55	
ST014	CRUDA	00 SE	183.0	184.0	1.0	1.54	3.3	0.04	

The El Alamo District has seen the production of some 200,000 ounces of gold (at an average grade reported to be between 1.00 and 2.00 opt Au) within 100 metres of surface until the early twentieth century. The largest past-producing mine in the region, the Princessa Mine, is situated immediately NW of the STC Property boundary.

A total of 3,220 metres of diamond drilling was completed on the STC during the second quarter of 2008. This drilling took place at the northwest corner of the property, in close proximity to the past-producing Princessa Mine. Results to date indicate that high grade gold mineralization, with intersections as high as 479.31g/t Au (13.98 oz/ton) over 2.0 metres, occurs over a minimum strike length of 150 metres, open to the south, and to a minimum depth of over 200 metres where the horizon remains open. Table 2 includes all holes assayed to-date .

Prior to 2008, no previous diamond drilling has ever been conducted on the Santa Teresa Concession.

## **Other Activity**

Other significant accomplishments and/or activities by Premier during Q2 of 2008 included:

- Signing of a Memorandum of Understanding (MOU) with Compania Minera Quasaro SA DE CV to purchase the "La Victoria Concession" located within the Santa Teresa Concession at El Alamo, Baja California Norte, Mexico.
- Completed the previously announced sale of the Pickle Crow property to newly listed PC Gold Inc. (PKL:TSX).

## **Selected Financial Data**

The Corporation was incorporated under the laws of the Province of Ontario on May 29, 2006, and was inactive until August 18, 2006.

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

	<u>Year ended December 31,</u>	<u>Period ended December 31,</u>
	2007	2006 (*)
	\$	\$
<b>Operations</b>		
Total revenue	724,583	61,009
Income (loss) for the year	(1,777,140)	(1,101,563)
Basic and diluted loss per share	(0.03)	(0.03)
<b>Balance Sheet</b>		
Working capital	2,928,864	7,692,041
Total assets	52,097,297	35,003,030
Total liabilities	6,504,633	3,796,508

(\*) Period ended December 31, 2006 comprises a total of 217 days from incorporation on May 29, 2006.

## Quarterly Information

The following is a summary of selected financial information of the Corporation for the quarterly periods indicated. As noted above due to incorporation in May 2006, there is no financial data available relating to previous periods.

Quarter	2008	2008	2007	2007	2007	2007	2006	2006
	Second (\$)	First	Fourth (\$)	Third (\$)	Second (\$)	First (\$)	Fourth (\$)	Third (\$)
Revenue	106,056	239,225	209,578	258,055	182,190	74,760	54,391	6,618
Income (loss) from continuing operations	(1,032,245)	28,477	(607,793)	(1,102,441)	(340,052)	(237,075)	(610,568)	(775,208)
Income (loss) from continuing operations per Common share (basic and diluted)	(0.02)	0.00	(0.00)	(0.02)	(0.01)	(0.00)	(0.02)	(0.03)
Net income (Loss)	3,156,791	23,742	(67,172)	(1,125,506)	(339,586)	(244,876)	(326,355)	(775,208)
Net income (Loss) per Common share (basic and diluted)	0.05	0.00	0.00	(0.02)	(0.01)	(0.00)	(0.01)	(0.03)

## Overall Performance

Net income for the quarter ended June 30, 2008 was \$3,156,791 compared to a net loss of \$(339,586) for the same period of the previous year. The \$3,496,377 increase in net income over 2007 is due primarily to the gain on the sale of the Pickle Crow property that was completed during the current period. During 2007 the Corporation completed a private placement that provided net proceeds of \$17,387,500. Premier has been using these funds to further explore and develop its mineral properties, with unspent funds invested until they are required. Revenue generated in relation to these investments for the quarter ended June 30, 2008 was \$106,056 as opposed to \$182,190 in the quarter ended June 30, 2007.

Of the \$1,138,301 in operating expenses incurred during the quarter ended June 30, 2008, \$12,029 related to non-cash charges for amortization. Of the remaining \$1,126,272 in operating expenses, \$463,879 related to general and administrative expenses, \$99,258 to professional fees, \$547,080 to compensation for stock options granted, and \$16,055 to the flow-through interest penalty. The Corporation reported \$1,581,188 of future income tax expense during the period relating to timing differences between the accounting and tax basis of assets as at June 30, 2008. Operating expenditures increased by \$616,059 compared to the second quarter of the previous year. The value of the stock options granted in the quarter ended June 30, 2008, was determined using the Black-Scholes option pricing model, which evaluates share price, exercise price, volatility, and term of the option when computing the fair value. General and administrative expenses increased by \$124,261 over the second quarter of the previous year. The increase can be attributed to the Corporation having increased activity due to the addition of employees and property acquisitions. Also, due to the 2007 Flow-Through financing the Corporation incurred \$16,055 in flow-through interest penalties compared to \$70,376 in the second quarter of 2007, which is attributable to the timing of expenditures. Of the \$5,200,000 in flow-through financing raised in

2007, the Corporation incurred \$5,200,000 in exploration expenditures, therefore fulfilling its obligation in relation to the flow through share renunciation. Exploration and development programs during the quarter ended June 30, 2008 resulted in \$5,087,749 in related expenditures. Of the \$5,087,749 incurred, \$2,901,526 related to the Geraldton project. An additional \$2,186,223 in exploration and development expenditures were incurred by the Corporation on other exploration programs during the quarter, including \$790,434 for the Santa Teresa Mineral Concession and \$74,688 for the PQ North Project. The balance of the expenditures related to the Rahill Bonanza Project and the East Bay Project.

## **Liquidity and Capital Resources**

Current assets at June 30, 2008 were \$16,539,524 compared to \$5,361,667 at December 31, 2007 and total assets were \$60,737,848 compared to \$52,097,297. The \$8,640,551 increase in total assets relates primarily to proceeds received in relation to the exercise of warrants and the sale of mineral properties. The Corporation's cash and cash equivalents balance was \$16,230,933 at June 30, 2008 compared to \$3,520,321 at December 31, 2007. The Corporation held \$5,332,099 in long term investments at June 30, 2008 compared to \$15,126,988 at December 31, 2007. Long term investments at June 30, 2008 are comprised of equity securities, including 2,850,000 PC Gold Inc. shares with a value of \$3,135,000 received in relation to the disposal of the Corporation's interest in the Pickle Crow Project which are subject to a Tier 1 Value Security Escrow Agreement. By November 2010 the Corporation will have received 100% of the shares held subject to the Escrow Agreement. The Corporation also received 950,000 warrants in relation this transaction. On the date of grant the warrants had an estimated fair value of \$427,500, which was revalued to its fair value of \$484,500 on June 30, 2008. The fair value was determined using the Black-Scholes model.

Cash used in operating activities was \$334,373 for the quarter ended June 30, 2008 which is due primarily to changes in non-cash charges to current earnings. The most significant non-cash charges to earnings include a compensation adjustment for stock options granted of \$547,080, and a future tax expense of \$1,581,188. These charges were offset by the gain on sale of mineral property of \$5,409,108 related to the sale of the Pickle Crow property, and the change in fair market value of investments held for trading of \$346,879.

Cash provided by investing activities was \$11,182,210 for the quarter ended June 30, 2008 which relates primarily to proceeds received from the sale of investments. The Corporation change its investment strategy during the quarter from holding equities and corporate and government bonds, to placing cash in shorter term government backed securities. This move was intended to minimize the Corporation's exposure to adverse market conditions. Cash provided by financing activities was \$535,200 which relates solely to the exercise of share purchase warrants.

The Corporation has financed the majority of its exploration activities with flow-through share issuances. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share issuances are renounced to investors in accordance with income tax legislation. When these expenditures are renounced to investors, temporary taxable differences created by the renunciation reduce share capital.

The Corporation applies Canada Revenue Agency's look-back rule when accounting for the tax consequences of Flow-Through Share Issuance. Interest penalties accrued during the quarter ending June 30, 2008 in relation to resource expenditures renounced to investors under Canada Revenue's look-back rule, totalled \$16,055.

As at June 30, 2008, the financial instruments of the Corporation consisted of cash and cash equivalents, accounts receivable, long-term investments, and accounts payable. Unless otherwise noted, the

Corporation does not expect to be exposed to significant interest, currency or credit risks arising from these financial instruments. The Corporation estimates that the fair value of cash and cash equivalents, accounts receivable, long-term investments, and accounts payable approximate the carrying values.

The Corporation is authorized to issue an unlimited number of Common Shares of which 69,193,742 were outstanding at June 30, 2008. As at June 30, 2008 the Corporation had options outstanding to purchase an aggregate of 2,835,500 Common Shares under its share incentive plan with exercise prices ranging between \$1.00 and \$2.75 per share and expiry dates between September 27, 2008 and April 25, 2013. In addition, the Corporation has share purchase warrants outstanding for the purchase of 2,087,500 shares at a price of \$2.70 per share and expiring October 24, 2008. [See Notes 8, 9 and 10 to the unaudited interim financial statements].

Maturing investments and new financing arrangements will continue to be the major sources of cash flow for the Corporation, as the Corporation is still in the exploration stage without revenue from operations.

## Commitments

The following is a summary of the commitments of the Corporation as at June 30, 2008:

	2008	2009	2010	2011	Total
Operating leases	\$6,906	\$13,812	\$12,010	\$1,651	\$34,379
Exploration agreements	\$161,047	\$152,423	\$0.00	\$944,212	\$1,257,682
Exploration expenditure commitment from the issuance of flow through shares	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

## Mineral Properties Held for Sale

### Pickle Crow Property

On May 13, 2008 the Corporation executed the Letter of Intent with PC Gold Inc. and Donald Ross in Trust completing the sale of the Corporation's interest in 98 patented mineral claims located in the Patricia Mining Division near the town of Pickle Lake, Ontario and collectively known as the Pickle Crow Property. As consideration for its interest in the 98 claims, the Corporation received \$1,500,000 in cash, 3,800,000 PC Gold Inc. common shares valued at \$3,800,000 at the time of close of the transaction. Attached to each common share is one quarter of one common share purchase warrant, full amount exercisable to acquire one common share at an exercise price of \$1.40 per share for a period of two years. The Corporation recorded a net gain of \$5,409,108 during the quarter in relation to the sale of its interest in the Pickle Crow Property. The Corporation also received a 0.5% Net Smelter Return Royalty on the Pickle Crow Property, which may be purchased by PC Gold Inc. at any time prior to the five year anniversary of closing for \$2,500,000.

## **Property Acquisitions and Agreements**

### **Rahill-Bonanza Project**

On January 18, 2008 Red lake Gold Mines, an affiliate of Goldcorp Inc., exercised its option, as permitted under the joint venture agreement to, to increase its interest in the Rahill Bonanza joint venture by 1% to 51% by paying the Corporation \$440,000. By doing this Goldcorp has taken over as primary operator of the joint venture. The Corporation now holds a 49% interest in the property and will continue to participate in the ongoing exploration program.

## **Transactions with Related Parties**

The following is a summary of the related party transactions of the Corporation during the period ended June 30, 2008, recorded at estimated fair value:

[a] Included in general and administrative expenses are amounts totalling \$18,892 (2007 - \$23,360) for corporate secretarial services provided to the Corporation by Marelli & Drake Corporate Services and D & R Filing Corporation, companies related to the Corporation through a common officer, Shaun Drake. The amounts are recorded at the exchange amount agreed to by the parties.

[b] Included in general and administrative expenses are amounts totalling \$144,595 (2007 - \$210,000) for accounting and management services provided by Zinifex Canada Inc., a company related to the Corporation through the common directorship of Ewan Downie. The amounts are recorded at the exchange amount agreed to by the parties.

[c] Included in general and administrative expenses are amounts totalling \$60,270 (2007 - \$nil) for accounting and management services provided by the Alyris Group, a company related to the Corporation through a common officer, Steve Filipovic. The amounts are recorded at the exchange amount agreed to by the parties.

[d] Included in accounts payable are amounts totalling \$57,391 (2007 - \$20,405) for management fees and certain expenditures paid on behalf of the Corporation by Zinifex Canada Inc., a company related to the Corporation through the common directorship of Ewan Downie. The amounts are recorded at the exchange amount agreed to by the parties.

## **Critical Accounting Estimates**

The Corporation's financial statements have been prepared in accordance with Canadian GAAP. A discussion of the Corporation's significant accounting policies is contained in Note 2 to the unaudited interim financial statements for the quarter ended June 30, 2008. The Corporation's significant accounting policies are subject to estimates and key judgments about future events, many of which are beyond management's control.

## **Change in accounting policy**

The following changes in accounting policies have been adopted since the most recent annual audited financial statements:

## **Assessing Going Concern**

The AcSB amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The standard became effective for fiscal years beginning on or after January 1, 2008 and is applicable to the Corporation as of January 1, 2008.

## **Financial Instruments**

The AcSB issued CICA Handbook Section 3862, Financial Instruments – Disclosures, which requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The standard became effective for fiscal years beginning on or after October 1, 2007 and is applicable to the Corporation as of January 1, 2008.

The AcSB issued CICA Handbook Section 3863, Financial Instruments – Presentation, which is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and nonfinancial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The standard became effective for fiscal years beginning on or after October 1, 2007 and is applicable to the Corporation as of January 1, 2008.

## **Capital Disclosures**

The AcSB issued CICA Handbook Section 1535, which establishes standards for disclosing information about an entity's capital and how it is managed. The standard became effective for fiscal years beginning on or after October 1, 2007 and is applicable to the Corporation as of January 1, 2008.

## **Off-Balance Sheet Arrangements**

The Corporation has not participated in any off-balance sheet or income statement arrangements.

## **Risks and Uncertainties**

At the present time, the Corporation does not hold any interest in a mining property in production. The Corporation's viability and potential success lie in its ability to develop, exploit and generate revenue out of mineral deposits. It is impossible to ensure that the current exploration programs planned by Premier will result in a profitable commercial mining operation. Revenues, profitability and cash flow from any future mining operations involving the Corporation will be influenced by precious and/or base metal prices and by the relationship of such prices to production costs. Such prices have fluctuated widely and are affected by numerous factors beyond the Corporation's control.

The exploration activities of the Corporation will be subject to various federal, provincial and local laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substance and other matters. Exploration activities are also subject to various federal, provincial and local laws and regulations relating to the protection of the environment. These laws mandate, among other things, the maintenance of air and water quality standards, and land reclamation. These laws also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Although Premier's exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration could have an adverse impact on the Corporation.

The exploration and development of mineral properties may require Premier to obtain regulatory or other permits and licenses from various governmental licensing bodies. There can be no assurance that the Corporation will be able to obtain all necessary permits and licenses that may be required to carry out exploration, development and mining operations on its properties.

The Corporation has limited financial resources and there is no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. Although the Corporation has been successful in obtaining financing through the sale of equity securities, there can be no assurance that the Corporation will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Corporation with the possible dilution or loss of such interests.

### **Disclosure Controls and Procedures**

Management has ensured that there are disclosure controls and procedures which provide reasonable assurance that material information relating to the Corporation is disclosed on a timely basis, particularly information relevant to the period in which annual and quarterly filings are being prepared. Management believes these disclosure controls and procedures have been effective during the period ended June 30, 2008.

### **Additional Information**

Additional information relating to the Corporation can be found on SEDAR at [www.sedar.com](http://www.sedar.com), or on the Corporation's web-site at [www.premiergoldmines.com](http://www.premiergoldmines.com).

(signed) John Seaman  
Chief Financial Officer

Thunder Bay, Canada  
August 12, 2008