

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited interim financial statements for the period ended September 30, 2007 of Premier Gold Mines Limited (the "Corporation" or "Premier"). The unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). 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. This MD&A was prepared using information that is current as of November 12, 2007.

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, undue 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 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.

Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars.

### **Overview**

Premier is a Canadian based mining and exploration company focused on developing and acquiring high quality gold projects worldwide. Premier has property interests in the Red Lake, Geraldton and Musselwhite areas in Northwestern Ontario, and an additional high-grade prospect in Mexico. Premier is fully financed for 2007 and 2008 with a strong balance sheet and no debt. The Company's primary project is a 50-50 joint venture with Red Lake Gold Mines Limited ("RLGM"), a subsidiary of Goldcorp Inc. (G: TSX, GG: NYSE). The partnership has begun a major exploration program on a strategic land package located in the heart of the prolific Red Lake Greenstone Belt in Northwestern Ontario. Premier and Goldcorp have contributed certain mining claims held in this area, and are jointly funding the exploration and development of this combined property package. This aggressive drill program is focused on expanding gold mineralization at several new and historic discoveries along the main Red Lake "Mine Trend", and the Partnership will continue to test additional targets well into the future.

During the quarter, the company signed a letter of intent to acquire a gold property in the Beardmore-Geraldton greenstone belt. The property package is host to several past producing mines and little exploration has been performed in the area over the last several decades. It is expected that a major exploration will begin in late 2007 and continue well into 2008, testing numerous prospective targets. Additionally, planning is underway for a drill program on the Santa Teresa property in Mexico.

## 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 selected financial information is derived from the audited annual financial statements of the Corporation prepared in accordance with Canadian GAAP. As noted above due to incorporation in May 2006, there is no financial data available relating to previous periods.

|                                  | <u>Period ended December 31,</u> |
|----------------------------------|----------------------------------|
|                                  | 2006                             |
|                                  | \$                               |
| <b>Operations</b>                |                                  |
| Total revenue                    | 61,009                           |
| Income (loss) for the year       | (1,101,563)                      |
| Basic and diluted loss per share | (0.03)                           |
| <b>Balance Sheet</b>             |                                  |
| Working capital                  | 7,692,041                        |
| Total assets                     | 35,003,030                       |
| Total liabilities                | 3,796,508                        |

## 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  | 2007          | 2007           | 2007          | 2006           | 2006          | 2006  |
|--|---------------|----------------|---------------|----------------|---------------|---|
|  | Third<br>(\$) | Second<br>(\$) | First<br>(\$) | Fourth<br>(\$) | Third<br>(\$) | Incorporation on May<br>29, 2006 to September<br>30, 2006<br>(\$) |
| Revenue  | 258,055       | 182,190        | 74,760        | 54,391         | 6,618         | 6,618   |
| Income (loss) from<br>continuing operations  | (1,102,441)   | (340,052)      | (237,075)     | (610,568)      | (775,208)     | (775,208)   |
| Income (loss) from<br>continuing operations<br>per Common share<br>(basic and diluted) | (0.02)        | (0.01)         | (0.00)        | (0.02)         | (0.03)        | (0.04)  |
| Net income (Loss)  | (1,125,506)   | (339,586)      | (244,876)     | (326,355)      | (775,208)     | (775,208)   |
| Net income (Loss) per<br>Common share (basic<br>and diluted)                           | (0.02)        | (0.01)         | (0.00)        | (0.01)         | (0.03)        | (0.04)  |

## Results of Operations

Net Loss for the nine months ended September 30, 2007 was \$1,709,968 compared to a net loss of \$775,208 for the previous year. The \$934,760 increase in net loss over 2006 is due primarily to the \$1,412,747 increase in operating expenses which is offset by an increase of \$508,387 in revenue. Of the \$2,194,573 in operating expenses incurred during 2007, \$1,086,828 related to non-cash charges for amortization, and stock compensation. Of the remaining \$1,107,745 in operating expenses, \$775,043 related to general and administrative expenses, \$144,537 to professional fees and \$188,165 for the flow-through interest penalty. The Corporation reported \$9,753 of future income tax expense during the period relating to timing differences between the accounting and tax basis of assets.

Exploration and development programs during the nine months ended September 30, 2007 resulted in \$2,821,974 in related expenditures. Of the \$2,821,974 incurred, \$2,213,675 related to the Rahill-Bonanza project. An additional \$608,299 in exploration and development expenditures were incurred by the Corporation on other exploration programs during the period, including the \$175,000 acquisition cost of the Santa Teresa Mineral Concession and the \$330,000 acquisition cost associated with the Geraldton Project.

## Liquidity and Capital Resources

Current assets at September 30, 2007 were \$20,948,061 compared to \$8,482,447 at December 31, 2006 and total assets were \$51,527,376 compared to \$35,003,030. The \$16,524,346 increase in total assets relates primarily to changes in working capital balances due to the completion of the private placement during the nine month period ending September 30, 2007. The Corporation's cash and cash equivalents balance was \$19,036,755 at September 30, 2007 compared to \$8,382,631 at December 31, 2006.

Cash used in operating activities was \$2,243,622 for the period ended September 30, 2007 which is due primarily to changes in non-cash working capital balances. Cash used in investing activities was \$3,593,612 for the nine months ended September 30, 2007 which relates to \$2,318,974 in exploration expenditures, \$1,203,691 for the purchase of long term investments and \$70,947 of capital expenditures. Cash provided by financing activities was \$16,491,358 which relates to the completion of the private placement, \$16,257,558, exercise of stock options, \$25,000, and the exercise of share purchase warrants, \$208,800.

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 period ending September 30, 2007 in relation to resource expenditures renounced to investors under Canada Revenue's look-back rule, totalled \$188,165. It is anticipated that the Corporation will incur approximately an additional \$80,000 in interest penalties during 2007 in relation to resource expenditures associated with 2006 flow-through share financing.

As at September 30, 2007, the financial instruments of the Corporation consisted of cash and cash equivalents, accounts receivable, prepaids and deposits, temporary investments, long-term investments, accounts payable and taxes 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, temporary investments, long-term investments, accounts payable and taxes payable approximate the carrying values.

The Corporation is authorized to issue an unlimited number of Common Shares of which 68,289,742 were outstanding at September 30, 2007. As at September 30, 2007 the Corporation had options outstanding to purchase an aggregate of 2,020,000 Common Shares under its share incentive plan with exercise prices ranging between \$1.00 and \$2.75 per share and an expiry dates between September 27, 2008 and August 8, 2012. In addition, the Corporation has share purchase warrants outstanding for the purchase of 3,272,000 shares at a price ranging between \$1.20 and \$2.70 per share and expiring between April 6, 2008 and November 30, 2008. [See Notes 7, 8 and 9 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 development stage without revenue from operations.

## Transactions with Related Parties

The following is a summary of the related party transactions of the Corporation during the period ended September 30, 2007:

- a) Included in general and administrative expenses are amounts totalling \$19,753 (2006 - \$5,988) for corporate secretarial services provided to the Corporation by Duguay & Ringler 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 \$123,746 (2006 - \$39,813) relating to compensation of officers of the Corporation. The amounts are recorded at the exchange amount agreed to by the parties.
- c) Included in general and administrative expenses are amounts totalling \$157,500 (2006 - \$70,000) for accounting and management services provided by Zinifex, 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.
- d) Included in accounts payable are amounts totalling \$18,550 (2006 - \$57,847) for management fees and certain expenditures paid on behalf of the Corporation by Zinifex, 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.
- e) Pursuant to the underwriting agreement relating to the Private Placement completed May 30, 2007 (note 7), the Corporation issued 38,634 Broker Warrants and paid \$104,325 in related underwriter fees and expenses to Octagon Capital Corporation, a corporation related to the Corporation through a common director; Jean-Pierre Colin.

## Subsequent Events

On October 30, 2007 the Corporation signed a Letter of Intent with PC Gold Inc. and Donald Ross in Trust contemplating 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. Pursuant to the terms and conditions of the proposed transaction, the Corporation will receive \$1,500,000 cash, \$3,800,000 worth of PC Gold Inc. common shares and one quarter of one common share purchase warrant for each common share received in exchange for its interest in the 98 claims. The Corporation will also receive 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. The Corporation will also be reimbursed for all costs incurred in relation to care and maintenance on the Pickle Crow Property from the date of execution of the agreement to the closing. In the event that closing does not occur on or before February 29, 2008 either of the parties may terminate the transaction without further obligation

## **Critical Accounting Estimates**

A detailed summary of all the Corporation's significant accounting policies is included in Note 2 to the December 31, 2006 audited financial statements. Any changes in accounting policies have been provided in note 2 to the September 30, 2007 interim unaudited financial statements of the Corporation.

## **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. 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 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 filings are being prepared. Management believes these disclosure controls and procedures have been effective during the period ended September 30, 2007.

## **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  
November 12, 2007