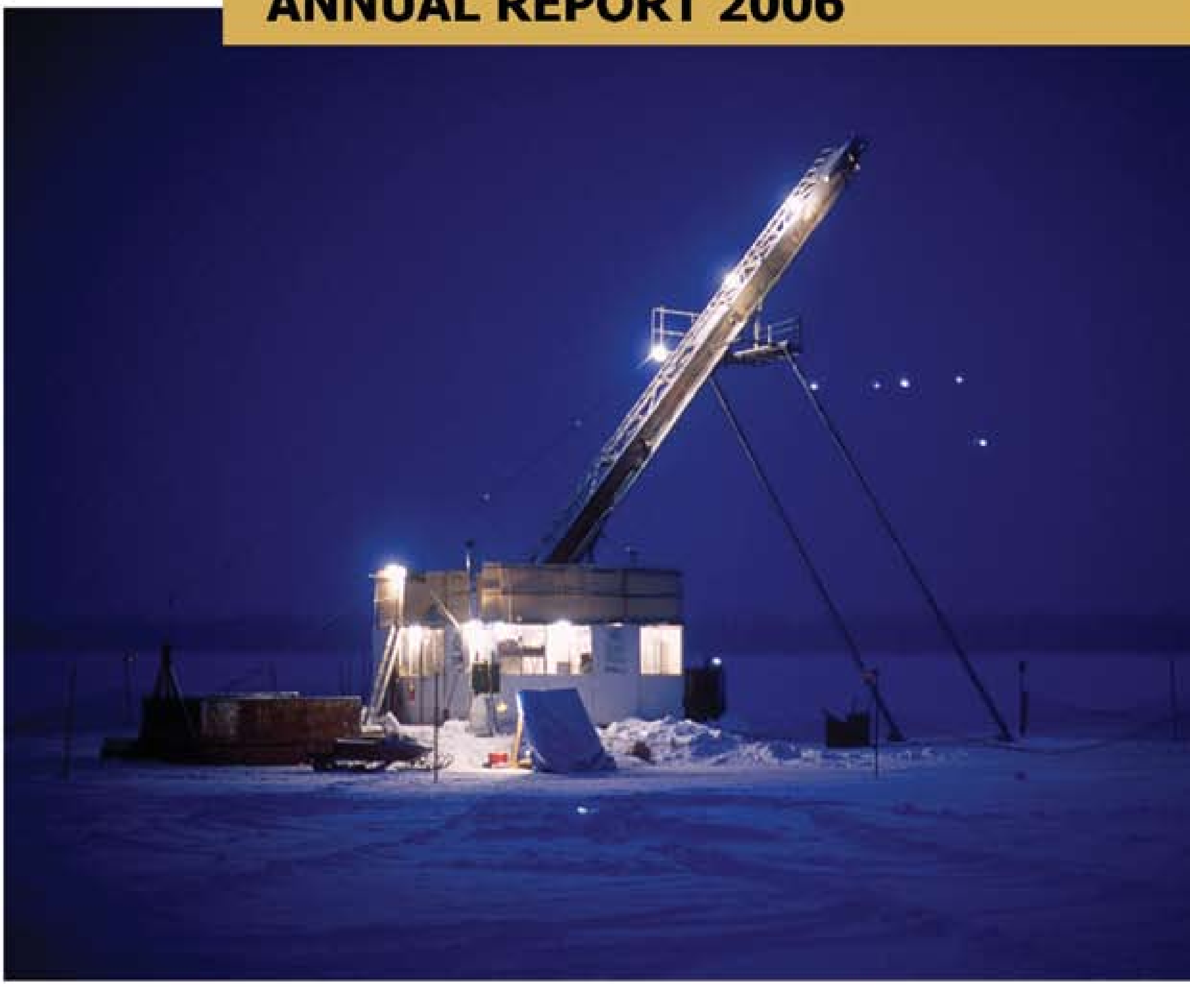
PREMIER
Gold Mines Limited

ANNUAL REPORT 2006



.....A World of Opportunity

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ANNUAL MEETING

The Annual General Meeting of Shareholders will be held at the Ontario Club, 12th Floor, 1 King Street West, Toronto, Ontario at 4:30pm EST on Wednesday, June 13, 2007.

CONTACT INFORMATION

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CORPORATE INFORMATION

OFFICERS:	Ewan S. Downie President, CEO Stephen McGibbon Executive Vice President and COO John F. Cook Chairman John W. Seaman CFO Shaun Drake Secretary	
DIRECTORS:	Ewan S. Downie John Francis Cook, P. Eng. A. Murray Sinclair John W. Seaman	Henry J. Knowles, Q.C. John A. Pollock Jean-Pierre Colin John Begeman
CORPORATE OFFICE:	401-1113 Jade Court Thunder Bay, ON P7B 6M7 Phone: (807) 346-1390 Fax: (807) 345-0284 Email: info@premiergoldmines.com	
LEGAL ADVISORS:	Fraser Milner Casgrain LLP Toronto, Ontario	Carrel & Partners LLP Thunder Bay, Ontario
AUDITORS:	Grant Thornton LLP Chartered Accountants Thunder Bay, Ontario	
TRANSFER AGENT:	Equity Transfer Services Suite 420, 120 Adelaide Street West Toronto, ON M5H 4C3	
BANKERS:	Royal Bank of Canada Toronto, Ontario	
STOCK EXCHANGE LISTING:	TSX Trading Symbol: PG Shares outstanding: 58,941,992	
WEB SITE:	www.premiergoldmines.com	

MESSAGE TO THE SHAREHOLDERS

On behalf of your Board of Directors, I am pleased to welcome you to Premier Gold Mines Limited with this, our inaugural annual report. When it became evident that the considerable gold portfolio that existed within Wolfden would continue to be overlooked by the market, your management team made the decision to create Premier to provide shareholders with full exposure to gold through these gold assets. While it took some time for Premier to gain recognition, the spin-out decision has, as of the writing of this message, significantly increased overall total shareholder value.

With essentially the same management team that grew Wolfden, Premier's goal is to be recognized as a quality, high-grade focused, gold exploration and development company. A focus on the Red Lake gold district fits within this strategy and has helped to elevate the profile of Premier. The addition of Stephen McGibbon (formerly the Exploration Manager and Chief Geologist at Goldcorp's Red Lake Mine) as Premier's Executive Vice-President and Chief Operating Officer, adds depth to your Company's management team and provides considerable knowledge and experience in mineral exploration and deposit development, particularly in the Red Lake District.

Following exploration success on the main "Mine Trend" in close proximity to the mines, the focus on Red Lake has gained the attention of Goldcorp Inc. As of the time of writing, Premier and Goldcorp are in the process of combining exploration properties in the heart of this prolific gold camp and have ramped up our exploration efforts in search of what we believe will be the next Red Lake mine discovery. Red Lake is world renowned for high-grade gold and Goldcorp's Red Lake Mine complex is host to what is considered to be the highest grade gold mine in the world. To-date, 18 Million ounces of gold from 27 Million tonnes have been mined, and at least 9.5 Million ounces remain. In the very near future, drilling will commence from a recently completed exploration drift on the 41 Level of the mine (1,860 meters below surface) to test the on-strike extension of the mine stratigraphy. This drilling will include holes onto the joint venture Property and could be considered one of Premier's most exciting targets.

Immediately upon listing, your Company made the decision to continue to acquire high potential gold projects with a focus on the Americas. The first acquisition was the PQ North Property in northern Ontario. The PQ North Property is strategically located on the PQ limb of the iron formation that is host to the Musselwhite Gold Mine, owned and operated by Goldcorp Inc. and Kinross Gold. The Property encompasses a major fold structure similar to, and along strike from, those that host the gold bearing ore zones at Musselwhite. Previous drilling has returned several significant intersections and has identified units similar to those at the mine. The main target of an upcoming exploration program will be to drill a series of quartz veins hosted within volcanic rocks in the southern portion of the PQ North Property proximal to the main iron formation unit. It is believed that these veins could be related to shear structures that could cut the main iron formation unit at depth, and potentially become significant gold-bearing zones. Similar veins on surface on the Musselwhite Property are located up-dip from the main gold zones currently being mined. Since 1997, Musselwhite mine has produced more than 1.9 Million ounces of gold and has approximately 3.1 Million ounces in resources.

Additionally, your Company has taken its search outside of Canada, and is in the process of acquiring an interest in the Santa Teresa gold property, located in the historic and high grade El Alamo District of Baja California Norte, Mexico. The district has received little previous exploration despite the fact that historical data indicates that mined grades, in the early 20th century, within the district are between 1.00 and 2.00 ounces per ton (opt) gold. The majority of the historical district production has occurred within 120 metres of surface, but remains open at depth. The El Alamo District is considered to have characteristics similar to the historic Mother Lode District of California, and the Santa Teresa Concession is located immediately 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 Santa Teresa Property boundary. Data suggests that extensions of the Princessa Mine along strike and at depth have not been tested.

Premier's strategy for 2007 is to aggressively build on the solid foundation that has been created, enhance shareholder value through strategic acquisitions and focused exploration efforts within highly prospective gold districts, and make Premier Gold's presence felt in **"A World of Opportunity"**.

Ewan S. Downie
President & Chief Executive Officer
April 8, 2007.

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 audited financial statements for the year ended December 31, 2006 and the notes thereto of Premier Gold Mines Limited (the "Corporation" or "Premier"). The audited 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 March 30, 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 newly-formed Canadian based mining and exploration company focused on developing and acquiring high quality gold projects worldwide. On August 18, 2006 pursuant to an arrangement with Wolfden Resources Inc. ("Wolfden"), Premier acquired the interests of Wolfden in the Bonanza and East Bay Projects as well as certain other mineral property interests in Ontario together with $2,000,000 in cash. Full details of the arrangement were disclosed via Wolfden's Management Information Circular dated May 29, 2006, which is available on SEDAR at www.sedar.com <http://www.sedar.com/>.

In December 2006, Premier was pleased to announce that it had signed a letter of intent with Goldcorp Inc. (G:TSX, GG:NYSE) to explore a strategic land package located in the prolific Red Lake Greenstone Belt in Northwestern Ontario. Premier and Goldcorp are currently concluding a definitive Joint Venture Agreement where both companies are contributing mining properties held in this area and are jointly funding the exploration and development of this combined property package. Recently, the Partnership has started an aggressive drill program on this Property, focused on expanding gold mineralization at several new and historic discoveries along the main Red Lake "Mine Trend", and are testing new areas of interest. Red Lake is considered one of the world's premier addresses for high grade gold. The world-class Red Lake "Mine Trend", a 35-square kilometre corridor with a 70 year history of discovery, has provided 4 major deposit discoveries in the last 12 years and over 30 million ounces of gold. In addition Premier also holds several advanced-stage gold properties in key districts of Northwestern Ontario and will continue to work on these properties in the coming year.

Premier also continues to evaluate other high quality, high grade North American-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.

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.

	Period ended December 31,
	2006
	$
Operations	
Total revenue	61,009
Income (loss) for the year	(1,101,563)
Basic and diluted loss per share	(0.03)
Balance Sheet	
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.

	2006	2006	2006
Quarter	Fourth	Third	Incorporation on May 29, 2006 to September 30, 2006
	($)	($)	($)
Revenue	54,391	6,618	6,618
Income (loss) from continuing operations	(610,568)	(775,208)	(775,208)
Income (loss) from continuing operations per Common share (basic and diluted)	(0.02)	(0.03)	(0.04)
Common share (basic and diluted)			
Net income (Loss)	(326,355)	(775,208)	(775,208)
Net income (Loss) per Common share (basic and diluted)	(0.01)	(0.03)	(0.04)

Results of Operations

Net Loss for the period May 29, 2006 to December 31, 2006 was $1,101,563. Of the $1,446,785 in operating expenses incurred during 2006, $519,073 related to non-cash charges for amortization and stock compensation. Of the remaining $927,712 in operating expenses, $875,236 related to general and administrative expenses and $52,476 to professional fees. The Corporation reported a $284,213 recovery of income taxes during the period relating to the Federal Income Tax rate reduction, which reduced the Net loss respectively.

Exploration and development programs during the period from incorporation to December 31, 2006 resulted in $756,079 in related expenditures. Of the $756,079 incurred, $659,161 related to the Bonanza project, and $62,977 to the East Bay project. An additional $33,941 in exploration and development expenditures were incurred by the Corporation on other exploration programs during the period.

Liquidity and Capital Resources

Current assets at December 31, 2006 were $8,482,447 and total assets were $35,003,030. The Corporation's cash and cash equivalents balance was $8,382,631 at December 31, 2006.

Cash used in operating activities was $175,693 for the period ended December 31, 2006 which is due primarily to changes in non-cash working capital balances. Cash used in investing activities was $815,382 for the period ended December 31, 2006 which relates to exploration expenditures of $756,079 and $59,303 of capital expenditures. Cash provided by financing activities was $9,373,706 which relates primarily to $7,208,166 received from the private placement and $2,000,000 received from Wolfden through the plan of arrangement. [See Note 1 to the December 31, 2006 audited Financial Statements]

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 relating to resources expenditures, funded by the most recent financing, will begin to accrue in February of 2007.
As at December 31, 2006, the financial instruments of the Corporation consisted of cash and cash equivalents, accounts receivable, prepaids and deposits, temporary 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, accounts payable and taxes payable approximate the carrying values.

The Corporation is authorized to issue an unlimited number of Common Shares of which 58,941,992 were outstanding at December 31, 2006. As at December 31, 2006 the Corporation had options outstanding to purchase an aggregate of 895,000 Common Shares under its share incentive plan with an exercise price of $1.00 per share and an expiry date of September 15, 2011. In addition, the Corporation has share purchase warrants outstanding for the purchase of 620,000 shares at a price of $1.20 per share and expiring April 6, 2008. [See Notes 6, 7 and 8 to the Financial Statements].

Pursuant to the Plan of Arrangement (the "Arrangement") with Wolfden, the Corporation has committed to issuing up to 2,457,000 common shares in relation to Wolfden stock options (the "Options") granted to Wolfden directors, officers, key employees and consultants prior to the arrangement date. Each Wolfden option that was outstanding prior to the date of the arrangement entitles the holder thereof to receive, upon the exercise thereof, one Wolfden common share and 0.70 of a Premier common share. The outstanding Options, and the Corporation's related commitment, have expiry dates ranging from July 2008 to July 2011.

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 December 31, 2006:

a) Included in general and administrative expenses are amounts totalling $5,988 for accounting and 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. Of the total expenses incurred, $1,216 is included in accounts payable at December 31, 2006. The amounts are recorded at the exchange amount agreed to by the parties.

b) Included in general and administrative expenses are amounts totalling $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 $70,000 for accounting and management services provided by Wolfden, a company related to the Corporation through common directorship. The amounts are recorded at the exchange amount agreed to by the parties.

d) Included in accounts payable are amounts totalling $57,847 for expenditures paid on behalf of the Corporation by Wolfden, a company related to the Corporation through common directorship. The amounts are recorded at their cost.

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.

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 December 31, 2006.

Additional Information

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

(signed) John Seaman
Chief Financial Officer

Thunder Bay, Canada
March 30, 2007

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Shareholders of
Premier Gold Mines Limited

We have audited the balance sheet of **Premier Gold Mines Limited** as at December 31, 2006 and the statements of earnings and deficit and cash flows for the period from May 29, 2006, the incorporation date, to December 31, 2006. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2006 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Thunder Bay, Canada
February 23, 2007

Chartered Accountants

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Premier Gold Mines Limited
(Incorporated under the laws of Ontario)

BALANCE SHEET

As at December 31
(Stated in Canadian Dollars)

	2006 $
ASSETS	
Current	
Cash and cash equivalents *[note 3]*	**8,382,631**
Accounts receivable	**75,657**
Prepaids and deposits	**24,159**
Total current assets	**8,482,447**
Property, plant and equipment, net *[note 4]*	**54,855**
Mineral properties *[note 5]*	**26,465,728**
	35,003,030
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current	
Accounts payable and accrued liabilities	**778,406**
Taxes payable	**12,000**
Total current liabilities	**790,406**
Future tax liability *[note 10]*	**3,006,102**
Shareholders' equity	
Share capital	
Issued	
Common shares *[note 6]*	**31,627,920**
Share purchase warrants *[note 7]*	**165,540**
Contributed surplus	**514,625**
Deficit	**(1,101,563)**
Total shareholders' equity	**31,206,522**
	35,003,030

See accompanying notes

On behalf of the Board:

"John Seaman"
Director

"Ewan Downie"
Director

Premier Gold Mines Limited

STATEMENT OF EARNINGS AND DEFICIT

For the 217 day period ended December 31
(Stated in Canadian Dollars)

	2006 $
REVENUE	
Investment income	**61,009**
EXPENSES	
Amortization	**4,448**
Compensation for stock options granted *[note 8]*	**514,625**
General and administrative	**875,236**
Professional fees	**52,476**
	1,446,785
Loss before income taxes	**(1,385,776)**
Future tax recovery *[note 10]*	**(284,213)**
Loss for period	**(1,101,563)**
Deficit, end of period	**(1,101,563)**
Basic and diluted loss per share ***[note 9]***	**(0.03)**

See accompanying notes

Premier Gold Mines Limited

STATEMENT OF CASH FLOWS

For the 217 day period ended December 31
(Stated in Canadian Dollars)

	2006 $
OPERATING ACTIVITIES	
Loss for period	**(1,101,563)**
Add charges (deduct credits) to earnings not involving a current payment (receipt) of cash	
Amortization	**4,448**
Compensation for stock options granted	**514,625**
Future tax recovery	**(284,213)**
	(866,703)
Net change in non-cash working capital balances related to operations	**691,010**
Cash used in operating activities	**(175,693)**
INVESTMENT ACTIVITIES	
Mineral exploration and development expenditures, net	**(756,079)**
Purchase of property, plant and equipment	**(59,303)**
Cash used in investment activities	**(815,382)**
FINANCING ACTIVITIES	
Shares issued in private placements	**7,208,166**
Warrants issued	**165,540**
Proceeds received pursuant to the Arrangement (note 1)	**2,000,000**
Cash provided by financing activities	**9,373,706**
Increase in cash and cash equivalents during period	**8,382,631**
Cash and cash equivalents, end of period	**8,382,631**

See accompanying notes

Premier Gold Mines Limited

NOTES TO FINANCIAL STATEMENTS

December 31, 2006
(Stated in Canadian Dollars)

1. NATURE OF BUSINESS

Premier Gold Mines Limited (the "Corporation" or "Premier") was incorporated under the laws of the Province of Ontario on May 29, 2006, and was inactive until August 18, 2006.

On August 18, 2006 the Corporation entered into an agreement with Wolfden Resources Inc. ("Wolfden") whereby Wolfden completed a re-organization by way of a statutory plan of arrangement (the "Arrangement"). Pursuant to the Arrangement, Wolfden transferred certain of its mineral property interests in Ontario and $2,000,000 cash to the Corporation and each registered holder of Wolfden common shares was entitled to receive one New Wolfden common share and 0.7 of a Premier common share in exchange for each Wolfden common share held by the shareholder immediately prior to the effective date (see notes 5, 6, and 11).

The Corporation is in the development stage and its principal business activity is the acquisition, exploration and development of mineral properties that it believes contain mineralization that will be economically recoverable in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management on the basis of the Corporation's continuance as a going-concern and in accordance with Canadian generally accepted accounting principles.

Use of estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Cash and cash equivalents

Short-term investments which have a term to maturity of three months or less from the acquisition date are considered cash equivalents and are recorded at cost, which approximates market value.

Temporary investments

Marketable securities are valued at the lower of cost and market value.

Revenue recognition

Interest income is recognized on the accrual basis.

Stock-based compensation

The Corporation applies, the fair value method of accounting for all stock option awards. Under this method, the Corporation recognizes a compensation expense for all stock options awarded since incorporation, based on the fair value of the options on the date of grant, which is determined by using an option pricing model.

Income taxes

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantively enacted tax rates that will be in effect when the differences are expected to reverse or losses are expected to be utilized. A valuation allowance is recognized to the extent that the recoverability of future income tax assets is not considered "more likely than not".

Loss per common share (LPS)

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants. The effect of potential issuances of shares under options and warrants would be anti-dilutive, and accordingly basic and diluted LPS are the same.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006
(Stated in Canadian Dollars)

Property, plant and equipment

All of the Corporation's properties are in the exploration and development stage and have not yet attained commercial production. Prior to commercial production, all mine property, plant and equipment, including pre-production expenditures and start up costs, net of revenue, are capitalized to plant and equipment. Upon commencement of commercial production, mine property, plant and equipment will be amortized over the life of the mine by the unit of production method based on proven and probable reserves and mineralization expected to be classified as reserves. Office equipment is amortized on a declining balance basis, net of residual value, over the estimated useful life of the asset using the following rate:

Office equipment	30%

Those expenditures which extend the useful life of an asset are capitalized, whereas repairs and maintenance expenditures, which do not extend the useful life of an asset, are charged to operations during the period they are incurred. The Corporation evaluates the estimated recoverable value of property, plant and equipment on a periodic basis, and accounts for impairments in the period that they are identified.

Mineral properties

The cost of mineral properties includes all direct exploration and development costs including administrative expenses and certain deferred costs that can be directly related to specific projects. Exploration and associated costs relating to non specific projects / properties are expensed in the period incurred. Significant property acquisition, exploration and development costs relating to specific properties for which economically recoverable reserves are believed to exist are deferred until the project to which they relate is sold, abandoned or placed into production. Costs related to properties abandoned are written-off when it is determined that the property has no continuing value.

All of the Corporation's properties are in the exploration and development stage and have not yet attained commercial production. The ultimate realization of the carrying value of properties in the exploration and development stage is dependent upon the successful development or sale of these properties.

Joint ventures

Several of the Corporation's exploration projects are conducted through joint venture relationships. Only the Corporation's proportionate interest in such projects is reflected in the accounts.

December 31, 2006
(Stated in Canadian Dollars)

Financial instruments

At December 31, 2006, the Corporation's financial instruments consisted of cash and cash equivalents, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The Corporation estimates that the fair value of these financial instruments approximates their carrying values.

Future accounting changes - financial instruments

In 2005, the CICA issued new accounting standards: CICA 1530, Comprehensive Income, CICA 3251, Equity, CICA 3855, Financial Instruments - Recognition and Measurement and CICA 3865, Hedges. These standards become effective for fiscal years beginning on or after October 1, 2006 and are applicable to the Company as of January 1, 2007. The new standards increase harmonization with US GAAP and will require the following:

Financial assets will be classified as held-to-maturity, loans and receivables, held-for trading or available-for-sale. The held-to-maturity classification will be restricted to fixed maturity instruments that the Company intends and is able to hold to maturity. Assets classified as held-to-maturity or loans and receivables will be accounted for at amortized cost. Held-for-trading assets will be recorded at fair value with realized and unrealized gains and losses reported in net income. The remaining financial assets will be classified as available-for-sale and will be recorded at fair value with unrealized gains and losses reported in a new category of the balance sheet under shareholders equity called other comprehensive income;

Financial liabilities will be classified as either held-for-trading or other liabilities. Held for-trading liabilities will be recorded at fair value with realized and unrealized gains and losses reported in net income, and the remaining financial liabilities will be classified as other liabilities and will be accounted for at amortized cost.

The standards do not permit restatement of prior years' financial statements; however, they provide detailed transitional provisions. Management is in the process of evaluating the effect of the adoption of the new standards on the Company's financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2006
(Stated in Canadian Dollars)

3. CASH AND CASH EQUIVALENTS

	2006 $
Cash	875,027
Short-term deposits	7,507,604
	8,382,631

As at December 31, 2006, the Corporation held short-term deposits consisting of Canadian dollar denominated short-term financial instruments maturing within 29 days, yielding 3.98% - 4.19%.

4. PROPERTY, PLANT AND EQUIPMENT

Details of year-end property, plant and equipment balances are as follows:

	2006	
	Cost $	Accumulated amortization $
Office equipment	59,303	4,448
Capital assets, net	54,855	

Amortization for the period is $4,448.

(Stated in Canadian Dollars)

5. MINERAL PROPERTIES

As of December 31, 2006, accumulated costs with respect to the Corporation's interest in mineral properties owned, leased or under option, consisted of the following:

	2006		
	Deferred exploration expenditures $	**Acquisition cost** $	**Total** $
Bonanza Project, Ontario (*)	**659,161**	**19,061,119**	**19,720,280**
East Bay, Ontario (**)	**62,977**	**6,225,083**	**6,288,060**
Other areas, Ontario (***)	**33,941**	**423,447**	**457,388**
	756,079	**25,709,649**	**26,465,728**

(*) Acquisition costs relating to the Arrangement (note 1) include $12,640,000 in property acquisition costs and $6,621,119 in deferred expenditures incurred, net of $200,000 in option payments received, prior to the effective date.

(**) Acquisition costs relating to the Arrangement (note 1) include $390,000 in property acquisition costs and $5,885,083 in deferred expenditures incurred, net of $50,000 in option payments received, prior to the effective date.

(***) Acquisition costs relating to the Arrangement (note 1) include $20,000 in property acquisition costs and $503,447 in deferred expenditures incurred, net of $100,000 in option payments received, prior to the effective date.

Bonanza

The Bonanza property, located in Dome township within the Red Lake mining district of Ontario, is comprised of 12 patented mining claims; 6 of which were formerly known as the Follansbee property.

The property is subject to a 1.7% N.S.R. in favour of Pure Gold Minerals Inc. ("Pure Gold"), a 0.3% N.S.R. in favour of Eugenic Corp ("Eugenic") which relate to the 6 Bonanza claims, and a 2% N.S.R. in favour of Interquest Incorporated relating to the 6 Follansbee claims.

The Corporation has retained a right to purchase a portion, namely a 1% N.S.R. for $1,000,000 and a first right of refusal to purchase the remaining 0.7% N.S.R. from Pure Gold. The Corporation has also retained a first right of refusal to purchase Eugenic's 0.3% N.S.R.

In December 2006 the Company signed a letter of intent with Goldcorp Inc. ("Goldcorp") contemplating a definitive Joint Venture Agreement (the "Agreement") under which Premier will contribute its Bonanza and Marathon McNeely Properties, and Goldcorp will contribute its Rahill-Wilmar and Kostynuk Properties. Pursuant to the Agreement Premier will fund the initial $1,000,000 in exploration on the Property, and future exploration will be funded on a 50:50 basis. Premier will be operator during the initial period of $5,000,000 in exploration, and Goldcorp will be operator thereafter. At any time during the first eighteen (18) months following the formation of the joint venture, Goldcorp will have the option to increase its interest in the joint venture by 1% to 51% by paying Premier $440,000. The Agreement also provides Goldcorp with the right to participate up to 20% in the first equity financing completed by Premier and provides access to Goldcorp's Wilmar Mine workings through it's Cochenour Gold Mine in the event that it is re-opened.

The parties expect to execute the definitive Joint Venture Agreement before the end of February 2007, subject to certain conditions precedent including each party's satisfaction with its due diligence investigations and receipt of necessary corporate approvals.

East Bay

The East Bay property, a 50% joint venture with Goldcorp Canada Ltd. ("Goldcorp"), is comprised of 68 unpatented mineral claims located in Bateman township within the Red Lake mining district of Ontario.

Pursuant to the joint venture agreement, Goldcorp has retained the right to increase it's proportionate interest in the joint venture to 65% by completing, at its own expense, a feasibility study on or before the third anniversary of the agreement.

Other areas

Other mineral interests held by the Corporation include the Argosy, Newman-Madsen, Marathon McNeely, Pickle Crow, and PQ North properties.

(Stated in Canadian Dollars)

6. COMMON SHARES

The Corporation is authorized to issue an unlimited number of common shares.

	Number #	Value $
Issued pursuant to the Arrangement in exchange for cash and mineral properties (note 1)	**52,253,514**	24,419,754
Private placements	**6,688,478**	7,278,209
Share issue costs	—	(70,043)
Balance, December 31, 2006	**58,941,992**	31,627,920

Private Placement

On October 6, 2006, the Corporation completed a non-brokered private placement of 1,240,000 units of Premier at a price of $0.95 per unit for gross proceeds of $1,178,000. Each unit consists of one common share, and one-half of one share purchase warrant. Each full share purchase warrant entitles the holder thereof to acquire one additional common share of Premier at a price of $1.20 per common share for a period of 18 months following the date of issue. Additionally, the Corporation issued an aggregate of 5,448,478 flow-through common shares (the "Flow-Through Shares") at a price of $1.15 per Flow-Through Share for gross proceeds of $6,265,750. The Common Shares and Flow-Through Shares were offered by way of non-brokered private placement exemptions in certain provinces of Canada and in the United States on a private placement basis pursuant to an exemption from the registration requirements of the United States Securities Act of 1933, as amended.

December 31, 2006
(Stated in Canadian Dollars)

7. SHARE PURCHASE WARRANTS

The following table reflects the continuity of warrants:

Expiry Date	Exercise Price $	Opening Balance #	Warrants Issued #	Warrants Exercised #	Warrants Expired #	2006 Closing Balance #
April 6, 2008	1.20	—	620,000	—	—	**620,000**

The fair value of the share purchase warrants has been estimated using the Black-Scholes option pricing model. The assumptions used for the valuation of the respective warrants were:

Dividend yield 0%, expected volatility 65%, a risk-free interest rate of 3.75% and an expected life of 18 months. Value assigned to the 620,000 share purchase warrants was $165,540.

The following table reflects the value of share purchase warrants currently outstanding:

Warrants	Number #	Value $
Share purchase warrants, exercisable at $1.20 and expire April 6, 2008	620,000	165,540

(Stated in Canadian Dollars)

8. SHARE INCENTIVE PLAN

The Corporation has a share incentive plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

The following table reflects the continuity of stock options under the Plan:

	Number of Stock Options 2006 #	Weighted Average Exercise Price 2006 $
Options granted	**895,000**	**1.00**
	895,000	**1.00**

The following table reflects the stock options outstanding as at December 31, 2006:

Expiry Date	**Exercise Price** $	**Options Outstanding** #
September 15, 2011	1.00	895,000
		895,000

On September 15, 2006, a total of 895,000 stock options were issued to directors, officers, key employees and certain consultants of the Corporation. All of the 895,000 options issued during the period had vested by December 31, 2006.

December 31, 2006
(Stated in Canadian Dollars)

The Corporation applies the fair value method of accounting for all stock-based compensation awards and accordingly, $514,625 was recorded as compensation for the 895,000 stock options that vested during the period.

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions: dividend yield of 0%, expected volatility of 65%, risk-free interest rate of 3.75%, expected life of 5 years and a vesting period of up to twelve months.

The following table reflects the continuity of contributed surplus relating to stock options issued and vested as at December 31, 2006:

	Number of Options #	Amount $
Opening Balance	—	—
Options granted	895,000	514,625
Balance, December 31, 2006	895,000	514,625

9. LOSS PER SHARE

The basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Fully diluted loss per share is the same as basic loss per share. The effect of common share purchase options and warrants on the net loss is not reflected as to do so would be anti-dilutive.

The following table sets for the the computation of basic and diluted loss per share:

	2006
Numerator:	
Net loss	**(1,101,563)**
Denominator:	
Weighted average number of common shares	**35,158,680**
Weighted average loss per share	**(0.03)**

(Stated in Canadian Dollars)

10. INCOME TAXES

	2006
	$
Non-capital losses	**264,330**
Common share issue costs	**18,491**
Exploration and development expenditures	**(3,006,102)**
Other items	**1,468**
	(2,721,813)
Valuation allowance	**(284,289)**
Net future tax liability	**(3,006,102)**

The Corporation has unclaimed common share issue costs of $56,034 and non-capital losses of $801,001 available to reduce future taxable income which expire in 2016.

In 2006, the Corporation issued a total of 5,448,478 Flow-Through Common Shares for proceeds of $6,265,750. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The renunciation of such expenditures is accounted for as a financing cost related to the flow-through issuance and results in a reduction in share capital with a corresponding increase in the Corporation's future tax liability.

The Corporation is permitted under Canadian income tax legislation to renounce flow-through related resource expenditures to investors in advance of the Corporation incurring the expenditure. In accordance with this legislation, the Corporation has twelve months following the effective date of renunciation to incur the expenditures. The Corporation begins incurring interest charges for unspent funds after one month and fees for unspent funds at the end of the year following the effective date of renunciation, and until such time as funds are fully expended.

The Corporation realized a future income tax recovery in relation to the Federal Corporate income tax rate reduction during the period.

(Stated in Canadian Dollars)

11. SUPPLEMENTAL CASH FLOW INFORMATION

	2006 $
Non-cash financing activities	
Common shares issued for non-cash consideration	**22,419,334**
Future tax liability assumed on the Arrangement (note 1)	**3,290,315**
	25,709,649
Non-cash investing activities	
Mineral properties financed through common share issuance	**(25,709,649)**
	—

12. RELATED PARTIES

[a] Included in general and administrative expenses are amounts totalling $5,988 for accounting and corporate secretarial services provided to the Corporation by Duguay & Ringler Corporate Services and D & R Filing Corporation, of which $1,216 is included in accounts payable, 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 $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 $70,000 for accounting and management services provided by Wolfden, a company related to the Corporation through common directorship. The amounts are recorded at the exchange amount agreed to by the parties.

[d] Included in accounts payable are amounts totalling $57,847 for expenditures paid on behalf of the Corporation by Wolfden and outstanding management fees, a company related to the Corporation through common directorship. The amounts are recorded at their cost.

13. COMMITMENTS

Pursuant to the Arrangement (note 1), the Corporation has committed to issuing up to 2,457,000 common shares, for no cash proceeds, in relation to Wolfden stock options (the "Options") granted to Wolfden directors, officers, key employees, and consultants prior to the Arrangement date. Of the 2,457,000 options outstanding, 2,429,000 were vested as at the date of the arrangement. The remaining options will vest as follows; 28,000 in February 2007. The outstanding options and the Corporation's related commitments, have expiry dates ranging from July 2008 to July 2011.

On March 16, 2007 Wolfden entered into a support agreement with Zinifex Limited ("Zinifex") in respect of Zinifex's intention to make an offer for all of the outstanding common shares of Wolfden at a cash price of $3.81 per share, including shares issued or issuable upon the exercise of Wolfden warrants and stock options. Should the Transaction with Zinifex be finalized, it is expected that the Corporation will be required to issue 100% of the above noted shares.

[PG:TSX] **[P20:F]** **[PIRGF:PK]**

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