

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 June 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 August 13, 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 and Musselwhite areas in Northwestern Ontario, and an additional high-grade prospect in Mexico. Premier is fully financed for 2007 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.

The 2007 drilling program started slowly due to drilling personnel shortages, and the soft talc ultramafic rock units, which are important to Red Lake gold deposits, delayed drilling progress as several holes were lost prior to reaching target depth. To-date, only one of the five main targets has been intersected and measures have been taken to accelerate the program going forward.

In addition to surface drilling, the current program includes drilling from the underground workings of the nearby Red Lake Gold Mine complex, operated by RLGM. The Red Lake gold mine is considered to be one of the world's highest-grade gold mines and Red Lake is 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. The first underground hole is expected to be completed in mid to late August.

Premier holds several other exploration and advanced-stage gold prospects in the Red Lake District, a strategic property located along the main horizon that hosts the Musselwhite Gold Mine (Goldcorp/Kinross) in Northwestern Ontario, and a high-grade exploration target in a district in Mexico that has had high-grade historical gold production reported to be in the ounces per tonne.

Premier 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 reward 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.

	<u>Period ended December 31,</u>
	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.

Quarter	<u>2007</u>	<u>2007</u>	<u>2006</u>	<u>2006</u>	<u>2006</u>
	Second	First	Fourth	Third	Incorporation on May 29, 2006 to September 30, 2006
	(\$)	(\$)	(\$)	(\$)	(\$)
Revenue	182,190	74,760	54,391	6,618	6,618
Income (loss) from continuing operations	(340,0452)	(237,075)	(610,568)	(775,208)	(775,208)
Income (loss) from continuing operations per Common share (basic and diluted)	(0.01)	(0.00)	(0.02)	(0.03)	(0.04)
Net income (Loss)	(339,586)	(244,876)	(326,355)	(775,208)	(775,208)
Net income (Loss) per Common share (basic and diluted)	(0.01)	(0.00)	(0.01)	(0.03)	(0.04)

Results of Operations

Net Loss for the six months ended June 30, 2007 was \$584,462. Of the \$834,077 in operating expenses incurred during the period, \$79,055 related to non-cash charges for amortization and stock compensation. Of the remaining \$825,647 in operating expenses, \$562,431 related to general and administrative expenses, \$70,027 to professional fees and \$122,564 for the flow-through interest penalty. The Corporation reported \$7,801 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 six months ended June 30, 2007 resulted in \$1,585,414 in related expenditures. Of the \$1,585,414 incurred, \$1,484,823 related to the Rahill-Bonanza project. An additional \$100,591 in exploration and development expenditures were incurred by the Corporation on other exploration programs during the period, including the \$51,250 acquisition cost of the Santa Teresa Mineral Concession.

Liquidity and Capital Resources

Current assets at June 30, 2007 were \$22,447,085 compared to \$8,482,447 at December 31, 2006 and total assets were \$51,051,917 compared to \$35,003,030. The \$16,048,887 increase in total assets relates primarily to changes in working capital balances due to the completion of the private placement during the period ending June 30, 2007. The Corporation's cash and cash equivalents balance was \$21,309,458 at June 30, 2007 compared to \$8,382,631 at December 31, 2006.

Cash used in operating activities was \$1,621,568 for the period ended June 30, 2007 which is due primarily to changes in non-cash working capital balances. Cash used in investing activities was \$1,942,963 for the six months ended June 30, 2007 which relates to \$1,436,164 in exploration expenditures, \$500,000 for the purchase of long term investments and \$6,799 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 June 30, 2007 in relation to resource expenditures renounced to investors under Canada Revenue's look-back rule, totalled \$122,564. It is anticipated that the Corporation will incur an additional \$100,000 in interest penalties during 2007 in relation to resource expenditures associated with 2006 flow-through share financing.

As at June 30, 2007, 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 68,114,742 were outstanding at June 30, 2007. As at June 30, 2007 the Corporation had options outstanding to purchase an aggregate of 1,120,000 Common Shares under its share incentive plan with exercise prices ranging between \$1.00 and \$2.75 per share and an expiry dates between November 14, 2008 and September 15, 2011. 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 June 30, 2007:

- a) Included in general and administrative expenses are amounts totalling \$16,392 (2006 - \$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. The amounts are recorded at the exchange amount agreed to by the parties.
- b) Included in general and administrative expenses are amounts totalling \$71,125 (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 \$105,000 (2006 - \$70,000) for accounting and management services provided by Wolfden, a company related to the Corporation through common management. 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 Wolfden, a company related to the Corporation through common management. 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. The amounts are recorded at the exchange amount agreed to by the parties.

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 June 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 June 30, 2007.

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
August 13, 2007