



## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2009 AND 2008**

The following Management's Discussion and Analysis ("MD&A") of Premier Gold Mines Limited (the "Corporation" or "Premier") should be read in conjunction with the unaudited interim consolidated financial statements for the period ended June 30, 2009 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 11, 2009, 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, 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.

### **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 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 2 joint ventures, the flagship of which is the Rahill-Bonanza Joint Venture with Red Lake Gold Mines, an affiliate of Goldcorp Inc. The Lennie Property is a 100%-owned Premier project.

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. Premier's first exploration program on its 100%-owned Lennie Property is expected to begin before the end of 2009. 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 Hardrock Project 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 15 square kilometres of some of the most 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 a 70% interest in the project.

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 prior to 2008 and little mining was conducted deeper than 120 metres below surface anywhere in the district. A diamond drill program was completed by Premier during 2008, however, the project is planned to be idle during 2009.

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 2009 positioning the company for future growth. A total of some 34,175 metres of diamond drilling was completed during the quarter on three projects.

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

Some 1,398 metres of diamond drilling was completed on the Rahill-Bonanza joint venture property during the quarter. Exploration drilling, with six diamond drill holes, was conducted on one primary target area, near the Wilmar Mine. At Wilmar, drilling was aimed at establishing continuity along high grade structures previously identified in the historic dataset of the mine.

It is anticipated that exploration will focus on the Wilmar Mine area during the remainder of 2009. There was no other activity on properties held by Premier in the Red Lake District during the quarter.

### **Hardrock Project, Northwestern Ontario**

A total of 29,164 metres of diamond drilling was completed during the second quarter on the Hardrock Project. This drilling was completed in the area immediately surrounding the Hardrock Mine, in an effort to table a NI 43-101 report during Q4 of 2009 that identifies a potentially open-pitiable mineral resource.

The current program at Hardrock is expected to consist of more than 70,000 metres of definition and exploration drilling. The Project is operated under a joint venture with Roxmark Mines Limited (TSX-V:RMK). The Hardrock Project is host to several past-producing mines which collectively produced more than 2.0 Million ounces of gold from the same deposits to shallow depths of some 2000 feet (600 metres) from 1938-1968. The mined zones remained open at depth at the time mining ceased and developed historical resources were left in place within the existing mine workings (*a qualified person has not done sufficient work to verify the historical resource, the company is not treating the historical resource as a current resource and the historical resource should not be relied upon*). Importantly, the Hardrock Project has the potential for defining several styles of mineralization capable of hosting resources, with grades and widths similar to many of Ontario's major gold mines including:

1. Open pit-style mineralization with grades exceeding 1.5 g/t Au (Timmins, Hemlo)
2. Broad zones of mineralization with grades averaging 5.0+ g/t Au (Musselwhite)
3. Narrow vein zones with higher gold grades often exceeding 7.0g/t (Red Lake, Pickle Lake)

Initial drilling is focusing on delineating both open pit and underground resources so that a NI43-101 compliant resource calculation can be completed in Q4 2009, with the goal of defining a multi-million ounce gold resource that can be moved quickly towards development (*See references to historical resources above.*). The Project offers development advantages with the Trans-Canada Highway, Trans-Canada Pipeline, and major power lines running through, or located proximal to, the property. Significant potential exists for developing resources in several areas including: 1) Open pit-style mineralization at the site of the original discovery where a resource containing several hundred thousand ounces of gold was partially drilled off by previous operators; 2) Several newer high-grade discoveries have been made throughout this large property package that have received little to no follow-up; 3) Resource blocks reported to remain within the mine workings; and, 4) The main mined zones which remain open below the 600m level.

A number of significant drill intercepts were reported by the Company from this drilling in a total of 5 press releases during the quarter. These are listed in Tables 1 and 2.

Table 1 Significant EP Zone Intercepts released during Q2 2009.

Hole-ID	From (m)	To (m)	Interval (m)	Grade (g/t)	Zone	Hole-ID	From (m)	To (m)	Interval (m)	Grade (g/t)	Zone
EP037	88.7	92.5	3.8	1.18	SOUTH LIMB	EP053	39.0	68.0	29.0	4.16	North Limb B
EP038	15.0	17.5	2.5	2.50	SOUTH LIMB C	EP054	52.0	61.0	9.0	1.22	North Limb C
EP038	58.6	64.2	5.6	1.06	SOUTH LIMB B	EP055	12.0	15.0	3.0	1.57	South Limb
EP038	99.0	106.0	7.0	0.95	SOUTH LIMB	EP055	31.5	37.0	5.5	1.18	North Limb
EP039	12.4	17.2	4.8	11.96	SOUTH LIMB C	EP057	62.0	72.0	10.0	0.80	South Limb
EP039	53.5	60.5	7.0	1.46	SOUTH LIMB B	EP057	118.2	127.5	9.3	3.39	North Limb B
EP040	57.0	58.8	1.8	4.80	SOUTH LIMB	EP057	141.2	164.5	23.3	0.90	North Limb C
EP041	67.0	87.7	20.7	1.34	SOUTH LIMB	EP058	147.6	156.4	8.8	5.81	North Limb B
EP041	94.5	102.0	7.5	1.53	SOUTH LIMB	EP058	165.7	176.4	10.7	3.03	North Limb C
EP041	112.5	117.5	5.0	1.33	NORTH LIMB	EP061	62.4	62.9	0.5	5.89	South Limb
EP042	59.7	74.0	14.3	2.56	SOUTH LIMB B	EP061	71.5	72.0	0.5	7.19	North Limb
EP042	95.7	113.8	18.1	3.02	SOUTH LIMB	EP061	165.7	180.1	14.4	1.23	North Limb C
EP042	128.4	144.5	16.1	1.39	SOUTH LIMB	EP062	89.6	98.7	9.1	0.73	South Limb
EP043	38.8	54.1	15.3	1.38	SOUTH LIMB C	EP062	116.5	117.2	0.7	5.04	North Limb
EP043	91.5	110.7	19.2	1.03	SOUTH LIMB B	EP062	135.2	159.2	24.0	1.71	North Limb B
EP043	134.0	140.0	6.0	1.44	SOUTH LIMB B	EP062	195.7	196.2	0.5	7.31	North Limb C
EP043	162.6	177.7	15.1	1.72	SOUTH LIMB	EP063	130.8	135.4	4.6	4.00	North Limb
EP044	57.0	77.5	20.5	7.60	SOUTH LIMB	EP063	181.3	187.1	5.8	4.30	North Limb B
EP044	95.5	100.5	5.0	7.52	SOUTH LIMB	EP064	74.9	92.9	18.0	1.49	South Limb B
EP044	111.0	147.8	36.8	1.05	NORTH LIMB	EP064	212.8	217.7	4.9	2.83	North Limb C
EP045	89.9	95.0	5.1	10.66	South Limb B	EP066	124.7	125.7	1.0	5.48	North Limb
EP045	123.5	135.3	11.8	5.42	North Limb	EP066	159.9	162.6	2.7	4.87	North Limb B
EP045	167.5	168.5	1.0	11.2	North Limb B	EP066	249.7	252.0	2.3	5.49	North Limb C
EP046	112.4	128.0	15.6	3.66	South Limb B	EP071	108.9	120.8	11.9	4.06	South Limb
EP046	151.5	172.2	20.7	2.6	North Limb	EP071	138.1	141.5	3.4	4.48	North Limb
EP047	21.5	37.0	15.5	1.72	North Limb	EP072	106.0	116.1	10.1	1.29	North Limb
EP048	34.5	38.2	3.7	3.1	North Limb B	EP072	128.1	135.3	7.2	2.11	North Limb B
EP048	62.8	66.2	3.4	23.23	North Limb	EP074	154.0	168.0	14.0	6.66	North Limb
EP049	125.7	126.2	0.5	8.3	South Limb	EP078	159.0	165.7	6.7	3.16	South Limb
EP049	158.0	159.5	1.5	8.9	North Limb	EP078	176.5	185.5	9.0	2.59	North Limb
EP050	31.1	33.0	1.9	3.3	South Limb	EP078	193.0	218.5	25.5	2.12	North Limb B
EP050	80.5	87.6	7.1	3.31	North Limb	EP079	40.0	77.0	37.0	5.21	North Limb
EP050	99.8	106.0	6.2	2.91	North Limb B	EP080	75.0	76.5	1.5	21.10	South Limb C
EP050	139.1	143.5	4.4	0.47	North Limb B	EP080	131.0	146.4	15.4	2.10	South Limb B
EP051A	115.7	117.0	1.3	2.1	North Limb	EP080	156.2	167.5	11.3	19.03	South Limb
EP051A	135.0	141.9	6.9	4.09	North Limb B	EP080	187.5	189.0	1.5	14.00	North Limb
EP051A	161.0	162.0	1.0	11.9	North Limb C	EP080	241.5	246.0	4.5	2.13	North Limb C
EP051A	176.3	177.0	0.7	57	X						

It is anticipated that diamond drilling will continue at a brisk pace with 2 to 3 diamond drills during most of 2009.

Table 2 Other Significant at Hardrock During Q2 2009

Hole-ID	From (m)	To (m)	Interval (m)	Grade (g/t)	Zone	Hole-ID	From (m)	To (m)	Interval (m)	Grade (g/t)	Zone
MM004	208.1	210.0	1.9	5.88	SP	TN028	155.0	155.5	0.5	4.04	Tenacity
MM004	219.0	223.4	4.4	6.36	SP	TN028	155.0	155.5	0.5	4.04	Tenacity
MM004	240.5	242.1	1.6	8.35	SP	TN029				NSV	Tenacity
MM004	334.0	336.0	2.0	8.42	F	TN029				NSV	Tenacity
MM005	230.8	258.9	28.1	6.63	SP	TN030	74.4	89.0	14.6	1.83	Tenacity
MM005	272.3	273.5	1.2	10.92	SP	TN030	74.4	89.0	14.6	1.83	Tenacity
MM005	297.5	300.5	3.0	4.57	SP	TN030	207.5	223.5	16.0	2.61	East Pit
MM006	244.0	251.0	7.0	6.74	SP	TN030	207.5	223.5	16.0	2.61	East Pit
MM006	314.5	316.0	1.5	4.80	F	TN031	34.5	57.5	23.0	2.38	Tenacity
MM006	371.0	373.2	2.2	36.22	HGV	TN031	34.5	57.5	23.0	2.38	Tenacity
TN012	480.1	482.0	1.9	17.45	KL	TN031	65.0	75.0	10.0	1.29	Tenacity
TN015	324.0	325.0	1.0	40.20	KL	TN031	65.0	75.0	10.0	1.29	Tenacity
TN018	181.3	198.7	17.4	1.93	Tenacity	TN032	140.4	143.5	3.1	4.35	Tenacity
TN020	322.3	323.7	1.4	3.97	East Pit	TN032	140.4	143.5	3.1	4.35	Tenacity
TN022	98.8	111.2	12.4	2.36	Tenacity	TN033				NSV	Tenacity
TN022	231.1	252.7	21.6	1.16	East Pit	TN033				NSV	Tenacity
TN025	192.0	197.5	5.5	16.86	Tenacity	TN034	201.4	208.0	6.6	2.34	Tenacity
TN026	86.9	119.0	32.1	15.70	Tenacity	TN034	201.4	208.0	6.6	2.34	Tenacity
TN026	86.9	119.0	32.1	15.70	Tenacity	TN034	278.0	289.5	11.5	1.37	East Pit
TN027	127.4	135.6	8.2	1.68	East Pit	TN034	278.0	289.5	11.5	1.37	East Pit
TN027	127.4	135.6	8.2	1.68	East Pit						

### PQ North Property, Musselwhite District, Ontario

A total of 3,613 metres of diamond drilling was completed at PQ North during the quarter. In addition, Premier reported on what are regarded as important initial discoveries at PQ North in two separate press releases. The most significant of these is summarized in Table 3.

Table 3 Significant Assays Released during Q2 2009

HOLE-ID	ZONE	FROM (m)	TO (m)	INTERVAL (m)	GRADE (g/tonne)
PQ09006	UIF	215	220.1	5.1	10.24
Including		218	220.1	2.1	21.33
PQ09009	PQL	519.3	521.1	1.8	10.25
	MA	569	570	1	20.65
PQ09009W 1	PQL	516.2	517.4	1.2	3.65
PQ09011	UIF	216.3	219	2.7	7.35
Including		216.3	218.5	2.2	8.58

The discoveries are located along strike from Goldcorp's multi-million ounce Musselwhite Mine. Initial drilling at PQ-North has identified mineralization and visible gold in multiple structures including:

1. Musselwhite-style mineralization grading up to 10.24 grams per tonne gold (g/t Au) across 5.1 metres (m) hosted in a structure not previously tested by diamond drilling and within 100 metres of surface.
2. Numerous drill intercepts grading greater than 1.0 g/t Au and up to 28.64 g/t Au within structures up to 4.0 metres in width.
3. Widespread anomalous mineralization, including 0.94 g/t Au across 24.9 m, with styles and intensity of alteration similar to those at Musselwhite.

4. A mineralized shear zone proximal to the PQ-limb of the main iron formation. This unit hosts the primary gold zones at the adjacent Musselwhite Gold Mine.

The first hole drilled to test a magnetic anomaly identified as a target from an airborne geophysical survey, is now interpreted to represent a previously unknown "upper" iron formation. Hole PQ09006 has intersected a broad biotite-garnet altered mineralized zone consisting of folded and laminated iron formation containing pyrrhotite, chalcopyrite and visible gold. This discovery hole returned an impressive 10.24g/t Au across 5.1m with a higher grade core grading 21.33g/t Au across 2.1m.

Drilling performed by a previous operator identified a zone of gold mineralization at the crest of the main PQ-Limb. This zone, which remains wide open for expansion, has now been tested at 100m and 200m step-outs with intersections of 2.42g/t Au across 4.5m in the 100m step-out and 28.64g/t Au across 1.0m and 15.00g/t Au across 1.0m in the 200m step-out section.

Premier anticipates being active at PQ North during Q3 of 2009 with between 1 and 2 diamond drills.

### **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.

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.

No diamond drilling has been conducted on the Santa Teresa Concessions during Q2 of 2009 as the Company plans to continue to focus on its Northwestern Ontario projects.

### **Other Significant Activity**

During the second quarter, Premier signed the final Lennie Property acquisition agreement. The Lennie Project is Premier's second strategic property, in addition to the Rahill-Bonanza Joint Venture Project, located in the heart of the prolific Red Lake district and within the core of Red Lake Gold Mines' land holdings.



## Selected Financial Data

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

	<u>Year ended December 31,</u>	<u>Period ended December 31,</u>
	2008	2007
	\$	\$
<b>Operations</b>		
Total revenue	450,323	724,583
Income (loss) for the year	222,184	(1,777,140)
Basic and diluted loss per share	0.00	(0.03)
<b>Balance Sheet</b>		
Working capital	17,964,110	2,928,864
Total assets	68,410,963	52,097,297
Total liabilities	6,152,068	6,504,633

## Quarterly Information

The following is a summary of selected financial information of the Corporation for the quarterly periods indicated.

	2009	2009	2008	2008	2008	2008	2007	2007	2007
Quarter	Second	First	Fourth	Third	Second	First	Fourth	Third	Second
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Revenue	8,861	33,742	54,558	50,484	106,056	239,225	209,578	258,055	182,190
Income (loss) from continuing operations	(4,183,592)	(791,091)	(1,033,907)	(655,563)	(1,032,245)	(133,824)	(607,793)	(1,102,441)	(340,052)
Income (loss) from continuing operations per Common share (basic and diluted)	(0.05)	0.00	(0.02)	(0.04)	(0.02)	0.00	0.00	(0.02)	(0.01)
Net income (Loss)	(3,847,686)	(276,589)	(11,288)	(2,947,061)	3,156,791	23,742	(67,172)	(1,125,506)	(339,586)
Net income (Loss) per Common share (basic and diluted)	(0.04)	0.00	0.00	(0.05)	0.05	0.00	0.00	(0.02)	(0.01)



## Overall Performance

Net loss for the period ended June 30, 2009 was \$3,847,686 compared to net earnings of \$3,156,791 for the same period of the previous year. The swing from net earnings to net loss compared to the previous year is the result of several items. Investment income decreased from \$106,056 to \$8,861, and operating expenses increased from \$1,138,301 to \$4,192,453. The Corporation recorded a loss on sale of investments of \$427,081, which was offset by an unrealized gain on investments of \$591,977. Furthermore, in the second quarter of 2008, there was a gain on sale of mineral properties of \$5,409,108, compared with a gain of \$98,494 in during the second quarter of 2009. In 2008 the Corporation completed a fully subscribed, non-brokered private placement for 7,800,096 flow-through shares at \$1.80 for gross proceeds of \$14,040,179 (including a 20% over-allotment). Premier has been using these funds to further explore and develop its mineral properties, with unspent funds invested until they are required.

Of the \$4,192,453 in operating expenses incurred during the period ended June 30, 2009, \$4,215 related to non-cash charges for amortization. Of the remaining \$4,188,238 in operating expenses, \$3,699,763 related to compensation for stock options granted, \$387,716 to general and administrative expenses, \$55,522 to professional fees and \$45,237 for the flow-through interest penalty. The Corporation reported \$101,124 of future income tax recovery during the period relating to timing differences between the accounting and tax basis of assets as at June 30, 2009. Operating expenditures increased by \$3,054,152 compared to the second quarter of the previous year. The value of stock options granted 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 decreased by \$76,163, and professional fees decreased by \$43,736, over the second quarter of the previous year. The decrease can be attributed to the Corporation having decreased activity due to fewer property acquisitions than the previous fiscal year. Also due to the 2008 Flow-Through financing the Corporation incurred \$45,237 in flow-through interest penalties compared to \$16,055 in the previous period which is attributable to the timing of expenditures and increased property holdings as at June 30, 2009. Exploration and development programs during the period ended June 30, 2009 resulted in \$4,576,905 in related net expenditures. Of the \$4,576,905 incurred, \$3,723,887 related to the Hardrock project, and \$473,680 was spent on the PQ North project, and the remaining \$379,338 was spent on other areas.

## Liquidity and Capital Resources

Current assets at June 30, 2009 were \$10,397,200 compared to \$19,249,816 at December 31, 2008 and total assets were \$69,973,149 compared to \$68,410,963. The \$1,562,186 increase in total assets relates primarily to exploration expenditures incurred, which is offset by a decrease in working capital balances. The Corporation's cash and cash equivalents balance was \$10,067,407 at June 30, 2009 compared to \$19,005,740 at December 31, 2008. The Corporation also held \$1,972,050 in long term investments at June 30, 2009 compared to \$1,793,917 at December 31, 2008.

Cash used in operating activities was \$2,169,248 for the period ended June 30, 2009. The most significant non-cash credits to earnings include an unrealized gain on investments of \$591,977, and future tax recovery of \$101,124. The most significant non-cash charges to earnings include a compensation adjustment for stock options granted of \$3,699,763 and loss on sale of investments of \$427,081.

Cash used in investing activities was \$4,165,072 for the period ended June 30, 2009 which relates to \$5,251,897 in mineral exploration and development expenditures. This has been offset by the proceeds from the sale of investments of \$379,900. The investing activities are also affected by the net change in non cash working capital balances of \$708,321 which is determined through an increase to accounts payable over the prior year and offset by increases to accounts receivable.

Cash provided by financing activities was \$236,500 which relates solely to the exercise of stock options.

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, 2009 in relation to resource expenditures renounced to investors under Canada Revenue's look-back rule, totalled \$45,237.

As at June 30, 2009, the financial instruments of the Corporation consisted of cash and cash equivalents, accounts receivable, long-term investments, and accounts payable and accrued liabilities. 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 and accrued liabilities approximate the carrying values.

The Corporation is authorized to issue an unlimited number of Common Shares of which 78,510,179 were outstanding at June 30, 2009. As at June 30, 2009 the Corporation had options outstanding to purchase an aggregate of 5,244,750 Common Shares under its share incentive plan with exercise prices ranging between \$1.00 and \$2.66 per share and expiry dates between March 10, 2010 and June 17, 2014. Of the 5,244,750 stock options outstanding, 67,500 have not yet vested. The Corporation does not have any share purchase warrants outstanding at June 30, 2009.

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, 2009:

	2009	2010	2011	Total
Contracts and operating leases	\$192,996	\$384,191	\$190,382	\$767,569
Exploration agreements	\$0.00	\$0.00	\$0.00	\$0.00
Exploration expenditure commitment from the issuance of flow through shares	\$4,585,354	\$0.00	\$0.00	\$0.00

### Mineral Property Held for Sale

#### Newman Madsen

Mineral property held for sale includes the Newman Madsen property with a book value of \$82,064. As at June 30, 2009 the Corporation was in discussions with other parties regarding the possible sale of the Corporation's interest in these mineral properties.

### Property Acquisitions and Agreements

On April 17, 2009 the Corporation entered into an Option and Purchase Agreement (the "Option") with Newcastle Resources Ltd. (the "Vendor") to acquire a 100% interest in ten patented mining claims, the "Lennie Property", located in the Red Lake district in the Province of Ontario. Upon completing the Option, as previously announced on February 18, 2009, Premier now holds a 100% interest in the Lennie Property, subject to a 3.0% Net Smelter Return royalty ("NSR") payable to the vendor, Newcastle Resources Ltd. (OTCBB: NCSLF). Premier retains the right to purchase one-third of the NSR (1% NSR) at any time for the sum of \$1.0 Million. A finders' fee of \$10,000 was paid to an arm's length party in relation to this transaction.

On May 22, 2009 the Corporation entered into an agreement with Skybridge Development Corp., a wholly owned subsidiary of Mega Silver Inc. ("Mega"), in respect of an option to dispose of its interest in the "East My-Ritt" property in Red Lake, Ontario. East My-Ritt is a 50/50 joint venture with Sabina Silver Corporation ("Sabina"). Aggregate consideration over a 5 year period to be paid to Premier/Sabina is as follows: \$250,000 cash, 600,000 Mega common shares, and \$1,250,000 exploration work commitments. In addition, there is a 0.5% net smelter return relating to the acquisition.

On June 19, 2009 the Corporation executed an agreement to sell its interest in the "Argosy Property" to Cangold Limited. The purchase price payable to Premier was \$210,000, to be paid by the issuance by Cangold to Premier of 2,000,000 fully paid, non-assessable common shares of Cangold at a deemed consideration of \$0.10 per share and



\$10,000 by cheque or bank draft payable to Premier. In addition to the purchase price, Cangold will pay or reimburse Premier's reasonable legal costs, not to exceed \$5,000. Premier shall retain a 0.5% Net Smelter Return royalty interest, which Cangold may purchase at any time for \$500,000.

### **Transactions with Related Parties**

The following are the related party transactions, recorded at the exchange amount as agreed to by the parties:

[a] Included in general and administrative expenses are amounts totalling \$26,431 (2008 - \$26,175) for corporate secretarial services provided by companies related to the Corporation through a common officer.

[b] During the period, the Corporation paid \$186,088 (2008 - \$241,157) for rent, facilities related charges, and accounting and management services provided by a company related to the Corporation through a common officer.

[c] Included in accounts receivable are amounts totalling \$105,987 (2008 - \$105,513) in proceeds and expenses relating to the sale of office and computer equipment and transitioning of facilities and management services to a company related to the Corporation by a common officer.

[d] During the period, the Corporation disposed of a mineral property to Mega Silver Inc., a company related to the Corporation through a common director.

### **Critical Accounting Estimates**

The Corporation's consolidated 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 audited consolidated financial statements for the year ended December 31, 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.

### **Recent Accounting Pronouncements**

#### **Mining exploration costs**

On March 27, 2009, the Canadian Institute of Chartered Accountants approved EIC 174, "Mining Exploration Costs". The EIC provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. The Corporation has applied this new abstract at the date of issuance resulting in no impact on its consolidated financial statements.

### **Future Accounting Changes**

#### **International Financial Reporting Standards**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS) over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the transition date for publicly listed companies to implement IFRS, which will replace Canadian GAAP for these types of entities.

This change will affect interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of quarterly and annual amounts reported by the Corporation for the year ended December 31, 2010. While the Corporation has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## **Business combinations / consolidated financial statements / non-controlling interests**

In January 2009, the CICA adopted sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests" which superseded current sections 1581, "Business Combinations" and 1600, "Consolidated Financial Statements". These sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently. These new sections were created to converge Canadian GAAP to IFRS.

## **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 are subject to various federal, provincial and local laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances 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.

## **Controls and Procedures**

In accordance with the requirements of *National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings*, the Corporation's management, including Chief Executive Officer (CEO) and Chief Financial Officer (CFO), have evaluated the operating effectiveness of the Corporation's internal control over financial reporting. Management of the Corporation is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed by, or under, the supervision of, the CEO and CFO and effected by management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management assessed the effectiveness of the Corporation's internal control over financial reporting as of June 30, 2009. Based on this assessment, management believes that, as of June 30, 2009, the Corporation's internal control over financial reporting is operating effectively.



Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding annual and interim financial statement disclosure. Management believes these disclosure controls and procedures have been effective during the period ended June 30, 2009.

**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 11, 2009