PREMIER
Gold Mines Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED MARCH 31, 2012

The following Management's Discussion and Analysis ("MD&A") of Premier Gold Mines Limited (the "Corporation" or "Premier" or "PG") should be read in conjunction with the condensed consolidated interim financial statements for the three months ended March 31, 2012, with a comparative period for the year ending December 31, 2011, and the notes thereto. The Corporation's condensed consolidated interim financial statements have been prepared in accordance with International financial reporting standards ("IFRS"). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars. This MD&A was prepared as of May 9, 2012 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.

This discussion provides management's analysis of Premier's historical financial and operating results and provides estimates of Premier's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant. Readers should be aware that historical results are not necessarily indicative of future performance.

Certain information set forth in this MD&A, including management's assessment of the Corporation's future plans and operations, contains forward-looking statements. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond the Corporation's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be inaccurate and, as such, reliance should not be placed on forward-looking statements. Premier's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, if any, that Premier will derive there from. Premier disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by applicable law.

Highlights

Continued Focus on Fortune Zone at Hardrock Project

- Premier was successful in returning significant new intercepts during the quarter on the Fortune Zone

High Speed Tram Crosses onto Premier's JV Ground

- RLGM's high speed tram linking the Cochenour Project (Bruce Channel) to the underground infrastructure of RLGM approached 40% completion by the end of the quarter.

LOI Signed with Newmont at Saddle in Nevada

- May lead to renewed collaboration on Rain District work.

Completed $57.5 million private placement

- Premier has strong treasury to pursue significant future growth plans.

Company Overview

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

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

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

Premier's East Bay Project, also joint ventured with Red Lake Gold Mines (35% PG), is being explored to further follow-up on the discovery of a new zone from February 2010 drilling and during 2011.

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 future exploration programs 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. Drilling on the Property by Premier has returned several significant intersections and has identified structural units similar to those at the mine.

The Trans-Canada 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 some of the most strategic ground in the region and is host to several past-producing mines and numerous exploration targets in a district that has more than 4.1 Million ounces of historic gold production. Premier has a 100% interest in the Trans-Canada Project.

In 2010, Premier purchased Saddle Gold Inc., whose major asset included a significant portion of the underground and high grade Saddle deposit as well as a 1.5% NSR on the Emigrant Springs Mine project of Newmont Mining Inc. The purchase positions Premier with an important project within a world class and stable jurisdiction, to complement its Ontario assets in Red Lake and at Hardrock.

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

Red Lake District, Northwestern Ontario

One drill was active on the Rahill-Bonanza joint venture property during the quarter. The exploration program, operated by Red Lake Gold Mines (RLGM) on behalf of the joint venture, focused on expanding the Wilmar 2E Zone discovery.

Late in 2010, hole PG10082 was drilled to test the down-plunge extension of the historically mined 2E Zone at the Wilmar Mine. This intercept, approximately 250 metres down-plunge of the historic workings, intersected bonanza grade gold with 68.87 g/t Au across 3.5 m (2.01 oz/t across 11.5 ft uncut) including 207.43 g/t Au across 1.15 m (6.06 oz/t across 3.8 ft). The first follow-up hole completed in 2011 (PG11090) has returned multiple high-grade intercepts mid-way between PG10082 and the mine workings. The 2E Zone remains open for expansion. Significant results include:

- 42.59 g/t Au across 1.5 m (1.33 oz/t across 4.9 ft) from 715.0-716.5 metres
- 46.15 g/t Au across 4.5 m (1.35 oz/t across 14.8 ft) from 719.0-723.5 metres
- 12.77 g/t Au across 4.5 m (0.37 oz/t across 14.8 ft) from 744.5-749.0 metres

Drilling completed during the quarter continued to test the deep potential of this target-rich area. Drilling has also intersected high-grade gold within the 'Footwall Diorite Zone' several hundred metres below Wilmar with a new intercept assaying 60.01 g/t Au across 2.6 m (1.75 oz/ton across 8.5 feet).

Late in Q1 of 2012 Goldcorp had reported that progress on the High Speed Tram linking RLGM to the Cochenour Project had crossed onto Premier's joint venture ground and was approaching a 40% completion milestone.

At the East Bay Project, no new results were released during the quarter. Premier previously announced that diamond drilling had intersected a high grade gold vein located at the Footwall Vein Target.

Highlights from 2011 drilling include:

- Step-out drilling has extended the strike length of the high-grade core of the zone to 400 metres and it remains open in all directions.
- The first two holes of the 2011 program, drilled from the same set-up returned intersections of 22.35 grams per tonne gold (g/t Au) across 1.0 metre (m) or 0.65 ounces per ton (oz/t) across 3.3 feet (ft), 56.54 g/t Au across 0.9m (1.65 oz/ton across 3.0 ft), and 44.82 g/t Au across 1.5m (1.31 oz/ton across 4.9 ft).

The East Bay Project completed some 4,300 metres of drilling in 10 holes.

Trans-Canada Project, Northwestern Ontario

A total of five diamond drills were active during the quarter, drilling some 27,000 metres on the Hardrock Project in 52 drill holes. Diamond drilling focussed primarily on testing specific target areas of the Fortune Zone and its possible extensions.

The Fortune and HGN Zones are comprised of multiple, en-echelon, narrow-vein vein zones located in close proximity to the historic Hardrock mine workings. The primary vein zones have now been identified over a plunge length of some 2.0 kilometres, appear to coalesce at depth, and remain open still further to the west. The Fortune and HGN Zones have characteristics similar to the high-grade past producing Little Long Lac (600,000 ounces gold produced at a grade of 11.7 g/t) and Leitch (847,900 ounces produced at a grade of 31.5 g/t) Gold Mines that are located on the Trans-Canada Project.

Drilling continued to follow up previous intersections that include 121.0 grams per tonne gold (g/t Au) across 1.5 metres (m) - or 3.53 ounces per ton (oz/t) across 4.9 feet (ft), 147.01 g/t Au across 2.0 m (4.29 oz/t across 6.6 ft), 251.00 g/t Au across 1.0 m (7.32 oz/t across 3.3 ft), and 54.26 g/t Au across 3.0 m (1.58 oz/t across 9.8 ft), focused on maximizing high-grade resource ounces in advance of completing the PEA. Recent highlights from ongoing drilling included:

- 15.77 g/t Au across 9.0 m (0.46 oz/t across 29.5 ft) in hole MM252 including 109.00 g/t Au across 1.0m (3.18 oz/t across 3.3 feet) as well as 10.68 g/t across 16.0 m (0.31 oz/t across 52.5 ft) including 102.00 g/t Au across 1.5 m (2.98 oz/t across 4.9 feet)

- 255.00 g/t Au across 1.0 m (7.45 oz/t across 3.3 ft) in hole MM236

- 74.20 g/t Au across 1.5 m (2.17 oz/t across 4.9 ft) in hole EP161

- 94.50 g/t Au across 1.3 m (2.76 oz/t across 4.3 ft) in hole MM244

By the end of the quarter Premier concluded that it was in the best interest of its shareholders to delay both the updated resource statements for Brookbank, Key Lake and Hardrock in order to maximize the new Fortune Zone data that would be included in that work. As a result, it was expected that the ongoing PEA evaluation would be completed during the second half of the year.

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PQ North, Musselwhite District, Northwestern Ontario

Premier's PQ North Project, located immediately north of Goldcorp's Mussewhite Mine, was reactivated during Q1 2012 utilizing one drilling rig.

Premier's 100%-owned PQ North Property is strategically located on the PQ limb of the key iron formation that is host to Goldcorp's Musselwhite Gold Mine. In 2010, Goldcorp announced a new discovery at Musselwhite (the Lynx Zone) where early indications suggest that it could be the largest and highest grade deposit discovered at Musselwhite.

To date, Premier has discovered several gold zones in a geological setting nearly identical to that at Musselwhite but has yet to test the deeper portions of the host iron formation where the more significant gold deposits are located at Musselwhite. In 2011, two drills will be active at PQ North on an ongoing basis further delineating existing zones and focusing on testing the deeper portions of the host iron formation. The Musselwhite Mine has produced more than 2.0 million ounces of gold and has reserves and resources totalling in excess of 3.0 Million ounces.

There was not a release of drilling results made at PQ North during Q1 of 2012.

Saddle Gold Project, Carlin District, Nevada, USA

On November 10, 2010, Premier announced that it was activating exploration on its newly acquired Saddle Gold Project. The Saddle Gold Project is 100%-held by Premier's wholly-owned subsidiary (Premier Gold Mines USA Inc.) and includes the mineral rights in respect of a majority portion of the Saddle/NW Tess Gold Deposit ("Saddle Deposit" or "Saddle") and a 1.5% production royalty on the nearby Emigrant Springs Gold Deposit ("Emigrant Springs" or "Emigrant"). Both Emigrant Springs and the minority portion of the Saddle Deposit are owned by Newmont Mining Corporation ("Newmont"). The Saddle Gold Project is located in Elko County, Nevada (See Figure 1 below), some eleven miles southeast of Newmont's 25 million ounce Gold Quarry/Tusc operation, two miles west of Emigrant Springs and adjacent to Evolving Gold Corporation's high grade "Carlin Project".

Diamond and rotary drilling were not active on the Saddle Project during the quarter as Premier chose instead to focus on advancing prospects for future collaboration in the Rain District. On January 26th, Premier announced that it had signed a Letter of Intent to enter into a Joint Venture with Newmont USA Limited. The agreement, if concluded after a due diligence period, would consolidate interests of Premier and Newmont at the Rain project and would lead to expansion of exploration and development at Rain.

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.

	Year ended December 31, 2011 $ (Under IFRS)	Year ended December 31. 2010 $ (Under IFRS)	Year ended December 31, 2009 $ (Under CDN GAAP)
Operations			
Total revenue	551,176	335,481	88,215
Loss and comprehensive loss for the year	(16,680,719)	(10,963,663)	(3,684,592)
Basic and diluted loss per share	(0.16)	(0.11)	(0.05)
Balance Sheet			
Working capital	32,446,996	44,026,829	19,746,427
Total assets	315,983,355	177,143,886	88,851,746
Total liabilities	39,828,954	32,515,326	8,953,599

The fiscal year ended December 31, 2011 is the fourth reporting period completed using International financial reporting standards ("IFRS"). Previously, the Corporation prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian GAAP. An explanation of the impact of the transition from Canadian GAAP to IFRS is included below.

Quarterly Information

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

	2012	2011	2011	2011	2011	2010	2010	2010
Quarter	First	Fourth	Third	Second	First	Fourth	Third	Second
	($)	($)	($)	($)	($)	($)	($)	($)
Revenue	155,931	180,928	110,184	124,444	135,620	117,012	112,125	88,972
Income (loss) from continuing operations	(2,526,268)	(3,828,472)	(6,496,733)	(829,727)	(784,952)	(230,399)	(775,845)	(7,507,506)
Loss from continuing operations per Common share (basic and diluted)	(0.02)	(0.03)	(0.06)	(0.01)	(0.01)	(0.00)	(0.00)	(0.07)
Comprehensive loss	(3,334,344)	(4,822,688)	(5,225,962)	(4,756,825)	(1,875,244)	(209,774)	(423,814)	(7,452,880)
Comprehensive loss per Common share (basic and diluted)	(0.03)	(0.04)	(0.05)	(0.04)	(0.02)	(0.00)	(0.01)	(0.08)
Total long-term liabilities	32,976,076	31,747,891	28,161,503	29,131,860	25,616,513	24,235,867	28,008,718	29,163,282
Cash dividends	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Overall performance

Comprehensive loss for the three months ended March 31, 2012 was $3,334,344 compared to net loss of $1,875,244 for the same period of the previous year, an increase of 78%. Overall, the increase in net loss compared to the previous year is primarily the result of higher expenses, specifically share-based payments which was $810,391 for the three months ended March 31, 2012, as compared to $nil for the same period of the previous year. Operating expenditures increased overall from $920,572 to $2,526,268. Excluding the increase in share-based payments, most of the operating expenditures have increased, which is to be expected given the growth profile of the Corporation. Going forward, management expects that general and administrative expenditures will increase slightly, and that professional fees and stock based compensation will fluctuate independent of the operating activities as they are dependent on period specific decisions and activities.

Of the $2,526,268 in operating expenses incurred during the period ended March 31, 2011, $8,453 related to non-cash charges for amortization, $9,507 related to non-cash charges for accretion, and $810,391 related to non-cash charges for share based payments. Of the remaining operating expenses, $1,070,959 related to general and administrative expenses, which were 43% higher than the previous year, $361,937 to professional fees, which were 342% higher than the previous year, exploration were $240,601 which were 296% higher than the previous year, and $24,420 for the flow-through interest penalty, which was 13% lower than the previous year. General and administrative expenses on an overall basis were higher, which is reasonable given the growth the Corporation experienced, and this trend can be expected to continue at a pace relative to the expansion of the Corporation. The most significant amounts included in general and administrative expenses are: listing fees of $56,915; accounting and administrative expense of $93,719, which was 69% higher than previous year; investor relations of $67,850, which were 30% lower than the previous year; travel expenses of $142,507, which were 341% higher than the previous year; and executive and office salaries of $113,096, which , were 7% lower than the previous year.

Exploration and evaluation programs during the three months ended March 31, 2012 resulted in a net increase in mineral properties of $5,781,078. Of the $5,781,078 spent during the period, approximately 70% related to drilling and geological work on the Hardrock project in Geraldton, Canada. The most significant expenses related to Hardrock include: $2,802,640 in drilling related costs, $348,742 in geological costs, $301,147 in analytical and sampling costs, and $66,278 in operations support. Furthermore, $1,017,863, or 18% was spent on the PQ North project located in Ontario, Canada. The most significant costs on PQ North included $616,235 in drilling related costs, and $202,186 in operations support. $347,329 was spent on the Bonanza project in Red Lake, Canada, and the remainder was spent on the other areas, including East Bay project, located in Red Lake, Canada, and the Saddle Project, located in Nevada, USA.

Liquidity and capital resources

Current assets at March 31, 2012 were $86,131,903 compared to $40,033,135 at December 31, 2011 and total assets were $369,468,510 compared to $315,983,355. The increase in total assets relates to a couple of items: cash and cash equivalents are higher by $46,005,132, due primarily to the financing competed during the period, less amounts spent on exploration and operations; furthermore, exploration and evaluation assets increased from $269,287,498 to $275,068,576. The Corporation is very comfortable with its cash position at year end. The money currently held in treasury is sufficient to complete the ambitious drill program for 2012 and cover operating expenditures for a minimum of 3 years.

Cash used in operating activities was $405,148 for the three months ended March 31, 2012. The most significant non-cash charges to earnings include share based payments of $810,391, unrealized loss on investments of $268,145, and future tax expense of $496,492. These were offset by a gain on sale of exploration and evaluation assets of $135,422.

Cash used in investing activities was $7,864,801 for the three months ended March 31, 2012 which relates to exploration and evaluation related expenditures, as well as the purchase of a letter of credit, and other marketable securities.

Cash provided by financing activities was $54,275,081 which is primarily comprised of the proceeds from the private placement.

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 three months ended March 31, 2012 in relation to resource expenditures renounced to investors under Canada Revenue's look-back rule, totalled $24,420.

As at March 31, 2012, the financial instruments of the Corporation consisted of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and long term debt. 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 the financial instruments approximate the carrying values.

The Corporation is authorized to issue an unlimited number of Common Shares of which 137,459,605 were outstanding as of May 9, 2012. As at May 9, 2012 the Corporation had options outstanding to purchase an aggregate of 9,306,134 common Shares under its share incentive plan with exercise prices ranging between $1.75 and $7.45 per share and expiry dates between May 17, 2012 and May 2, 2017. As of March 31, 2012 there are 1,105,000 unvested stock options.

As at March 12, 2012 the Corporation had 50,000 common share purchase warrants outstanding with an exercise price of $6.62 and expiry date of April 5, 2014

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 May 9, 2012:

	2012	2013	2014	2015	2016	Total
Contracts and operating leases	$162,623	$194,548	$181,399	$185,584	$155,367	$879,521
Exploration agreements	$0	$0	$0	$0		$0
Exploration expenditure commitment from the issuance of flow through shares	$13,561,226	$0	$0	$0		$19,154,537

Mineral property held for sale

Newman Madsen

As of March 31, 2012 there were no mineral properties held for sale [2011 - mineral property held for sale included the Newman Madsen Property with a carrying value of $13,064, which was disposed of in January 2012].

Provision

The Corporation's provision results from net ownership interests in mineral properties and mining claims. The provision consists primarily of costs associated with mine reclamation and closure activities. These activities, which tend to be site specific, generally include costs for earthworks, including detoxification and re-contouring, re-vegetation, water treatment and demolition. In determining the estimated costs, the Corporation considers such factors as changes in laws and regulations and requirements under existing permits. Such analysis is performed on an ongoing basis.

The Corporation estimates the total discounted cash flows required to settle its provision requirements is approximately $2,061,365. The majority of these costs are expected to be incurred in 2012. In calculating the fair value of the Corporation's provision, management used a risk free interest rate of 1.853%.

A reconciliation of the provision is provided below:

	2012	2011
	$	$
Balance, beginning of the year	**2,051,858**	-
Liabilities incurred	**-**	2,051,858
Accretion expense	**9,507**	-
	2,061,365	2,051,858

Transactions with related parties

The Corporation's related parties include key management personnel and entities over which they have control or significant influence as described below.

	Nature of transactions
DSA Corporate services	Corporate secretarial
D & R Filing services	Filing services
The Alyris Group	Accounting, management and facilities rental
Hall Mineral Services LLP	Consulting
Alyris Leasing Inc.	Facilities rental
Apex Security and Investigation Inc.	Security Services

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

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 totaling $6,386 (2011 - $46,958) for corporate secretarial services provided by companies related to the Corporation through a common officer.

[b] Included in general and administrative expenditures are amounts totaling $79,422 (2011 - $339,050) and included in the exploration and evaluation assets are amounts totalling $29,392 (2011 - $125,544) for rent, facilities related charges, and accounting and management services provided by a company related to the Corporation through common officer and an officer and director.

[c] Included in other revenue are amounts totaling $7,950 (2011 - $34,650) for rental of a core shack to a company related to the Corporation though a common director.

[d] Included in general and administrative expenses are amounts totalling $16,280 (2011 - $64,411) for consulting fees paid to a company related to the Corporation by a common director.

[e] Included in exploration and evaluation assets are amounts totalling $22,429 (2011 - $nil) for security related services paid to a company related to the Corporation through a common officer/director.

[f] Included in deposits are amounts totalling $130,680 (2011 - $nil) for leasehold improvements paid to a company related to the Corporation through a common officer and director.

Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	2012	2011
Salary and wages	$359,186	$714,281
Share-based payments	$0	$3,701,995
Other compensation	$5,564	$17,206
Total	$364,750	$4,433,482

Subsequent events

Letter of intent to acquire Cove Gold Project

On April 10, 2012 the Corporation's wholly owned subsidiary Premier Gold Mines USA Inc. entered into a letter of intent to acquire a 100% interest in the Cove Gold Project, located in the Battle Mountain-Eureka Trend in Nevada, U.S.A from Victoria Gold Corp.

Total consideration for the acquisition is approximately US$28,000,000, payable over three years including US$8,000,000 on closing (with Premier having the option to satisfy up to 50% of such payments by issuing common shares to Victoria). Upon delivering a positive feasibility study containing a minimum of 500,000 ounces of gold or gold equivalent on the property, Newmont Mining Corporation ("Newmont") will have the right to enter into a joint venture with the owner of the project and acquire 51% interest on the project by paying 250% of the aggregate expenditures made on the property since March 2006. In the event of production from the Property, additional payments are to be made to Victoria in the amount of CDN$20,000,000, consisting of cash and/or the equivalent value of Consideration Shares, at Premier's option, payable in 4 installments of CDN$5,000,000 each upon the cumulative production, to Premier's account, of 250,000, 500,000, 750,000 and 1,000,000 troy ounces of gold from the Project.

Purchase agreement for acquisition of net smelter royalty from Aberdeen International Inc.

On April 25, 2012 the Corporation's wholly owned subsidiary, Premier Royalty Corporation ("Premier Royalty"), entered into a purchase agreement with Aberdeen International Inc. ("Aberdeen") whereby by Premier Royalty will acquire from Aberdeen a 1% net smelter return royalty on gold produced from the Village Main Reef Limited's Buffelsfontein Mine and First Uranium Corporation's Mine Waste Solutions tailings recovery project in the Republic of South Africa (the "Royalty").

Pursuant to the terms of the Agreement, Premier Royalty will purchase the Royalty for an aggregate purchase price of $20,900,000, which shall consist of a payment in the amount of $11,500,000 cash and the issuance by Premier Royalty of a convertible debenture payable to Aberdeen in the amount of $9,400,000 (the "Convertible Debenture"). The unpaid amounts on the convertible debenture shall accrue interest at a rate of 8% per annum and upon Premier Royalty completing a public offering, or any other comparable going public transaction, the convertible debenture shall automatically convert into that number of common shares of Premier Royalty equal to the principal amount and accrued interest divided by the amount equal to the offering price or deemed price in connection with the going public transaction less a 10% discount. Additionally, Premier Royalty shall issue to Aberdeen that number of warrants equal to 0.5 multiplied by the number of common shares of Premier Royalty issued to Aberdeen. Each warrant shall entitle Aberdeen to acquire one common share of Premier Royalty at a price which represents a 25% premium to the price per Premier Royalty common share issued in connection with the going public transaction for a period of two years from the closing date of the going public transaction.

Financial instruments and related risks

The Corporation's operations include the acquisition and exploration of mineral properties in United States. The Corporation examines the various financial risks to which it is exposed and assesses the impact and likelihood of occurrence. These risks may include credit risk, liquidity risk, currency risk, interest rate risk and other risks. Where material, these risks are reviewed and monitored by the Board of Directors.

[a] Credit Risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Corporation by those counterparties, less any amounts owned to the counterparty by the Corporation where a legal right of set-off exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

i) Trade credit risk
The Corporation is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Corporation is not exposed to significant credit risk and overall the Corporation's credit risk has not changed significantly from the prior year.

ii) Cash and cash equivalents
In order to manage credit and liquidity risk the Corporation invests only in highly rated investment grade instruments that have maturities of six months or less. Limits are also established based on the type of investment, the counterparty and the credit rate.

iii) Derivative financial instruments
As at March 31, 2012, the Corporation has no derivative financial instruments. It may in the future enter into derivative financial instruments and in order to manage credit risk, it will only enter into derivative financial instruments with highly rate investment grade counterparties.

[b] Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities are due within the current operating period.

[c] Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Corporation will realize a significant loss as a result of a decline in the fair market value of investments and other items held within cash and cash equivalents is limited given that the majority of investments have a relatively short maturity. The Corporation manages its interest rate risk with investments by investing the majority of funds in short-term investments and therefore is not exposed to significant fluctuations in interest rates. The interest rate risk associated with the Corporation's long term debt relates to the fixed nature of the interest rate. Should there be a significant decrease in the market interest rate, there is potential exposure due to the Corporation locking in at a higher rate.

[d] Currency risk

The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The functional and reporting currency of the Corporation is the Canadian dollar. The functional currency of the subsidiaries is the U.S. dollar and Mexican Peso. As at March 31, 2012 the Corporation's subsidiary Premier Gold Mines USA Inc. holds a long term promissory note denominated in U.S. dollars valued at USD$9,400,000, or CDN$9,400,940. Additionally, the Corporation's subsidiary Premier Gold Mines Nevada Inc. holds a promissory note denominated in U.S. dollars valued at US$350,000, or CDN$350,035. There are no significant financial instruments denominated in Mexican Pesos. Changes in the currency exchange rates between the Canadian dollars relative to the U.S. dollar could have an effect on the Corporation's results of operations, financial position or cash flows. The Corporation has not hedged its exposure to currency fluctuations. At March 31, 2012 a 100 basis point decrease/increase in the U.S. dollar would result in a foreign exchange gain/loss of CDN$271,250.

The Corporation does not invest in derivatives to mitigate these risks.

Management of capital risk

The Corporation manages its cash and cash equivalents, common shares, stock options and warrants as capital. The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going-concern in order to pursue the exploration of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Corporation manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Corporation may attempt to issue new shares and, acquire or dispose of assets.

In order to maximize ongoing exploration efforts, the Corporation does not pay out dividends. The Corporation's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with short-term maturities, selected with regard to the expected timing of expenditures from continuing operations.

The Corporation expects its current capital resources will be sufficient to carry out its exploration plans and operations through 2012.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Corporation's financial assets measured at fair value by level within the fair value hierarchy.

	Level 1 $	**Level 2** $	**Level 3** $	**Total** $
Assets				
Cash and cash equivalents	**87,753,746**	**-**	**-**	**87,753,746**
Investments	**633,840**	**18,950**	**-**	**652,790**
	88,387,586	**18,950**	**-**	**88,406,536**

Off-Balance Sheet Arrangements

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

Changes in Internal Control Over Financial Reporting ("ICFR")

No changes occurred in the current period of the Corporation's ICFR that have materially affected, or are reasonably likely to materially affect the Corporation's ICFR.

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 March 31, 2012. Based on this assessment, management believes that, as of March 31, 2012, the Corporation's internal control over financial reporting is designed 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 ending March 31, 2012

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.

"John Seaman"

(Signed) John Seaman
Chief Financial Officer

Thunder Bay, Canada
May 9, 2012