PREMIER
Gold Mines Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 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 six months ended June 30, 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 August 8, 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

Premier purchases Cove Project from Victoria Gold

- One of the highest grade undeveloped gold resources in Nevada

High Speed Tram Progresses Across Premier's JV Ground in Red Lake

- Ore grade samples collected in Tram; mineralization in drilling

Premier Royalty Division Signs a Letter of Intent for RTO

- Defines terms of its go public event.

Reports Continued Exploration Results at Trans-Canada

- Receives first regulatory approval for advanced exploration.

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; Nevada, USA; 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.

Premier has secured two key projects in its USA-based portfolio. 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. In June 2012, Premier acquired a 100% interest on the Cove Gold Project, one of the highest grade but undeveloped "Carlin-style" gold deposits in Nevada.

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.

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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, completed some 1,191 metres of drilling. A total of some $500,000 of exploration expenditures were incurred during the quarter.

The Rahill-Bonanza Project (PG:49% & G:51%) covers approximately 4.5 kilometres of the main Red Lake "Mine Trend" between the Red Lake Gold Mines complex to the east, and the Cochenour Complex to the west. The haulage drift is being excavated from the 5400 foot Level of Red Lake Gold Mines and will intersect several kilometres of some of the highest potential and untested geology in the heart of the Red Lake camp.

On May 23, 2012, Premier reported that the drift had recently intersected a sequence of gold-bearing structures that are currently being core drill-tested. Several narrow structures hosting favourable alteration and mineralization have recently returned, in muck and chip samples, encouraging gold grades from anomalous up to 16.46 grams per tonne gold (g/t Au) or 0.48 ounces per ton (oz/t Au). Additionally, a previously drilled pilot hole also returned elevated gold grades. The exploration drilling program from the drift on the Joint Venture Property is slated to commence in H2-2012. However, following the completion of the current pilot hole additional shorter holes are planned targeting an area where numerous gold-bearing structures were identified.

For the balance of 2012, all underground tram construction will be on the JV Property and regular updates are being received.

Trans-Canada Project, Northwestern Ontario

A total of up to five diamond drills were active at Hardrock during the quarter, drilling some 22,000 metres on the Hardrock Project at a cost of some $2.4 million. In all, some $3.7 million was spent at Trans-Canada. 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.

Recent highlights from ongoing drilling include:

- **14.30 grams per tonne gold (g/t Au) across 4.0 metres (m) or 0.42 ounces per ton (oz/t) across 13.1 feet (ft) in the Fortune Zone horizon in wedge hole MM172A**
- **21.26 g/t Au across 5.1 m (0.62 oz/t across 16.7 ft) in the Fortune Zone horizon, and 18.20 g/t Au across 9.7 m (0.53 oz/t across 31.8 ft) and 10.77 g/t Au across 8.3 m (0.31 oz/t across 27.2) within the North Zone horizon in wedge hole MM191B**
- **62.80 g/t Au across 3.0m (1.83 oz/t across 9.8 ft) in the Fortune Zone horizon in hole MM254**
- **13.66 g/t across 7.0 m (0.40 oz/t across 23 ft) and 64.14 g/t Au across 4.5 m (1.87 oz/t across 14.8 ft) in the Fortune Zone horizon in hole MM268**
- **116.00 g/t Au across 1.0 m (3.39 oz/t across 3.3 ft) in the Fortune Zone horizon in hole MM270**
- **16.31 g/t Au across 2.2 m (0.48 oz/t across 7.2 ft) in the Fortune Zone horizon in hole MM274**
- **12.95 g/t Au across 2.7 m (0.38 oz/t across 8.9 ft) in the K-Zone and 12.84 g/t Au across 3.6 m (0.38 oz/t across 11.8 ft) in the Fortune Zone in hole MM276**

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 is expected that the ongoing PEA evaluation will be completed during the second half of the year.

On April 9, 2012, Premier announced that, the Ontario Ministry of Northern Development and Mines (MNDM) had accepted the Company's Advanced Exploration Closure Plan as filed for the Company's 100%-owned Hardrock deposit. The acceptance of the Closure Plan allows Premier to begin preparing certain areas of the site for the dewatering project and proposed ramp excavation activities, marking a significant milestone for the Company and for the advancement of the Trans-Canada Project of which the Hardrock is the flagship deposit.

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 the first quarter of 2012, one drill was active at PQ North, 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 no diamond drilling at PQ North during the quarter; invoices received during Q2 totalled some $336,000.

Cove Gold Project, Battle Mountain-Eureka District, Nevada, USA

On June 14, 2012, Au-Reka Gold Corporation, a wholly-owned subsidiary of Premier, acquired a 100% interest in the Cove Gold Project, located in the heart of the Battle Mountain-Eureka Trend in Nevada, from Victoria Gold Corp. (TSX-V:VIT) ("Victoria").

The acquisition of Cove furthers Premier's strategy to build its United States based project portfolio in proven, accessible and low-risk jurisdictions that offer opportunities for the discovery of high-grade gold deposits. The Cove Project represents a major opportunity for Premier with the potential to become a "flagship" property for a number of reasons including:

- **The Helen Zone deposit is host to an inferred mineral resource of 231,300 ounces of gold at an average grade of 20.23 grams per tonne gold (g/t Au) or 0.59 ounces per ton (oz/t), and is currently being drill-tested for resource expansion.**
- **The Cove deposit was mined (primarily by open pit) between 1987 and 2001, a period of comparatively low metal prices, producing approximately 2.6 million ounces of Gold, and 103 million ounces of silver**
- **The 6,972 hectare property (17,252 acres) has seen only limited surface exploration away from the Cove pit.**
- **Excellent infrastructure (including paved roads & power) with secure land tenure in mining-friendly Nevada.**
- **Advanced exploration permitting initiated by Victoria will continue under Premier's direction.**

“The Cove Project is consistent with Premier’s strategy to secure high-grade gold projects with significant upside potential and located in favourable mining jurisdictions” stated Ewan Downie, President and CEO of Premier Gold Mines Ltd. “Nevada ranks amongst the world’s top mining districts and owing to the advanced state of permitting, Cove will rank amongst the most advanced projects within Premier’s portfolio.

Total consideration for the acquisition is approximately US$26 million, payable over a three year term including $8 million 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 a 51% interest in the project by paying 250% of the aggregate expenditures made on the property since June 2006. In the event of production from the Property, additional payments are to be made to Victoria in the amount of Cdn$20.0 million, consisting of cash and/or the equivalent value of Consideration Shares, at Premier's option, payable in 4 instalments of Cdn$5.0 million 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.

Premier Royalty Division

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

Pursuant to the terms of the Agreement, Premier Royalty agreed to purchase the Royalty in consideration for an aggregate purchase price of $20,900,000, which consisted of a cash payment in the amount of $11,500,000 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 owing under 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 (a "Going Public Transaction"), the Convertible Debenture will 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. Further, in the event Premier Royalty completes a Going Public Transaction, Premier Royalty shall issue to Aberdeen that number of warrants of the Corporation equal to 0.5 multiplied by the number of common shares of the Corporation issued under the Convertible Debenture (each whole warrant, a "Warrant"). Each Warrant shall entitle Aberdeen to acquire one common share of the Corporation at a price which represents a 25% premium to the price per the Corporation common share issued in connection with a Going Public Transaction for a period of two years from the closing date of the Going Public Transaction.

In the event that a Going Public Transaction is not completed on or before the first anniversary of the closing date, the principal amount and accrued interest under the Convertible Debenture shall be repaid by Premier Royalty in cash to Aberdeen in full, or if Premier Royalty elects, and subject to the approval of Premier, Premier shall satisfy the Convertible Debenture on the Corporation's behalf by issuing that number of common shares of Premier equal to the principal amount and accrued interest divided by the volume weighted average price of the common shares of Premier for the five trading days immediately prior to the one year anniversary of the Closing Date.

The Agreement includes customary representations and warranties of both parties and includes a commitment by Aberdeen to obtain all necessary third party consents and approvals with respect to the assignment of Aberdeen's interest in the Royalty and a commitment by Aberdeen not to sell or assign its interest in the Convertible Debenture, the Warrants or any common shares of Premier Royalty issued upon conversion or exercise of the Convertible Debenture or Warrants until 180 days following the closing of a Going Public Transaction.

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,	Year ended December 31.	Year ended December 31,
	2011	2010	2009
	$	$	$
	(Under IFRS)	(Under IFRS)	(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	(0.15)	(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 was 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 International Financial Reporting Standards ("IFRS").

Quarterly Information

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

	2012	2012	2011	2011	2011	2011	2010	2010
Quarter	Second	First	Fourth	Third	Second	First	Fourth	Third
	($)	($)	($)	($)	($)	($)	($)	($)
Revenue	469,366	155,931	180,928	110,184	124,444	135,620	117,012	112,125
Income (loss) from continuing operations	(3,641,712)	(2,526,268)	(3,828,472)	(6,496,733)	(829,727)	(784,952)	(230,399)	(775,845)
Loss from continuing operations per Common share (basic and diluted)	(0.02)	(0.02)	(0.03)	(0.06)	(0.01)	(0.01)	(0.00)	(0.00)
Comprehensive loss	(6,519,682)	(3,334,344)	(4,822,688)	(5,225,962)	(4,756,825)	(1,875,244)	(209,774)	(423,814)
Comprehensive loss per Common share (basic and diluted)	(0.04)	(0.03)	(0.04)	(0.05)	(0.04)	(0.02)	(0.00)	(0.01)
Total long-term liabilities	63,629,758	32,976,076	31,747,891	28,161,503	29,131,860	25,616,513	24,235,867	28,008,718
Cash dividends	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Overall performance

Comprehensive loss for the three months ended June 30, 2012 was $6,519,682 compared to $4,756,825 for the same period of the previous year, an overall increase of 37%. While the increase in comprehensive loss period over period can be attributed to several items the most significant of these is shared-based payments which increased from $nil in 2011 to $1,840,277 in 2012, and represents approximately 50% of total operating expense.

Of the $3,790,008 in operating expenses incurred during the quarter, non-cash charges accounted for over 56% with $2,232 relating to depreciation, $50,567 to depletion, $199,802 to accretion and $1,840,277 to charges for share based payments. Of the remaining expenses, 83% or $1,375,627 related to general and administrative expenses which increased by 126% over that of the previous year due to several factors the most significant of which are the administrative loads associated with Premier's US office, the establishment of Premier Royalty Corporation and the administrative load associated with the Toronto and London offices of Goldstone which will be closed by August 2012. The remaining $296,000 in operating expenses was split almost equally between professional fees and exploration expenses. General and administrative expenses on an overall basis were higher as expected as several key members of the senior management team have been added. It is anticipated that administrative cost will continue at a pace relative to the expansion of the Corporation. The most significant amounts included in general and administrative expenses are investor relations and related travel expenses of $230,477 and $151,394 respectively, tax and IT and general consulting of $198,395, corporate accounting and related administrative expenses of $61,400 and executive and office salaries of $239,948.

Net exploration and evaluation asset expenditures during the six months ended June 30, 2012 totalled $38,231,329. Of the total expenditures incurred $26,689,830 or approximately 70% related to acquisition costs associated with the Cove Project in Nevada. An additional $7,761,702 or 20% related to ongoing exploration at the Trans-Canada Project in Geraldton, Canada where $5,190,271 in drilling related costs, $773,496 in geological costs, $520,873 in analytical and sampling costs, and $124,651 in operations support related costs were incurred. A further $1,360,755 or 3% of total expenditures were spent at the PQ North Project located in Ontario, Canada where drilling and operations support expenses of $641,655 and $290,945 respectively were incurred. The remaining 7% of expenditures relate to exploration activities at the Corporation's Bonanza and East Bay Projects in Red Lake, Canada, and Saddle Project in Nevada, USA.

Liquidity and capital resources

Current assets at June 30, 2012 were $61,500,234 compared to $40,033,135 at December 31, 2011 and total assets were $398,438,431 compared to $315,983,355. The increase in total assets is related to the $57,500,000 financing completed during the period and the acquisition of the Cove Project and the Aberdeen royalty package. The increase is reflected within the financial statements primarily by an increase in current assets of $21,467,099 and related increases in both exploration and evaluation assets and royalty interests of $26,689,830 and $20,794,635 respectively. The residual increase is related to ongoing exploration costs.

The Corporation's non-current liabilities increased during the period by $31,881,867 as a portion of the acquisition costs associated with the Cove Project and the Aberdeen royalty package were financed through long term debt.

Cash used in operating activities was $6,630,732 for the six months ended June 30, 2012. The most significant non-cash charges to earnings include share based payments of $2,650,668, unrealized loss on investments of $505,128, and deferred tax expense of $3,437,487. These were offset by a gain on sale of exploration and evaluation assets of $135,422.

Cash used in investing activities was $39,754,564 for the six months ended June 30, 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 $54,210,439 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 six months ended June 30, 2012 in relation to resource expenditures renounced to investors under Canada Revenue's look-back rule, totalled $49,885.

As at June 30, 2012, the financial instruments of the Corporation consisted of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities, convertible debentures, and long term debt.

The Corporation is authorized to issue an unlimited number of common shares of which 138,587,462 were outstanding as of August 8, 2012. As at August 8, 2012 the Corporation had options outstanding to purchase an aggregate of 10,687,666 common shares under its share incentive plan with exercise prices ranging between $1.50 and $7.45 per share, and expiry dates between August 8, 2012 and August 13, 2017. As of June 30, 2012 there were 987,469 unvested stock options.

As at June 30, 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 August 8, 2012:

	2012	2013	2014	2015	2016	2017	Total
Contracts and operating leases	$134,717	$251,505	$231,835	$195,835	$159,835	$73,258	$1,046,985
Exploration agreements	$0	$0	$0	$0			$0
Exploration expenditure commitment from the issuance of flow through shares	$8,883,618	$0	$0	$0			$8,883,618

Mineral property held for sale

Newman Madsen

As of June 30, 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 $2,424,735. In calculating the fair value of the Corporation's provision, management used a risk free interest rate of 2.022%. A reconciliation of the provision is provided below:

	2012 $	2011 $
Balance, beginning of the year	**2,051,858**	-
Liabilities incurred	348,608	2,051,858
Accretion expense	24,269	-
	2,424,735	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
Mega Precious Metals Inc.	Facilities rental
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 $11,463 (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 $239,663 (2011 - $339,050) and included in the exploration and evaluation assets are amounts totalling $58,785 (2011 - $125,544) for rent, facilities related charges, IT consulting, 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 $36,942 (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 director.

[f] Included in property, plant and equipment are amounts totalling $215,622 (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	$414,212	$714,281
Share-based payments	$304,375	$3,701,995
Other compensation	$24,915	$17,206
Total	$743,502	$4,433,482

Contingency

Legal claims

In October 2010, prior to Premier's acquisition of Goldstone, Patrick Sheridan, the former President and Chief Executive Officer and a director of Goldstone, and Gary Conn, a former senior officer and director of Goldstone, together with their respective management companies, commenced legal actions against Goldstone. Mr. Sheridan alleged breach of contract and was seeking damages of up to $1.4 million, including punitive damages, plus costs and interest. Mr. Conn alleged breach of a consulting agreement or, alternatively, wrongful dismissal and other causes of action and is seeking damages of up to approximately $3.4 million, plus costs and interest.

With respect to the Sheridan action, the parties have agreed to a settlement. Pursuant to such settlement, Goldstone paid a sum to Mr. Sheridan, which is included in general and administrative expenses in the current period. Goldstone had also commenced third party claims against Mr. Conn and three former directors in order to seek contribution and indemnity for any amounts that it may be found liable to pay Mr. Sheridan and his management company. It is Goldstone's intention to discontinue the third party claims.

Goldstone dismissed Mr. Conn for cause on October 1, 2010. In its counterclaim against Mr. Conn (the "Conn Counterclaim"), Goldstone is seeking damages from Mr. Conn and his management company in the amount of $5 million for breach of fiduciary duty and duty of care, fraud, misrepresentation, conflict of interest, unjust enrichment, gross negligence, negligence and breach of contract; and $100,000 in punitive damages. Goldstone has also alleged other causes of action, plus costs and interest.

In January 2011, Mr. Conn commenced a legal action (the "Defamation Claim") against Goldstone, four of its directors, and other individuals, seeking damages of $2.5 million based on alleged conspiracy, libel, defamation and intentional infliction of mental suffering arising from alleged improper publication of certain allegations contained in the Conn Counterclaim. On May 24, 2011, the Superior Court of Justice (Ontario) granted Goldstone's motion for summary judgment. The summary judgment concluded that the allegations in the Conn Counterclaim which, in Goldstone's view justified Mr. Conn's termination for cause, but which according to Mr. Conn were allegedly defamatory, were true. Mr. Conn sought to appeal the judgment, but the Ontario Court of Appeal dismissed his appeal on November 18, 2011.

With respect to the Conn action, Goldstone has launched a summary judgment motion on the basis that the certain allegations which are relied upon to justify cause for Mr. Conn's dismissal have already been proven in a related proceeding - being the Defamation Claim. Pursuant to a preliminary motion argued on February 15, 2012, certain affidavit evidence which Mr. Conn seeks to rely upon in defense of the summary judgment motion was ruled admissible. Goldstone therefore prepared responding affidavit evidence, and the cross examinations on the various affidavits have concluded. The motion for summary judgment is expected to be scheduled for spring 2013.

Subsequent events

Private Placement of $11,500,000 Convertible Debentures

On July 6 and July 10, 2012 the Corporation's wholly-owned subsidiary, Premier Royalty Corporation (“Premier Royalty”), closed a private placement (the "Private Placement") of an aggregate $11,500,000 principal amount of convertible debentures of Premier Royalty, which accrue interest at a rate of 8% per annum (the "Convertible Debentures"). The Convertible Debentures mature on May 31, 2013 unless, among other things, they are automatically converted as a result of the occurrence of a going public transaction by Premier Royalty, including the closing of the previously announced business combination transaction (the "Bridgeport Transaction") involving Premier Royalty and Bridgeport Ventures Inc. (BVP:TSX) ("Bridgeport"). Upon completion of the Bridgeport Transaction the principal amount outstanding under the Convertible Debentures together with all accrued interest thereon will be effectively converted into units of Bridgeport at a conversion price of $1.40 per unit (on a post-consolidated basis), with each unit consisting of one post-consolidation common share of Bridgeport and 0.375 of a Bridgeport warrant (on a post-consolidated basis). Each whole warrant (a "Bridgeport Warrant") will be exercisable at a price of $2.00 per post-consolidation Bridgeport share for a period commencing on the date that is six months following the completion of the Bridgeport Transaction and ending on the date that is four years following completion of the Bridgeport Transaction, subject to early expiry upon the occurrence of certain events.

The Convertible Debentures also provide that in the event of a going public transaction by Premier Royalty other than the Bridgeport Transaction prior to the maturity date of the Convertible Debentures, the whole of the principal amount outstanding under each such debenture together with all accrued interest thereon will be converted into common shares of the resulting entity at a conversion price equal to 90% of the price per share that Premier Royalty or its security holders receive on the creation, issuance and/or sale of such shares pursuant to such going public transaction, as applicable, subject to the provisions of the Convertible Debentures.

The proceeds of the Private Placement will be used by Premier Royalty for royalty acquisitions and working capital.

Purchase of Thunder Creek Royalty

On July 13, 2012, the Corporation's wholly-owned subsidiary, Premier Royalty, closed the purchase of a 1% net smelter return royalty (the "Royalty") on certain mining claims which comprise the Thunder Creek Deposit of the Timmins West Mine and ancillary lands, operated by Lake Shore Gold Corp. ("Lake Shore").

The purchase price for the Royalty was satisfied by an aggregate $7,000,000 cash payment to the private vendors. Premier Royalty (or a resulting issuer thereof) will issue to the vendors common shares with a value of $500,000 concurrent with a subsequent going public transaction of Premier Royalty.

Transaction with Bridgeport Ventures Inc.

On August 7, 2012, the Corporation’s wholly-owned subsidiary, Premier Royalty, signed a definitive agreement with Bridgeport to enter into a business combination (the "Bridgeport Transaction"), pursuant to which Bridgeport will acquire Premier Royalty by way of plan of arrangement.

In connection with the Bridgeport Transaction, shares of Bridgeport will be consolidated on the basis of one post-consolidation share for every four existing shares of Bridgeport. Bridgeport will issue shares to Premier in such amount as is equal to 60% of the issued and outstanding post-consolidated shares of Bridgeport (prior to giving effect to any convertible securities or instruments), at a deemed price of $1.40

per common share of Premier Royalty (on a post-consolidation basis). Bridgeport will also issue warrants for each post-consolidation share of Bridgeport held by its shareholders on the basis of 0.375 of a warrant for each post-consolidation share held by such shareholders. Each Bridgeport Warrant will be exercisable at a price of $2.00 per post-consolidation Bridgeport share for a period commencing on the date that is six months following the completion of the Bridgeport Transaction and ending on the date that is four years following completion of the Bridgeport Transaction, subject to early expiry upon the occurrence of certain events.

Premier Royalty previously obtained from Premier a bridge loan facility in connection with the acquisition of certain royalties. In addition to stipulated cash payback provisions, Premier will be granted a one-time right (the “Conversion Right”) in its sole discretion to convert all or a portion of the bridge loan into units of Bridgeport, at a price of $1.40 per unit (on a post-consolidation basis) at or prior to closing of the Bridgeport Transaction. Each unit will consist of one post-consolidation common share of Bridgeport and 0.375 of a Bridgeport Warrant. In addition, Premier will be granted up to an additional 2.8 million Bridgeport Warrants (on a post-consolidation basis) less the number of Bridgeport Warrants issued to Premier pursuant to the Conversion Right and an additional 1.4575 million warrants to purchase post-consolidation shares of Bridgeport, which shall be exercisable until October 7, 2014.

Premier shall have the right to rename Bridgeport, nominate six of its eight directors and and set its new management team upon completion of the Bridgeport Transaction. Bridgeport shall be entitled to nominate the two remaining directors.

Granting of Stock Options

On August 13, 2012 a total of 740,000 options to purchase common shares of Premier Gold Mines Limited were granted to directors, officers, employees and consultants at an exercise price of $4.45 per shares. The options are exercisable for a period of 5 years.

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 June 30, 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 and are cashable. 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 June 30, 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$9,579,129. Additionally, the Corporation's subsidiary Premier Gold Mines Nevada Inc. holds a promissory note denominated in U.S. dollars valued at US$250,000 or CDN$254,765. As well, the Corporation's subsidiary Au-Reka Gold Corporations holds a promissory note denominated in U.S. dollars valued at US$20,000,000 or CDN$20,381,127. 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 June 30, 2012 a 100 basis point decrease/increase in the U.S. dollar would result in a foreign exchange gain/loss of CDN$452,241.

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

Management of capital risk

The Corporation manages its 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	**62,874,036**	**-**	**-**	**62,874,036**
Investments	**398,905**	**15,200**	**-**	**414,105**
	63,272,941	**15,200**	**-**	**63,288,141**

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 June 30, 2012. Based on this assessment, management believes that, as of June 30, 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 June 30, 2012

PREMIER
Gold Mines Limited

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.

"Steve Filipovic"

(Signed) Steve Filipovic
Chief Financial Officer

Thunder Bay, Canada
August 8, 2012