MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2013

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 condensed consolidated interim financial statements for the six months ended June 30, 2013, with a comparative period for the year ending December 31, 2012, 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 13, 2013 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 resource 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 Hardrock Project at Trans-Canada

- Premier confirmed filing of NI 43-101 Technical Report for Trans-Canada Property
- Preliminary Economic Assessment (PEA) started on both the Hardrock and Brookbank Projects

Premier Expands Gold Mineralization at Cove Gold Project

- Results include 9.16 grams per tonne gold (g/t) over 16.0 metres (m) and 34.52 g/t across 3.99 m.

Premier Receives Important Plan of Operation at Cove

- Improves flexibility of exploration program including potential for underground development

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 Nevada, USA.

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% Premier) 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% Premier), is being explored to further follow-up on the discovery of a new zone from February 2010 drilling and during 2011. Recently, Premier announced the purchase of the Broulan Reef Property, which will become a joint venture with RLGM under terms similar to Rahill-Bonanza.

The Trans-Canada Property 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 covers some of the most strategic ground in the region and includes two distinct areas, the Hardrock and Brookbank Projects, 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.

In Nevada, Premier holds three properties in its exploration portfolio. During 2012 and in 2013, the Cove Gold Property was and will continue to be actively explored with a plan to advance toward completion of an updated mineral resource estimate. Premier also holds the South Carlin and Humboldt Properties, both of which are not planned to be active in 2013.

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.

Premier continues to evaluate other high quality Americas based gold projects in proven pro mining districts with the belief that "*A World of Opportunity*" lies before it. Premier believes that an aggressive exploration strategy complimented by mine operating and building capability will repeatedly reward our shareholders.

Results of Operations

Canadian Operations

Red Lake District, Northwestern Ontario

Drilling completed during the quarter continued to test the deep potential of this target-rich area with 3,596 metres of drilling in 7 holes at a cost of some $525,000 to Premier. The East Bay Project was not active during the quarter.

On June 27th, Premier provided an update of activity on the Rahill-Bonanza Joint Venture, of which its holds a 49% interest and operator Red Lake Gold Mines (RLGM, an affiliate of Goldcorp Inc.) a 51% interest. Highlight from this update included:

- The first holes drilled along strike to the west of the Red Lake Gold Mines Complex have confirmed that favourable ultramafic horizons, similar to those that host many of the ore bodies at the Red Lake Mine, trend onto the joint venture project. Structures intersected show veining and mineralization including visible gold with assays up to 13.99 grams per tonne gold (g/t Au) across 1.4 metres (m) or 0.41 ounces per ton (oz/t) across 4.6 feet in hole D36678.
- Diamond drilling designed to test a gold-bearing structure previously intersected by the tram development has returned assays of up to 134.7 g/t Au across 0.3 m (3.93 oz/t across 1.0 foot) in hole D36719.
- Recent drilling (hole D36726) has discovered multiple vein zones proximal to an ultramafic rock unit with assays of up to 13.05 g/t Au across 0.6 m (0.38 oz/t across 2.0 feet) and 10.01 g/t Au across 0.77 m (0.29 oz/t across 2.5 feet). Additional drilling is planned in this area.
- Hole D36770 has started and is expected to be the first hole drilled to test the primary Wilmar target area.

The tram drift has now crossed 100% of the joint venture property which has made the whole length of our interest available for drilling. The tram drift isbeing excavated by RLGM to support mine development of its Cochenour Project (Bruce Channel Deposit) as well as serving as an invaluable exploration platform for the Property. It is located some 1,650 metres (5,400 feet) below surface, at an elevation where exploration for HGZ-style mineralization has been most successful in the past. The early part of the program has seen holes spaced at approximately 360 metres (1200 feet), however because a HGZ footprint can be very compact, fan holes are being completed in areas where favourable veining an mineralization have been intersected.

The primary target on the Property is the projected down-plunge extension of the Wilmar Zone that was mined in the 1960's and where high grade gold mineralization has been intersected in surface drilling. Surface holes drilled to test this horizon to depths of up to 1220 metres (4,000 feet) over the past several years have returned numerous high grade intercepts including 14.2 g/t Au across 5.0 m (hole PG07018W1), 68.9 g/t Au across 3.5 m (PG11082), 46.15 g/t Au across 4.5 m (PG11090), and 4.0 g/t Au across 20.5 m including 11.5 g/t Au across 3.0 m. Tram infrastructure including a bypass and elevated ramp with tram loading pocket have recently been constructed immediately north of Wilmar.

On May 6th, 2013, Premier completed the acquisition of the Broulan Reef Project from Cypress Development Corp. and Skyharbour Resources Ltd. in exchange for a payment to the Vendors of $1.75 million in cash, the issuance of 160,000 common shares of Premier and the retention of a 0.5% net smelter royalty (NSR). The Broulan Reef Property is located adjacent to the south and west of Goldcorp's Cochenour / Bruce Channel Deposit and adjacent to the west of the Rahill Bonanza Joint Venture. Goldcorp Inc. has acquired a 51% interest in the Broulan Reef Project by funding 51% of the acquisition costs under the terms of the Rahill-Bonanza Joint Venture Agreement.

Trans-Canada Project, Northwestern Ontario

Some 49,000 metres of diamond drilling was completed on the Hardrock Project in 82 drill holes. A number of areas have been targeted for follow-up including the Fortune Zone, North Shear 2, A-Zone and the Mulligan Zone. In addition, Premier completed some condemnation and in-fill drilling related to the ongoing Preliminary Economic Assessment (PEA) work. Much of this work is continuing during the third quarter.

Some of the more important holes reported on during the quarter included:

- 400.53 grams per tonne gold (g/t Au) across 5.0 metres (m) in hole HR156 including 2,000 g/t Au across 1.0 m drilled to upgrade resources in the deeper portion of the pit shell within the HGN-Zone.
- A new zone(s) was discovered (North Wall Zone) to the north of the primary resource area in the condemnation program. Early results include 132.32 g/t Au across 3.9 m (3.86 oz/t gold across 12.8 feet) in hole HR155; and 13.96 g/t Au across 6.0 m and 1.52 g/t across 17.0 m in hole HR157 contained within a conceptual pit shell design.
- 3.80 g/t Au across 22.0 m in hole HR142, a step out hole in the western portion of the conceptual open pit resource area.
- 20.22 g/t Au across 4.5 m in the Fortune Zone in hole HR143 drilled to upgrade resources from Inferred to Indicated within a larger conceptual open pit shell.

Highlights from initial drilling include multiple intercepts of strong mineralization within the known gold horizons and the discovery of new mineralized horizons to the north of the primary resource area including the North Wall Zone (north of HGN) where appreciable mineralization (veining and rare visible gold) has been identified proximal to a gabbro rock unit. The North Wall discovery includes multiple lenses of mineralization, locally high-grade, associated with or in close proximity to the northern gabbro rock unit. Locally, the veining associated with this new horizon contains impressive visible gold. These new horizons remain open for expansion and ongoing drilling is testing the potential of this new area.

PEA's are in progress on both the Hardrock and Brookbank Projects including baseline environmental studies, condemnation drilling, infill drilling within conceptual open pit and geotechnical drilling. The PEA's are expected to be completed in Q4-2013 and will evaluate a range of potential open pit and underground options. These studies will be completed following a new mineral resource estimate that is underway incorporating data available as of June 30, 2013. Some of the assay results reported in this release were received subsequent to that date. For the six months ending June 30, 2013, a total of $1.4M has been spent on these activities.

US Operations

Cove Gold Project, Battle Mountain – Eureka Trend, Nevada, USA

At the Cove Gold Project, some 4 holes were drilled during the quarter with a total of 4,440 metres. The period included a mid-season drilling shutdown for 3 weeks which marginally impacted final metres drilled. These holes included core, precollars RC and exploration RC holes. In late June, Premier reported additional assay results from the Helen Zone on the Company's Cove Gold Project, located along the Eureka-Battle Mountain Trend in Nevada. These results continue to expand mineralization with strong grades and widths within the Upper and Lower Helen Zones.

The Helen Zone deposit represents a prospective, high-grade, Carlin-style, gold deposit and is the focus of an ongoing drill program to extend mineralization within both the Upper and Lower Helen Zone horizons. Drilling has now expanded well beyond the 2011 resource envelope and indicates that the favourable horizons remain wide open for expansion. Highlights of the most recent 20 drill holes (one was abandoned) include:

Upper Helen Zone

- 19.60 grams per tonne gold (g/t Au) across 10.80 metres (m) (or 0.57 ounces per ton gold (oz/t Au) across 35.4 feet) in hole AX-35
- 37.01 g/t Au across 2.7 m (1.08 oz/t Au across 8.8 feet) in the Upper Helen Zone from hole AX-40.
- 9.98 g/t Au across 9.6 m (0.29 oz/t Au across 31.5 feet) in hole AX-41

Lower Helen Zone

- 6.52 g/t Au across 84.4 m ((0.19 oz/t Au across 276.8 feet) including 14.59 g/t Au across 14.0 m (0.43 oz/t Au across 46.0 feet) from hole AX-27
- 21.49 g/t Au across 4.5 m (0.63 oz/t Au across 14.7 feet) in the Lower Helen Zone from hole AX-30
- 40.47 g/t Au across 10.5 m (1.18 oz/t Au across 34.4 feet) including 76.58 g/t Au across 5.0 m (2.24 oz/t Au across 16.3 feet) from hole AX-36

Drilling has extended high-grade mineralization in the Helen target horizon by approximately 365 m (1200 feet) southeast and 245 m (800 feet) northwest of the previously tested Helen deposit and mineralization remains open in multiple directions. The balance of the 2013 program will see additional expansion drilling completed in the Helen Zone, testing of highly prospective targets beneath the historic Cove pit, and culminating in a resource estimate in Q4-2013.

Also of note, on May 28, 2013, Premier reported that an important permitting milestone has been achieved at its Cove Gold Project in Nevada. Recently, the Bureau of Land Management (BLM) delivered to Premier its Record of Decision, which confirmed approval for a Plan of Operation (POO) for the Cove-Helen Underground Mine Project, the application for which was received by the BLM on April 29, 2013. The approval includes a requirement to post a reclamation bond and allows Premier, through wholly-owned subsidiary Au-Reka Gold Corporation, up to 100 acres of disturbance for exploration and development drilling. Also conditional with the approval of the Permit is an obligation to ensure adherence to practices that will safeguard a wide range of specific criteria, as outlined in the approval document.

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, 2012	Year ended December 31, 2011	Year ended December 31, 2010
	$	$	$
Operations			
Investment and other income	829,351	551,176	335,481
Loss for the year:			
From continuing operations	21,418,662	16,802,929	10,963,663
From discontinued operations	19,472,853	18,580	-
	40,891,515	16,821,509	10,963,663
Basic and diluted loss per share			
Continuing operations	(0.15)	(0.15)	(0.11)
Discontinued operations	(0.14)	-	-
	(0.29)	(0.15)	(0.11)
Comprehensive loss for the year:			
From continuing operations	22,720,903	16,662,139	10,963,663
From discontinued operations	19,472,853	18,580	-
	42,193,756	16,680,719	10,963,663
Comprehensive loss for the year attributable to:			
Non-controlling interest	8,779,849	-	-
Owners of the parent	33,413,907	16,680,719	10,963,663
	42,193,756	16,680,719	10,963,663
Balance Sheet			
Working capital	72,650,601	31,952,072	44,026,829
Total assets	480,411,927	315,983,355	177,143,886
Total liabilities	65,977,643	39,828,954	32,515,326

The Corporation prepares its consolidated annual 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.

Quarter	2013 Second $	2013 First $	2012 Fourth $	2012 Third $	2012 Second $	2012 First $	2011 Fourth $	2011 Third $
Investment and other income	238,999	222,352	331,866	97,151	244,403	155,931	180,928	110,184
Operating income / (loss) from:								
Continuing operations	(9,009,856)	(3,676,263)	(3,065,727)	(4,754,569)	(3,376,424)	(2,366,109)	(3,809,892)	(6,496,733)
Discontinued operations	-	(82,230)	(2,228,590)	277,634	(265,288)	(160,159)	(18,580)	-
	(9,009,856)	(3,758,493)	(5,294,317)	(4,476,935)	(3,641,712)	(2,526,268)	(3,828,472)	(6,496,733)
Other significant income / (loss):								
Unrealized loss on investments	(19,842,303)	(12,701,885)	-	-	-	-	-	-
Gain on disposal of subsidiary	-	37,978,038	-	-	-	-	-	-
Comprehensive income / (loss) for the period:								
Continuing operations	(29,130,087)	21,287,492	(7,240,265)	(6,338,196)	(5,968,257)	(3,174,185)	(4,804,108)	(5,225,962)
Discontinued operations	-	(82,230)	(19,325,356)	277,950	(265,288)	(160,159)	(18,580)	-
	(29,130,087)	21,205,262	(26,565,621)	(6,060,246)	(6,233,545)	(3,334,344)	(4,822,688)	(5,225,962)
Basic and diluted income / (loss) per common share								
Continuing operations	(0.15)	0.14	(0.05)	(0.04)	(0.04)	(0.02)	(0.04)	(0.05)
Discontinued operations	-	-	(0.14)	-	-	-	-	-
	(0.15)	0.14	(0.19)	(0.04)	(0.04)	(0.02)	(0.04)	(0.05)
Total long-term liabilities	38,746,497	45,613,777	44,377,147	44,377,519	63,629,758	32,976,076	31,747,891	28,161,503
Cash dividends	-	-	-	-	-	-	-	-

Overall performance

Loss from continuing operations for the three months ended June 30, 2013 was $29,130,087 compared to a loss of $6,179,619 for the same period of the previous year, a swing of $22,950,468. The main factor for the loss for the period was the unrealized loss on investments of $19,842,303, of which $18,223,675 was in the Sandstorm Gold Ltd. ("Sandstorm") shares received on the sale of Premier Royalty Inc.

The remaining change is a negative variance of $3,108,165 for the three months ended June 30th, 2013 compared to the same period of 2012 and is due to the following:

- An increase in depreciation and impairment loss of $2,379,548 of which $2,353,776 was for an impairment loss taken on the Northern Empire Mill and related equipment to reduce the carrying cost to fair value less cost to sell given the intention to dispose of the asset rather than retain for future use.
- An impairment loss on exploration and evaluation assets of $4,385,041 to write off the historical costs of several of the non-core assets as discussed below.
- A decrease in share-based payments of $1,271,031 due to timing of the granting of stock options
- A decrease in general and administration expenses of $258,540 related to the reduction in administration costs for Goldstone Resources Inc. and Premier Gold Mines USA Inc.
- An increase in loss on sale of investments of $683,741 mainly due to the realization of the reduction in value on the Sandstorm shares
- A decrease in deferred tax expense of $3,146,455 due to the nature of the income and expenses during the period

Included in the loss from discontinued operations for the three months ended June 30, 2012 are the revenue and expenses for Premier Royalty Corporation which were reclassified as a result of the subsequent sale discussed below.

Included in the comprehensive loss for the three months ended June 30, 2013 is an exchange gain on the translation of foreign operations of $1,975,410 compared to $210,939 for the same period of 2012. This is the result of the strengthening of the U.S dollar and the increased exploration and evaluation assets in the U.S. operations.

Exploration and evaluation assets increased during the six months ended June 30, 2013 by $21,042,434 through exploration spending and were decreased during the period with an impairment loss of $4,385,041. Of the total expenditures incurred, $11,063,989 or 53% related to ongoing exploration at the Trans-Canada Project in Geraldton, Canada where $6,784,217 in drilling related costs, $1,220,213 in geological costs including wages and salaries, $651,974 in analytical and sampling costs and 417,612 in operations support related costs were incurred. An additional $1,413,804 was spent on activities related to the preliminary economic assessment for Hardrock and Brookbank as well as $576,169 on the Brookbank property. $1,248,679 or 6% of exploration spending was for the Corporation's joint venture exploration activities at the Corporation's Bonanza and East Bay Projects in Red Lake, Canada and an additional $1,036,983 or 5% in acquisition costs related to the purchase of the Broulon Reef property now included in the joint venture. A further $7,644,860 or 36% of total expenditures were on the Cove and Saddle properties located in Nevada, USA of which $2,384,029 was related to foreign exchange differences on deferred costs, $3,963,387 for drilling on the Cove Project and the balance to geological and operations support.

The impairment loss was taken on non-core assets including Redgold $809,352, the Mexico properties Santa Teresa $2,803,331 and Quasaro $679,515 and the Humboldt property in the U.S. for $92,843 which have not been actively explored in the past three years and under current market conditions are unable to determine recoverability.

As a result of the disposition of Premier Royalty in January, 2013, continuing operations were broken out from discontinued operations in order to remove the effect of the consolidation at December 31, 2012 and June 30, 2013 of Premier Royalty with Premier Gold. Continuing operations reflect the ongoing operations of Premier whereas the discontinued operations include all royalty interest related revenue and expenses from both the pre and post reverse takeover transaction.

Disposal of Premier Royalty Inc.

Subsequent to the reverse takeover transaction described in the December 31, 2012 consolidated financial statements, Premier entered into an agreement to sell the resulting shares of Premier Royalty Inc. As such, on January 28th, 2013, Premier entered into a share purchase agreement (the "Agreement") with Sandstorm pursuant to which Sandstorm acquired 33,655,821 common shares (the "Common Shares") and 6,965,676 warrants (the "Warrants") of Premier Royalty Inc. from Premier, representing Premier's entire position in Premier Royalty.

Pursuant to the terms of the Agreement, each one Common Share and 0.207 of a Warrant (together, a "Premier Royalty Unit") were transferred to Sandstorm. The resulting consideration for the Premier Royalty Units was satisfied by the issuance of 5,604,277 special warrants in the capital of Sandstorm, each being exercisable for no additional consideration into one common share of Sandstorm in accordance with the terms thereof. In connection with the transaction, Sandstorm has also provided Premier Gold with a temporary six month credit facility up to US$70 million, which will bear interest at a 0.3% premium to the interest rate that Sandstorm would be charged by its lenders if funds were drawn from its revolving debt facility. The credit facility has not been utilized during the period.

Based on the share price of the Sandstorm shares at the date of the transaction, the proceeds from disposition of the Premier Royalty Inc. shares were $66,186,511 and the resulting gain included in the loss from continuing operations of Premier was $37,978,038.

Disposal Group Classified as Held for Sale and Discontinued Operations

The incorporation of Premier Royalty Corporation and the subsequent Reverse Take-over Transaction ("RTO") with Bridgeport was intended to disaggregate Premier's royalty interests from its core exploration and evaluation business with a view to a possible future sale of the resulting entity. Consequently, the assets and liabilities held by Premier Royalty Inc. at December 31, 2012 and included in the consolidated financial statements of the Corporation were classified as a disposal group. As discussed above, the sale of the Premier Royalty Inc. shares was completed on January 28th, 2013.

Revenue and expenses relating to the discontinuation of this disposal group have been eliminated from the continuing operations of Premier and are shown as a single line item on the face of the consolidated statement of income / (loss) and comprehensive income / (loss) (see income / (loss) for the period from discontinued operations).

The discontinued operations are comprised of the revenue and expenses of royalties held directly by Premier and the revenue and expenses related to Premier Royalty Corporation prior to the business combination and the revenue and expenses of Premier Royalty Inc. subsequent to the business combination as follows:

Discontinued operations for the six months ended June 30:	2013	2012
	$	$
Revenue	441,549	-
Expenses:		
Depletion	(245,654)	-
Interest and accretion on long term debt	-	-
General and administration	(223,777)	(425,447)
Charge related to public company listing	-	-
Stock based compensation	(104,429)	-
Other income	9,267	-
Foreign exchange loss	40,814	-
Total Expenses	(523,779)	(425,447)
Loss for the year	(82,230)	(425,447)
Deferred income tax expense	-	-
Loss and comprehensive loss for the year	(82,230)	(425,447)
Discontinued operations attributable to:		
Non-Controlling interest	(29,018)	-
Owners of the parent	(53,212)	(425,447)
	(82,230)	(425,447)

Under IFRS, where a disposal group is a subsidiary that has been acquired exclusively with a view to resale, the entity is not required to disclose the subsidiary's major classes of assets and liabilities. A specific exemption also relieves entities in these circumstances from further analyzing net results or cash flows from discontinued operations. As such, the total assets and total liabilities of Premier Royalty Inc. have been reported as assets or liabilities in a disposal group held for sale on the face of the consolidated statement of financial position. Cash flow from discontinued operations related to royalty revenue received has been disclosed separately on the consolidated statement of cash flow.

Liquidity and capital resources

Current assets at June 30, 2013 were $96,942,417 compared to $87,979,172 at December 31, 2012 and total assets were $430,286,994 compared to $480,411,927. The $50,124,933 decrease in total assets includes a decrease of $75,131,370 due to the elimination of the Premier Royalty Inc. assets included in the disposal group held for sale offset by an increase in investments of $31,924,885, of which $33,362,899 is the Sandstorm investment at market value on June 30, 2013. The remaining decrease of $6,928,572 includes the non-cash write down of the Northern

Empire Mill and related equipment of $2,353,776 and the non-cash write down of exploration and evaluation assets of $4,385,041 as discussed previously.

The Corporation's current liabilities decreased slightly during the period by $233,007 with accounts payable and accrued liabilities increasing by $1,562,661 related to increased exploration activity offset by a decrease in the non-cash deferred premium on flow-through shares of $1,716,423. Non-current liabilities decreased by $5,630,650 due to a decrease in long term debt of $9,081,326 related to the first repayment of the Cove debt offset by an increase of $3,450,676 in the deferred income tax liability associated with deferred flow through premiums as well as ongoing deferred taxes on renounced exploration costs.

Cash used in operating activities from continuing operations was $1,874,296 for the six months ended June 30, 2013. Significant non-cash charges to income include an unrealized loss on investments of $32,544,188, share based payments of $2,479,989, deferred tax expense of $1,557,541 and accretion of $832,813. These charges were offset by the net gain on disposal of investments of $37,292,141 which includes the Premier Royalty transaction described above as well as the impairment losses on the write downs noted above.

The Corporation has financed a large portion of its Canadian 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. There was no additional flow through financing in the six months ended June 30, 2013.

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 ended June 30, 2013 in relation to resource expenditures renounced to investors under Canada Revenue's look-back rule totalled $11,649.

As at June 30, 2013 the financial instruments of the Corporation consisted of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and long term debt.

The Corporation is authorized to issue an unlimited number of common shares of which 151,720,324 were outstanding as of August 13, 2013. As at August 13, 2013 the Corporation had outstanding options to purchase an aggregate of 10,825,694 common shares under its share incentive plan with exercise prices ranging from $1.50 to $7.45 per share, and expiry dates ranging from October 15, 2013 to April 8, 2018. As of June 30, 2013 there were 515,000 unvested stock options.

As at June 30, 2013 the Corporation had 50,000 common share purchase warrants outstanding with an exercise price of $6.62 and expiry date of April 5, 2014.

Commitments

The following is a summary of the commitments of the Corporation as at June 30, 2013:

	2013	2014	2015	2016	2017	Total
	$	$	$	$	$	$
Contracts and operating leases	189,194	343,801	287,597	215,265	73,258	1,109,115
Exploration expenditure commitment from the issuance of flow through shares	8,303,308	-	-	-	-	8,303,308

Provision

The Corporation's provision results from net ownership interests in a mill and mining equipment. 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 decommissioning the mill complex and related infrastructure, physical and chemical stability of the tailings area and post closure site security and monitoring costs. 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 future value of the cash flows required to settle the provision is $2,556,509. In calculating the fair value of the Corporation's provision, management used a risk free interest rate of 1.67%. A reconciliation of the provision is provided below:

	2013	2012
	$	$
Balance, beginning of the year	**2,449,004**	2,051,858
Liabilities incurred	**0**	348,609
Accretion expense	**0**	48,537
	2,449,004	2,449,004

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
DSA Filing services	Filing services
The Alyris Group	Corporate accounting & IT services
Hall Mineral Services LLP	Consulting
Alyris Leasing Inc.	Facilities rental
Apex Security and Investigation Inc.	Security services
Mega Precious Metals Inc.	Facilities rental

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 $72,232 (2012 - $11,463) for corporate secretarial and filing services provided by DSA Corporate Services and DSA Filing Services, both of which are related to the Corporation through Shaun Drake, Corporate Secretary of the Corporation.

[b] Included in general and administrative expenditures are amounts totaling $55,750 (2012 - $239,663) and included in the exploration and evaluation assets are amounts totaling $nil (2012 - $58,785) for IT consulting, and accounting and administrative support services provided by 1752466 Ontario Inc. O/A The Alyris Group, a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of Premier, and Steve Filipovic, Chief Financial Officer of the Corporation.

[c] Included in other revenue are amounts totaling $15,900 (2012 - $7,950) for rental of a core shack paid by Mega Precious Metals Inc., a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer of the Corporation, who is also a director of Mega Precious Metals Inc.

[d] Included in general and administrative expenses are amounts totaling $nil (2012 - $36,942) for consulting fees paid to Hall Mineral Services LLP, a company related to the Corporation through Ritch Hall, the former Chairman of the Corporation.

[e] Included in exploration and evaluation assets are amounts totaling $12,728 (2012 - $22,429) for security related services paid to Apex Security and Investigation Inc., a company related to the Corporation through John Seaman, Director of the Corporation.

[f] Included in property, plant and equipment are amounts totaling $nil (2012 - $217,800) and included in general and administrative expenditures are amounts totaling $82,077 (2012 - $nil) for leasehold improvements and rental charges paid to Alyris Leasing Inc., a company related to the Corporation through Ewan Downie, Director, President and Chief Executive Officer and Steve Filipovic, Chief Financial Officer of the Corporation.

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Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

Six months ended June 30,	**2013**	2012
	$	$
Salary, wages and benefits	**638,961**	439,127
Share-based payments	**678,650**	304,375
Total	**1,317,611**	743,502

Contingency

Legal claims:

In October 2010, prior to the Goldstone Arrangement, 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 is 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 was included in general and administrative expenses in 2012. 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 in the Sheridan Action - which third party claims have been dismissed.

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 launched a summary judgment motion on the basis that certain allegations which were relied upon to justify cause for Mr. Conn’s dismissal have already been proven in a related proceeding being the Defamation Claim. Goldstone’s motion for summary judgment was unsuccessful and the parties will now continue with the Conn Action and related Conn Counterclaim.

Subsequent events

There are no significant subsequent events to report for this quarter.

Financial instruments and related risks

The Corporation's operations include the acquisition and exploration of mineral properties in United States and Mexico. 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 owed 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 and are cashable or readily convertible to cash. Limits are also established based on the type of investment, the counterparty and the credit rate.

iii) Derivative financial instruments
As at June 30, 2013, 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

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised asset and liabilities are denominated in a currency that is not the Corporation's measurement currency. The Corporation's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The functional currency and reporting currency of the Corporation is the Canadian dollar. The Corporation's capitalized exploration and evaluation assets and expenses also include amounts incurred in U.S. dollars and to a lesser extent, the Mexican peso which are the functional currencies of these operations. The Corporation's exchange risk is therefore related to movement between these currencies. Changes in the currency exchange rates between the Canadian dollar relative to the U.S. dollar and the Mexican peso have an effect on the Corporation's results of operations through comprehensive income (loss), financial position or cash flows.

The Corporation's has mitigated this risk by diversifying its cash resources in the U.S. dollar and Mexican peso roughly in proportion to expected future expenditure over the following twelve months.

The carrying amounts of the Company's U.S. dollar denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	June 30, 2013	December 31, 2012
	$	$
Cash and cash equivalents	9,266,378	12,959,108
Restricted cash and cash equivalents	1,311,860	363,755
Accounts receivable	30,740	9,970
Accounts payables and accrued liabilities	(451,510)	(682,541)
Long term promissory note	(227,299)	(200,959)

There are no significant financial instruments in Mexican pesos.

During the three and six months ended June 30, 2013, the Corporation recognized a net foreign exchange loss of $14,888 and gain of $77,600 respectively and an exchange gain on the translation of foreign operations in comprehensive income (loss) of $1,975,410 and $3,128,938 respectively. As of June 30th, 2013, if the Canadian dollar to the U.S. dollar exchange rate increases or decreases by 10%, the Corporation's net loss will increase or decrease by $332,434 and the Corporation's other comprehensive income (loss) will increase or decrease by $5,848,713.

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

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				
Investments	34,274,957	-	-	34,274,957

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 2013.

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 international financial reporting standards. Management assessed the effectiveness of the Corporation’s internal control over financial reporting as of June 30, 2013. Based on this assessment, management believes that, as of June 30, 2013, 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 ended June 30, 2013.

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 13, 2013