

Interim Consolidated Financial Statements
(Unaudited)
(Stated in Canadian Dollars)



September 30, 2010



NOTICE TO SHAREHOLDERS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010
PREMIER GOLD MINES LIMITED

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of Premier Gold Mines Ltd. were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the December 31, 2009 audited consolidated financial statements. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Corporation's circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the unaudited interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim consolidated financial statements and (ii) the unaudited interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Corporation, as of the date of and for the periods presented in the unaudited interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Corporation and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Corporation. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Corporation for issuance to the shareholders.

Management recognizes its responsibility for conducting the Corporation's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.



(Incorporated under the laws of Ontario)

CONSOLIDATED BALANCE SHEETS

(Unaudited)

As at September 30, 2010
(with comparative figures as at December 31, 2009)
(Stated in Canadian Dollars)

	2010 \$	2009 \$
ASSETS		
Current		
Cash and cash equivalents <i>[note 4]</i>	54,551,535	21,226,978
Accounts receivable	602,097	259,188
Prepays and deposits	71,724	28,887
Total current assets	55,225,356	21,515,053
Investments <i>[note 5]</i>	101,064	1,490,150
Property, plant and equipment <i>[note 6]</i>	35,201	44,478
Mineral properties <i>[note 7]</i>	120,343,154	65,700,001
Mineral properties held for sale <i>[note 8]</i>	102,064	102,064
	175,806,839	88,851,746
LIABILITIES		
Current		
Accounts payable and accrued liabilities	3,101,359	1,622,016
Taxes payable	67,550	146,610
Current portion of long term debt <i>[note 13]</i>	360,825	-
Total current liabilities	3,529,734	1,768,626
Long term tax payable	93,643	124,829
Future tax liability	17,141,879	7,060,144
Long term debt <i>[note 13]</i>	10,773,196	-
Shareholders' equity		
Share capital		
Issued		
Common shares <i>[note 9]</i>	147,434,497	78,528,083
Share purchase warrants <i>[note 10]</i>	-	224,436
Contributed surplus <i>[note 12]</i>	13,043,942	7,104,904
Obligation to issue shares	-	7,980
Deficit	(16,210,052)	(5,967,256)
Total shareholders' equity	144,268,387	79,898,147
	175,806,839	88,851,746

Commitments [note 17]
Subsequent events [note 20]

See accompanying notes to the consolidated financial statements

On behalf of the Board:

"John Seaman"
Director

"Ewan Downie"
Director



(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS, AND DEFICIT

(Unaudited)

(Stated in Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
REVENUE				
Interest income	100,957	-	174,358	37,602
Other income	11,168	29,000	42,679	34,000
	112,125	29,000	217,037	71,602
EXPENSES				
Amortization	2,855	3,899	9,277	12,557
Stock-based compensation [note 11]	-	37,400	8,157,240	3,926,913
Flow-through interest penalty	56,340	11,774	233,730	124,931
General and administrative	586,353	500,144	1,690,331	1,449,850
Professional fees	235,941	47,265	360,748	132,124
Exploration expenses	6,481	-	6,481	-
	887,970	600,482	10,457,807	5,646,375
Loss before the following	(775,845)	(571,482)	(10,240,770)	(5,574,773)
Change in unrealized gain on investments	77,555	1,211,027	683,673	2,980,646
Foreign exchange loss	(9,297)	-	(25,745)	-
Gain on sale of mineral properties	-	-	-	98,494
Loss on sale of investments	(48,792)	(259,449)	(162,187)	(1,360,965)
Write down of mineral property [note 7]	-	-	(1,768,647)	-
Interest on long term debt	(140,715)	-	(140,715)	-
Earnings (loss) before income taxes	(897,094)	380,096	(11,654,391)	(3,856,598)
Income taxes				
Current	-	-	-	(14,249)
Future tax expense (recovery)	(473,280)	(153,036)	(1,411,595)	(251,206)
	(473,280)	(153,036)	(1,411,595)	(265,455)
Earnings (loss) and comprehensive earnings (loss) for period	(423,814)	533,132	(10,242,796)	(3,591,143)
Deficit, beginning of period	(15,786,238)	(6,780,794)	(5,967,256)	(2,656,519)
Deficit, end of period	(16,210,052)	(6,247,662)	(16,210,052)	(6,247,662)
Basic and diluted loss per share [note 15]	-	-	(0.11)	(0.05)

See accompanying notes to the consolidated financial statements



(Incorporated under the laws of Ontario)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(Stated in Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Earnings (loss) and comprehensive earnings (loss) for period	(423,814)	533,132	(10,242,796)	(3,591,143)
Add charges to earnings not involving a current payment of cash				
Amortization	2,855	3,899	9,277	12,557
Stock-based compensation	-	37,400	8,157,240	3,926,913
Change in unrealized gain on investments	(77,555)	(1,211,027)	(683,673)	(2,980,646)
Future tax recovery	(473,280)	(153,036)	(1,411,595)	(251,206)
Gain on sale of mineral properties	-	-	-	(98,494)
Foreign exchange loss	9,297	-	25,745	-
Write down of mineral properties	-	-	1,768,647	-
Loss on sale of investments	48,792	259,449	162,187	1,360,965
Interest on long term debt	140,715	-	140,715	-
	(772,990)	(530,183)	(2,074,253)	(1,621,054)
Net change in non-cash working capital balances related to operations	(508,011)	(549,652)	(696,925)	(2,782,090)
Cash used in operating activities	(1,281,001)	(1,079,835)	(2,771,178)	(4,403,144)
INVESTMENT ACTIVITIES				
Mineral exploration and development expenditures, net	(3,803,311)	(4,715,978)	(15,316,392)	(14,602,015)
Proceeds from the sale of investments, net	128,997	814,553	1,888,959	1,587,523
Net change in non-cash working capital balances related to investing activities	(180,682)	2,425,517	1,600,893	5,585,456
Purchase of property, plant and equipment	-	-	-	(1,396)
Cash used in investment activities	(3,854,996)	(1,475,908)	(11,826,540)	(7,430,432)
FINANCING ACTIVITIES				
Shares issued in private placements	18,000,000	14,978,140	50,000,000	14,978,140
Proceeds from the exercise of stock options	857,150	505,500	1,888,115	845,000
Proceeds from the exercise of share purchase warrants	172,843	-	696,121	-
Share issue costs	(1,018,241)	(728,706)	(2,860,601)	(728,706)
Proceeds from obligation to issue shares	-	26,600	-	26,600
Repayment of long term debt	(1,801,360)	-	(1,801,360)	-
Cash provided by financing activities	16,210,392	14,781,534	47,922,275	15,121,034
Increase in cash and cash equivalents during period	11,074,395	12,225,791	33,324,557	3,287,458
Cash, beginning of period	43,477,140	10,067,407	21,226,978	19,005,740
Cash, end of period	54,551,535	22,293,198	54,551,535	22,293,198

See accompanying notes to the consolidated financial statements



NOTES TO FINANCIAL STATEMENTS (Unaudited)

For the nine months September 30, 2010
(with comparative figures as at December 31, 2009)
(Stated in Canadian Dollars)

1. NATURE OF BUSINESS AND GOING CONCERN

Premier Gold Mines Limited (the "Corporation" or "Premier") was incorporated under the laws of the Province of Ontario on May 29, 2006, and was inactive until August 18, 2006.

On August 18, 2006 the Corporation entered into an agreement with Wolfden Resources Inc. ("Wolfden") whereby Wolfden completed a re-organization by way of a statutory plan of arrangement (the "Arrangement"). Pursuant to the Arrangement, Wolfden transferred certain of its mineral property interests in Ontario and \$2,000,000 cash to the Corporation and each registered holder of Wolfden common shares was entitled to receive one New Wolfden common share and 0.7 of a Premier common share in exchange for each Wolfden common share held by the shareholder immediately prior to the effective date. The mineral properties transferred were recorded at the carrying value of Wolfden immediately prior to the re-organization.

On October 5, 2008 Premier incorporated a Mexican subsidiary referred to as Oro Premier de Mexico, S.A. de C. V. ("Oro Premier"), in connection with the acquisition of certain mineral claims located in the El Alamo Mining District, Baja California, Mexico.

On June 14, 2010 Premier incorporated a United States subsidiary referred to as Premier Gold Mines USA Inc., in connection with the acquisition of Saddle Gold Inc. (see Note 2).

The Corporation is in the exploration stage and its principal business activity is the acquisition, exploration and development of mineral properties that it believes contain mineralization that will be economically recoverable in the future.

The accompanying unaudited interim consolidated financial statements have been prepared on the basis of Canadian generally accepted accounting principles applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, the ability to realize assets and discharge liabilities in the normal course of business in the foreseeable future and the ability of the Corporation to raise additional capital. Specifically, the recovery of the Corporation's investment in mineral properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Corporation to obtain necessary financing to develop the properties and establish future profitable production from the properties, or from the proceeds of their disposition.



NOTES TO FINANCIAL STATEMENTS (Unaudited)

For the nine months September 30, 2010
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2. ACQUISITION OF SADDLE GOLD INC.

On June 14, 2010 the Corporation acquired Saddle Gold Inc. ("Saddle") by way of a merger transaction whereby a wholly-owned Delaware, USA, subsidiary of Premier merged with and into Saddle pursuant to the applicable provisions of the Delaware General Corporation Law. Saddle owns, among other things, the mineral rights in respect of a majority portion of the Saddle Gold Deposit (the "Saddle Property") and a 1.5% production royalty on the Emigrant Springs Deposit, both located in Elko County, Nevada. The aggregate purchase price was US\$24,000,000, with Premier paying US\$3,100,000 in cash and issuing 5,442,357 common shares at a fair value of CDN\$4.00 per share. Included in purchase consideration were CDN\$984,000 paid in transactions costs. Following completion of the acquisition, Premier holds all of the assets and liabilities of Saddle, including outstanding debt in the principal amount of US\$12,000,000 (see Note 13 - Long term debt).

The purchase consideration totaling CDN \$25,958,791, has been allocated as follows:

Cash	\$ 1,995
Accounts receivable	111,143
Mineral properties	45,045,585
Accounts payable	(516,287)
Future tax liability	(6,380,045)
<u>Long term debt</u>	<u>(12,303,600)</u>
Total net assets	25,958,791
Purchase consideration:	
5,442,357 common shares issued	21,769,428
Cash	4,189,363

3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited interim consolidated financial statements of Premier have been prepared by management on the basis of the Corporation's continuance as a going-concern and follow the same accounting policies as the most recent annual audited financial statements except for the changes as noted below. The interim consolidated financial statement note disclosures do not include all of those required by Canadian generally accepted accounting principles applicable for annual financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the 2009 audited consolidated financial statements. These unaudited interim consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries, Premier Gold Mines USA Inc. and Oro Premier. All inter-company balances and transactions have been eliminated.



NOTES TO FINANCIAL STATEMENTS (Unaudited)

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RECENT ACCOUNTING PRONOUNCEMENTS

Business combinations / consolidated financial statements / non-controlling interests

In January 2009, the CICA adopted sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling Interests" which superseded current sections 1581, "Business Combinations" and 1600, "Consolidated Financial Statements". These sections will be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Earlier adoption is permitted. If an entity applies these sections before January 1, 2011, it is required to disclose that fact and apply each of the new sections concurrently. These new sections were created to converge Canadian GAAP to IFRS. As the Corporation has not chosen to early adopt, these standards will affect the accounting for any business combinations completed after January 1, 2011.

Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January, 2009, the Emerging Issues Committee issued a new abstract concerning the measurement of financial assets and financial liabilities, EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities." There had been diversity in practice as to whether an entity's own credit risk and the credit risk of the counter-party are taken into account in determining the fair value of financial instruments. The EIC reached a consensus that these risks should be taken into account in the measurement of financial assets and financial liabilities. EIC-173 was effective for all financial assets and financial liabilities measured at fair value in interim and annual financial statements issued for periods ending on or after the date of issuance of EIC-173 with retrospective application without restatement of prior periods. The Corporation has applied this new abstract at the date of issuance resulting in no impact on its consolidated financial statements.

Fair Value Hierarchy

In January 2009, the CICA adopted amendments to sections 3862 "Financial Instruments Disclosures". These amendments require the Corporation to present certain information about financial instruments measured at fair value in the Consolidated Balance Sheets. In the first year of application, comparative information need not be presented for the disclosures required by the amendment. Accordingly, the disclosure for the fair value hierarchy is only presented for the December 31, 2009 year end. The following table presents financial assets and liabilities measured at fair value on the consolidated balance sheets in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted in active markets for identical assets or liabilities);
- Level 2: inputs other than quoted prices included within 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 level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. Additional disclosure has been provided for in Note 19 as a result of this section.



NOTES TO FINANCIAL STATEMENTS (Unaudited)

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Mining exploration costs

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

FUTURE ACCOUNTING CHANGES

Convergence with International Financial Reporting Standards

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

The effective date for this change is interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2010 will require the restatement for comparative purposes of quarterly and annual amounts reported by the Corporation for the year ended December 31, 2010. The Corporation is in the process of developing a plan for IFRS convergence. Detailed analysis of the differences between IFRS and the Corporation's accounting policies and assessment of the various alternatives for first time adoption of IFRS are in progress. Training for key employees has begun and will continue throughout implementation. Due to the anticipated changes in IFRS prior to transition, it is currently not possible to fully determine the impact on the consolidated results.

4. CASH AND CASH EQUIVALENTS

	2010	2009
	\$	\$
Cash	5,948,963	4,441,479
Short-term deposits	48,602,572	16,785,499
	54,551,535	21,226,978

As at September 30, 2010, the Corporation held short-term deposits consisting of Canadian dollar denominated short-term financial instruments maturing within 348 days, yielding 0.85% to 1.00% [December 31, 2009 - 35 days, yielding of 0.080% - 0.094%].



NOTES TO FINANCIAL STATEMENTS (Unaudited)

For the nine months September 30, 2010
(with comparative figures as at December 31, 2009)
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5. INVESTMENTS

	2010		2009	
	Fair Value \$	Cost \$	Fair Value \$	Cost \$
Equities				
Canadian equities (*)	101,064	236,152	1,409,400	1,905,177
Other Financial Assets				
Investment in warrants	-	-	80,750	427,500
	101,064	236,152	1,490,150	2,332,677

(*)Canadian equities represent shares of publicly traded entities listed on Canadian exchanges.

Fair value of equities is determined at the bid price as at September 30, 2010 and December 31, 2009.

6. PROPERTY, PLANT AND EQUIPMENT

Details of period-end property, plant and equipment balances are as follows:

	2010		2009	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Office equipment	102,528	67,327	102,528	58,050
Property, plant and equipment, net		35,201		44,478

Amortization for the period is \$9,277 [2009 - \$16,164].



NOTES TO FINANCIAL STATEMENTS (Unaudited)

For the nine months September 30, 2010
(with comparative figures as at December 31, 2009)
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7. MINERAL PROPERTIES

Accumulated costs with respect to the Corporation's interest in mineral properties owned, leased or under option, consisted of the following:

	2010				2009	
	Deferred Exploration Expenditures	Option Payments and acquisition costs	Option Payments Received	Mineral Property Write- downs	Total	Total
	\$	\$	\$	\$	\$	\$
Rahill- Bonanza, Ontario (*)	8,481,362	19,267,617	(440,000)	-	27,308,979	26,279,419
East Bay, Ontario (*)	340,381	6,225,083	-	-	6,565,464	6,291,803
PQ North, Ontario (*)	4,679,689	114,455	-	-	4,794,144	3,555,716
Hardrock, Ontario (*)	28,362,607	4,699,395	-	-	33,062,002	24,952,334
Lennie, Ontario (*)	1,580,247	188,400	-	(1,768,647)	-	1,352,579
Saddle, Nevada	490,039	44,779,464	-	-	45,269,503	-
Other areas(*)	2,392,869	991,693	(41,500)	-	3,343,062	3,268,150
	46,327,194	76,266,107	(481,500)	(1,768,647)	120,343,154	65,700,001

(*) The property descriptions can be found in the December 31, 2009 audited consolidated financial statements.

Saddle Property, Nevada

On June 14, 2010 the Corporation acquired Saddle Gold Inc. ("Saddle"). Saddle owns, among other things, the mineral rights in respect of a majority portion of the Saddle Gold Deposit (the "Saddle Property"). The Saddle Property is located in the heart of the Carlin Trend in Elko, County, Nevada (See Note 2 - Acquisition of Saddle Gold Inc.).

Property write-down

As at March 31, 2010, the Corporation decided to no longer pursue its option to acquire a 100% interest in the Lennie project, and as such \$1,768,647 has been charged against earnings in the period.



NOTES TO FINANCIAL STATEMENTS (Unaudited)

For the nine months September 30, 2010
(with comparative figures as at December 31, 2009)
(Stated in Canadian Dollars)

8. MINERAL PROPERTY HELD FOR SALE

Newman Madsen

Mineral property held for sale includes the Newman Madsen Property with a book value of \$102,064 (2009 - \$102,064). As at September 30, 2010 the Corporation was in discussions with other parties regarding the possible sale of the Corporation's interest in this mineral property.

9. COMMON SHARES

The Corporation is authorized to issue an unlimited number of common shares.

	Number #	Carrying Amount \$
Balance December 31, 2008	78,065,179	61,317,428
Stock options exercised	588,400	1,107,600
Reallocation from contributed surplus amounts relating to the exercise of stock options	-	469,520
Shares issued for mineral properties	240,000	542,400
Shares issued in private placement #1	4,103,600	14,978,140
Share issued in private placement #2	1,500,000	5,475,000
Tax effect of Flow-through share renunciation	-	(4,071,650)
Share issue costs	-	(1,290,355)
Balance, December 31, 2009	84,787,179	78,528,083
Private placement #1	8,000,000	32,000,000
Private placement #2	3,000,000	18,000,000
Stock options exercised	1,050,110	1,888,115
Reallocation from contributed surplus amounts relating to the exercise of stock options	-	1,037,901
Warrants exercised	252,162	696,121
Reallocation from share purchase warrants amounts relating to the exercise of warrants	-	224,435
Shares issued for mineral property	20,000	84,000
Shares issued as compensation	290,000	1,180,300
Shares issued for acquisition of Saddle Gold Inc. (Note 2)	5,442,357	21,769,428
Tax effect of Flow-through share renunciation	-	(5,113,285)
Share issue costs	-	(2,860,601)
Balance, September 30, 2010	102,551,808	147,434,497

2009

Shares issued for Mineral Property #1

The Corporation issued 40,000 common shares valued at \$78,400 to Newcastle Resources Ltd. on April 14, 2009 upon closing of the agreement to acquire the Lennie Property (note 7 - Mineral properties).



NOTES TO FINANCIAL STATEMENTS (Unaudited)

For the nine months September 30, 2010
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Shares issued for Mineral Property #2

The Corporation issued 200,000 common shares valued at \$464,000 on May 20, 2009 to Roxmark Mines Ltd. in relation to the Geraldton Project Joint Venture agreement dated July 18, 2008 (note 7 - Mineral properties).

Private Placement #1

On September 17, 2009, the Corporation completed a private placement (the "Offering") of 4,103,600 flow-through common shares ("Flow-Through Common Shares") at a price of \$3.65 per Flow-Through Common Share, for gross proceeds of \$14,978,140. In consideration of the agents' services in connection with the Offering, the agents were paid an aggregate cash fee equal to 4.5 per cent of the gross proceeds raised in the Offering. In addition, the agents received broker warrants exercisable for common shares of the Corporation equal in number to 4.5 per cent of the Flow-Through Common Shares issued pursuant to the Offering. Of the fees paid to the agents, 5% was paid to a company related to the Corporation through a common director. The broker warrants entitle the holder to purchase one common share at a price of \$2.60 per common share for period of 12 months after the closing date.

Private Placement #2

On November 12, 2009 the Corporation completed a private placement of 1,500,000 flow through common shares (the "Flow Through Share") at a price of \$3.65 per Flow-Through Share, for gross proceeds of \$5,475,000. In consideration of the agents' services in connection with the offering, the agents were paid an aggregate cash fee equal to 3.75 per cent of the gross proceeds raised in the offering. In addition, the agents received broker warrants exercisable for common shares of the Corporation equal in number to 4.5 per cent of the Flow-Through Shares issued pursuant to the offering. The broker warrants entitle the holder to purchase one common share at a price of \$3.20 per common share for period of 12 months after the closing date.

2010

Private Placement #1

On February 2, 2010 the Corporation issued 8,000,000 common shares, on a "bought deal" basis, at a price of \$4.00 per common share for gross proceeds of \$32,000,000. In consideration of the agents' services in connection with the offering, the agents were paid an aggregate cash fee equal to 5 per cent of the gross proceeds raised in the offering.

Private Placement #2

On July 15, 2010 the Corporation completed a private placement of flow-through common shares. Premier issued 3,000,000 Flow-Through Common Shares at a price of \$6.00 per Flow-Through Common Share for aggregate gross proceeds of \$18,000,000.

Shares issued for mineral property

On April 4, 2010 the Corporation issued 20,000 common shares, valued at \$84,000, to Newcastle Resources Ltd. as an early termination penalty for ending the agreement on the Lennie property.

Shares issued as compensation

On March 24, 2010 the Board approved the issuance of 290,000 common shares to various employees as compensation, accordingly, \$1,180,300 was included in stock based compensation during the period.



NOTES TO FINANCIAL STATEMENTS (Unaudited)

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10. SHARE PURCHASE WARRANTS

The following table reflects the continuity of warrants:

Expiry Date	Exercise Price \$	2010 Opening Balance #	Warrants Issued #	Warrants Exercised #	Warrants Expired #	September 30, 2010 Closing Balance #
September 17, 2010	2.60	184,662	-	(184,662)	-	-
November 12, 2010	3.20	67,500	-	(67,500)	-	-
		252,162	-	(252,162)	-	-

The fair value of the share purchase warrants has been estimated using the Black-Scholes option pricing model. The assumptions used for the valuation of the warrants were:

Dividend yield 0%, expected volatility 65% to 67%, a risk-free interest rate of 0.4687% to 0.5692% and an expected life of 1 year.



NOTES TO FINANCIAL STATEMENTS (Unaudited)

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11. SHARE INCENTIVE PLAN

The Corporation has a share incentive plan (the "Plan") which is restricted to directors, officers, key employees and consultants of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to 10% in the aggregate and 5% with respect to any one optionee of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. Options issued under the Plan may be exercised during a period determined by the Board of Directors which cannot exceed ten years.

The following table reflects the continuity of stock options under the Plan:

	Number of Stock Options		Weighted Average Exercise Price	
	2010 #	2009 #	2010 \$	2009 \$
Opening balance	4,861,350	2,839,610	2.20	1.71
Options granted	3,065,000	2,832,640	4.20	2.58
Options cancelled	-	(222,500)	-	1.78
Options exercised	(1,050,110)	(588,400)	1.80	1.88
	6,876,240	4,861,350	3.00	2.20

The following table reflects the stock options outstanding as at September 30, 2010:

Expiry Date	Exercise Price \$	Options Outstanding #
September 15, 2011	1.00	395,000
August 8, 2012	1.95	590,000
March 10, 2013	4.00	100,000
April 25, 2013	2.00	503,000
July 29, 2013	2.59	47,250
October 15, 2013	2.00	10,000
December 24, 2013	1.50	153,350
May 27, 2014	2.50	92,640
June 17, 2014	2.66	2,020,000
April 13, 2015	4.20	2,965,000
		6,876,240

The Corporation applies the fair value method of accounting for all stock based compensation awards and accordingly, \$8,157,240 was recorded as compensation for the 3,065,000 stock options that vested during the period and 290,000 shares awarded as compensation during the period. All of the options currently outstanding are fully vested.

For purposes of the options granted, the fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions: no dividends to be paid, expected volatility of 62% to 66%, a risk-free interest rate of 0.73% to 1.78%, and an expected life of 1 to 5 years.



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12. CONTRIBUTED SURPLUS

The following table reflects the continuity of contributed surplus:

	\$
December 31, 2008	3,597,986
Stock options vested	3,976,438
Stock options exercised	(469,520)
Balance, December 31, 2009	7,104,904
Stock options vested	6,976,940
Stock options exercised	(1,037,902)
Balance, September 30, 2010	13,043,942

13. LONG TERM DEBT

Following completion of the acquisition of Saddle Gold Inc., Premier holds all of the assets and liabilities of Saddle, including outstanding debt in the principal amount of US\$12,000,000 pursuant to a 5% promissory note issued by Saddle, through its wholly owned Delaware subsidiary, Premier Gold Mines USA Inc. The Saddle debt is secured against, among other things, the Saddle property and the Emigrant Springs Royalty, and is payable on a declining balance from August 5, 2010, with the last principal and accrued interest payment due on August 5, 2016. The following table outlines the future principal payments required over the life of the loan:

Anniversary Date	Principal Payment (\$USD)	Principal Payment (\$CDN)
August 5, 2011	1,400,000	1,442,621
August 5, 2012	1,600,000	1,649,600
August 5, 2013	1,800,000	1,855,800
August 5, 2014	2,000,000	2,062,000
August 5, 2015	2,000,000	2,062,000
August 5, 2016	2,000,000	2,062,000
Total	10,800,000	11,134,021



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14. SEGMENTED INFORMATION

The Corporation's significant segments include three distinct geographic areas. The Canadian operations, which are located in Ontario, are managed from the Corporation's head office in Thunder Bay. The U.S. operations are managed from an office in Delaware. The Mexican operations are managed from an office in Mexico City.

<u>LONG TERM ASSETS</u>	<u>LOSS AND COMPREHENSIVE LOSS</u>				
Country/ Region	As at September 30, 2010	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
	\$	\$	\$	\$	\$
Canada	71,688,594	(222,943)	533,132	(9,196,997)	(3,569,958)
U.S.A.	45,269,503	(98,387)		(922,850)	
Mexico	3,385,057	(16,007)		(23,832)	(21,185)
	120,343,154	(337,337)	533,132	(10,143,679)	(3,591,143)

15. LOSS PER SHARE

The basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Fully diluted loss per share is the same as basic loss per share. The effect of common share purchase options and warrants on the net loss is not reflected as to do so would be anti-dilutive.

The following table sets for the computation of basic and diluted loss per share:

	2010	2009
<u>Numerator:</u>		
Net income (loss)	(10,242,796)	(3,310,738)
<u>Denominator:</u>		
Weighted average number of common shares	95,321,082	79,828,219
Basic and diluted loss per share	(0.11)	(0.04)



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16. RELATED PARTIES

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

[a] Included in general and administrative expenses are amounts totaling \$33,588 (2009 - \$33,181) for corporate secretarial services provided by companies related to the Corporation through a common officer.

[b] Included in general and administrative expenses are amounts totaling \$216,070 (2009 - \$255,161), and included in the mineral property expenditures are amounts totaling \$96,105 (2009 - \$112,104) for rent, facilities related charges, and accounting and management services provided by a company related to the Corporation through a common officer.

[c] Included in other revenue are amounts totaling \$23,850 (2009 - \$22,950) for rental of a core shack to a company related to the Corporation through a common director.

17. COMMITMENTS

The Corporation has commitments relating to a contract for facilities, and management and accounting services expiring June 2011, and operating leases for four vehicles expiring April 2011, September 2011, October 2012, and September 2013 respectively.

The minimum annual contract and lease payments for the next four years are as follows:

	\$
2010	190,338
2011	211,329
2012	19,073
2013	6,469
	427,209

Flow-through renunciation

As at December 31, 2009, the Corporation has renounced 100% of its flow-through related resource expenditures to investors. The Corporation had until February 1, 2010 to incur the expenditures before monthly interest charges began to accrue on unspent funds. Interest charges incurred by the Corporation as a result of this income tax legislation are charged to income in the period incurred. Of the \$20,453,140 in flow-through financing raised in 2009 the Corporation has incurred \$14,621,917 in exploration expenditures. Therefore the Corporation must incur an additional \$5,831,223 in exploration expenditures to fulfil its obligation by December 31, 2010.

18. MANAGEMENT OF CAPITAL RISK

The Corporation's objective when managing capital is to safeguard the Corporation's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimises the costs of capital at an acceptable risk. In the management of capital, the Corporation includes the components of shareholders' equity. 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, or acquire or dispose of assets.



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19. MANAGEMENT OF FINANCIAL RISK

The Corporation had no held-to-maturity or available for sale instruments and no allowance for credit losses as at September 30, 2010 and December 31, 2009:

	2010	2009
Financial Assets		
<i>Held for trading, measured at fair value</i>		
Cash and cash equivalents	54,551,535	21,226,978
Investments	101,064	1,490,150
	54,652,599	-
<i>Loans and receivables, measured at amortized cost</i>		
Accounts receivable	602,097	259,188
Financial Liabilities		
<i>Other liabilities, measured at amortized cost</i>		
Accounts payable and accrued liabilities	3,101,359	1,622,016

(a) Currency risk

The Corporation is exposed to the financial risk related to the fluctuation of foreign exchange rates. The functional currency of the corporation is the Canadian dollar. The Corporation operates in Canada, the United States and Mexico and a portion of its expenses are incurred in U.S. dollars, and Mexican Pesos. As at September 30, 2010 the Corporation's subsidiary Premier Gold Mines USA Inc. holds a long term promissary note denominated in U.S. dollars valued at USD\$10,800,000, or CDN\$11,134,021. There are no significant financial instruments denominated in Mexican Pesos. Changes in the currency exchange rates between the Canadian dollar relative to the U.S. dollar and Mexican Peso 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 September 30, 2010 a 100 basis point decrease/increase in the U.S. dollar would result in a foreign exchange gain/loss of CDN\$128,975.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Corporation manages its credit risk by holding cash equivalents and investments through large Canadian financial institutions. Investments (including those presented as part of cash and cash equivalents) are composed of financial instruments guaranteed by the Federal Government of Canada. These investments mature at various dates over the current operating period. The Corporation's receivables consist of sales taxes due from the Federal Governments of Canada and other amounts from Canadian Corporations.

(c) 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.



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(d) Interest rate risk

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

(e) Fair value

Financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable, accrued liabilities and long term debt. The fair value of these financial instruments approximate their carrying value, unless otherwise noted, due to the short terms to maturity. The carrying amount of the Corporation's long term debt approximates the fair value due to the applicable interest rate being in line with market interest rates.

(f) Fair value hierarchy

The financial assets and liabilities measured at fair value in the Consolidated Balance Sheets are grouped into Level 1 for investments.

20. SUBSEQUENT EVENTS

On October 14, 2010 the Corporation entered into Option and Purchase Agreements to acquire interests in three adjoining properties located in the Red Lake Mining Division, in the Province of Ontario. The combined property package will be called the Redgold Project. The Redgold Project is located 80 km east of the Red Lake Gold Mines complex, within the Birch-Uchi greenstone belt.

The first agreement will provide Premier the Option to earn up to a 70% interest in the Bobjo Prospect from Mainstream Minerals (TSX.V:MJO). As part of the agreement, Premier will operate a due diligence drill program that will be funded by Mainstream to confirm earlier results from drilling completed prior to the acquisition. Following the program, Premier can earn its interest by making certain cash and share payments to Mainstream and performing exploration on the Property.

The second agreement will provide Premier the option to acquire a 100% interest in the Woco Prospect from Dollard Mines Ltd., a private company, by paying to Dollard \$250,000 cash and issuing to Dollard 150,000 shares of Premier over a two year period. The Property is subject to a 2% Net Smelter Royalty payable to Dollard, plus an underlying 1% NSR.

The third agreement provides for Premier to acquire 100% of the Raingold Property, comprised of 6 Patented mining claims contiguous with the other two properties that make up the Redgold Project.

21. COMPARATIVE AMOUNTS

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year. These reclassifications have no material effect on the financial statements.