PREMIER
Gold Mines Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2014

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, 2014, with a comparative period for the year ending December 31, 2013, and the notes thereto. The Corporation's condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars. This MD&A was prepared as of August 12, 2014 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.

Cautionary Statement on Forward-Looking Statements

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

Updated Hardrock Development Work

- Updated resource estimate
- Feasibility team secured
- Prospective open-pit targets identified

Continued Success at 2201 Zone at Cove

- Drilling to continue during remainder of year

Consolidation of a 100% ownership interest in Cove-McCoy gold properties

- A binding agreement was signed on August 5, 2014 to consolidate a 100% interest in the Cove-McCoy gold properties located along the Eureka-Battle Mountain Trend

Wilmar Exploration on Rahill-Bonanza Continued at Red lake

- Challenging ground conditions slows drilling progress

Company Overview

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

Canada

In Canada, Premier is active in three districts; the Beardmore-Geraldton Greenstone Belt; the Red Lake Mining District, and the Musselwhite Mine area.

Beardmore-Geraldton Greenstone Belt

This highly prospective high-grade gold district, which had seen relatively little exploration over the past several decades and was dormant until Premier's arrival in 2007, boasts more than 4.1 million ounces of historic gold production.

Since arriving in the district, and through a focused campaign of continuous and aggressive exploration and property consolidation Premier has transformed its interests in this district into what is now referred to as the Trans-Canada Property (100% Premier). The Trans Canada Property covers some of the most strategic ground in the district and is host to several past-producing mines and multiple remaining deposits.

At the heart of Premier's Trans Canada Property lies its flagship project, Hardrock. The Hardrock Project is a development stage project that is progressing toward bankable feasibility in the first half of 2015. The Project which hosts overall indicated resources of 4.87 million ounces gold is the subject of a Preliminary Economic Assessment ("PEA") issued by Stantec -- Mining on March 13, 2014.

Red Lake Mining District

World renowned for high-grade gold, the mines of Red Lake Mining District have produced tens of millions of ounces of gold, making it one of the world's most prolific gold districts. In the heart of the district lies Goldcorp's Red Lake Gold Mine (RLGM), considered to be one of the highest grade producing gold mines in the world. Premier is involved in two projects in the Red Lake Mining District.

Premier's principal project in Red Lake is the Rahill-Bonanza Property (49% Premier) located immediately adjacent to, and along strike from, Goldcorp's RLGM complex and is a joint venture with Goldcorp Inc.'s affiliate, Red Lake Gold Mine. The Rahill-Bonanza joint venture includes the Broulan Reef Property purchased by Premier in 2013, which is immediately adjacent to Goldcorp's Bruce Channel deposit and Cochenour Mine complex.

The second project is the East Bay Property (35% Premier) which is also a joint venture with Red Lake Gold Mines.

Musselwhite Mine Area

The PQ North Property (100% Premier) strategically located just north of, and along strike from, Goldcorp's Musselwhite Gold Mine, encompasses a major fold structure that lies along strike from and within the main rock unit that hosts Musselwhite's gold-bearing ore zones. While not currently active, previous drilling on the property by Premier returned several significant intersections and identified structural units similar to those at the mine.

United States

The principal focus of Premier's Nevada operation is the Cove Gold Property, where ongoing exploration activities are advancing toward the completion of an updated mineral resource estimate. In order to consolidate Premier's interest in the Cove property, an agreement was entered into subsequent to the quarter end that involved the South Carlin property interests.

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

CANADA

Development

Highlights during the quarter include:

- An updated mineral resource estimate for the Company's 100%-owned Hardrock gold deposit confirmed overall indicated resources of 4.87 million ounces and overall inferred resources of 2.74 million ounces gold.

- The addition of a key member of the Premier Technical Team (Bertho Caron – Engineering & Construction Manager). This Technical Team continues to oversee advancing the Hardrock deposit through feasibility studies expected to be complete sometime in mid-2015.

- Hardrock metallurgical work during the quarter continues to support expected process recoveries of 89% to 90%, including gravity gold recovery of some 30%.

- Significant progress has been made with respect to the Hardrock Project through the completion of the following trade-off studies:
    - Size of equipment fleet (excavation and hauling)
    - Tonnage at the mill versus the capital required
    - Commination circuit for very hard rock
    - Power by natural gas versus electricity
    - LNG versus diesel for mine trucks

- Key consulting teams have been secured to support Feasibility work at Hardrock.

- The pit slope study completed by Golder returned the following results related to the maximum inter-ramp slope design on all wall orientations:

    - Maximum Inter-ramp Angle (IRA)

        - The maximum inter-ramp angle ranges from 60.1 degrees (Option 1) to 63.4 degrees (Option 2). Note that the inclusion of geotechnical benches at fixed vertical distance of 100m is key to Option 2.

    - Final Wall Bench Height (H)

        - 20m (double benching with vertical pre-split, no sub-grade drilling and excellent blasting practices).

    - Design Catch-berm Width (B)

        - (Option 1) 11.5m with no fixed spacing for geotechnical benches comprised of 8.0m required catch-berm width to contain rock fall and 3.5m for backbreak. (This results in an IRA 60.1 degrees) or;

        - (Option 2) 10m with fixed spacing for geotechnical benches comprised of 8.0m required catch-berm width to contain rock fall and 2.0m for backbreak, and 100m maximum bench stack height. Every 100m the final bench shall be widened to 16m to provide additional rock fall protection and to provide additional flexibility to the mine plan. Inclusion of the geotechnical bench reduces the overall slope angle every 100m to 60.8 degrees.

Exploration

Trans-Canada Property, Northwestern Ontario

Up to three diamond drills were active during the quarter, with a total of some 9,200 metres being completed at the Hardrock Project. New highlights include:

- A total of eight holes were drilled into the West Bankfield target some 8 kilometres west of Hardrock. This drilling was targeting previous drill intercepts which suggested a near surface and mineralized porphyry body could host ore amenable to open pit mining. New results confirmed the size of the previous intercepts, however, grades were generally 20% to 40% lower than anticipated.

- A program of stripping and channel sampling has begun at Porphyry Hill and other areas with the hope of confirming continuity of mineralization and establishing a small Measured resource in the late 2014 mineral resource evaluation.

- Final infill drilling on the Hardrock resource pit shell was completed during the quarter. The updated Hardrock resource was released in early July and confirmed that additional drilling would be required to convert Inferred resources to Indicated within a larger, deeper and higher grade pit shell.

Red Lake Mining District, Northwestern Ontario

Diamond drilling totalling some 2,099 metres was completed on joint venture projects with RLGM during Q2 2014. This drilling included work at the Rahill-Bonanza (underground platforms) Joint Venture only. Drilling only costs of some $307,600 were incurred at Rahill-Bonanza by the JV.

The Rahill-Bonanza Project (49% Premier & 51% RLGM) 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 was excavated from the 5400 foot Level of Red Lake Gold Mines and intersected several kilometres of some of the highest potential and untested geology in the heart of the Red Lake camp.

Drilling during the quarter continued to meet with challenging ground conditions crossing the extension of the Kovala Fault, while targeting the down plunge extensions of the Wilmar Mine ore horizon. Drilling was successful at crossing the fault in hole D36930 but while drilling to the targeted length, however, the hole deviated close to a pre-existing hole and therefore didn’t provide the planned spacing. By the end of the quarter, the drilling crew was preparing to move out of the Wilmar platform in order to make room for bulk sample material being mined at Bruce Channel. It is anticipated that targets further to the east will be drilled from the main tram platform.

No additional drilling was completed on the East Bay Joint Venture (35% Premier & 65% RLGM) during the quarter. Expenses incurred during the quarter completed work started during Q1.

UNITED STATES

Exploration

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

Some 9,200 metres of drilling was completed by Premier at the Cove Gold Project during Q2 2014 in 21 new and pre-collared holes. Significant progress was made on the property as a result of this aggressive exploration program.

New assay results from the initial holes drilled in 2014 demonstrate continuity in the Cove South Deep Zone and have expanded the mineralized envelope within the recently discovered 2201 Zones. In 2013, drilling within the 2201 Zone intersected 13.22 grams per tonne gold (g/t Au) or 0.39 ounces per ton (oz/t) and 38.67 g/t Ag (1.13 oz/t) across 10.3 metres (m) and 18.96 g/t Au (0.55 oz/t) and 23.00 g/t Ag (0.67 oz/t) across 4.1 m in hole AX-51; and 15.83 g/t Au

(0.46 oz/t) and 38.95 g/t Ag (1.14 oz/t) across 6.1 m in hole PG-02. Step-out drilling on the 2013 discovery holes was completed in 100 m increments, intersecting mineralization over an area approximately 350 m by 300 m and remains open in all directions.

Highlights from recent drilling near the 2201 Zone Discovery include:

- PG14-02:
  - 182.87 g/t Au (5.33 oz/t), 46.90 g/t Ag (1.37 oz/t), 0.10% Pb/Zn across 1.5 m (5.0 ft)
- PG14-03:
  - 40.23 g/t Au (1.17 oz/t), 203.17 g/t Ag (5.93 oz/t), 1.58% Pb/Zn across 4.9 m (16.2 ft)
- PG14-05:
  - 28.38 g/t Au (0.83 oz/t), 33.40 g/t Ag (0.97 oz/t), 0.89% Pb/Zn across 1.5 m (5.0 ft)
  - 11.33 g/t Au (0.33 oz/t), 72.64 g/t Ag (2.12 oz/t), 2.45% Pb/Zn across 4.3 m (14.0 ft)

PG14-01 was an exploration hole drilled from the north edge of the pit and returned low gold values. Step-out hole's PG14-02 and PG14-03 were drilled approximately 200 m west of the initial discovery holes in the 2201 Zone showing the potential to define resources in this horizon. Additional step-out and infill drilling continues to focus on the 2201 Zone.

The 2201 Zone was discovered when drilling (hole, AX-46) intersected massive, semi-massive, sheeted veins and stringer mineralization in the deeper Dixie Valley formation, which was not previously known to be a significant ore host on the property. Mineralization within the 2201 Zone occurs approximately 225 meters (740 feet) below the historic Cove Pit, and in the vicinity of several "feeder" structures that were mined within the pit, confirming Premier's belief that these structures could also serve as conduits for mineralization in the rock units beneath the pit which have previously received little attention.

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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, 2013	Year ended December 31, 2012	Year ended December 31, 2011
	$	$	$
Operations			
Investment and other income	778,440	829,351	551,176
Loss for the year:			
From continuing operations	(29,244,473)	(21,418,662)	(16,802,929)
From discontinued operations	(82,230)	(19,472,853)	(18,580)
	(29,326,703)	(40,891,515)	(16,821,509)
Basic and diluted loss per share			
Continuing operations	(0.19)	(0.15)	(0.15)
Discontinued operations	-	(0.14)	-
	(0.19)	(0.29)	(0.15)
Comprehensive loss for the year:			
From continuing operations	(26,832,683)	(22,720,903)	(16,662,139)
From discontinued operations	(82,230)	(19,472,853)	(18,580)
	(26,914,913)	(42,193,756)	(16,680,719)
Comprehensive loss for the year attributable to:			
Non-controlling interest	(29,018)	(8,779,849)	-
Owners of the parent	(26,885,895)	(33,413,907)	(16,680,719)
	(26,914,913)	(42,193,756)	(16,680,719)
Balance Sheet			
Working capital	58,749,981	72,650,601	31,952,072
Total assets	408,492,298	480,411,927	315,983,355
Total liabilities	50,690,531	65,977,643	39,828,954

The Corporation prepares its consolidated annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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Quarterly Information

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

Quarter	2014 Second $	2014 First $	2013 Fourth $	2013 Third $	2013 Second $	2013 First $	2012 Fourth $	2012 Third $
Investment and other income	168,500	177,681	148,464	168,625	238,999	222,352	255,199	97,151
Other significant income / (loss):								
Unrealized gain (loss) on investments	2,683,333	19,549,913	7,756	3,669,875	(19,842,302)	(12,701,886)	-	-
Realized gain (loss) on sale of investments	(976,583)	(13,954,677)	(4,056,851)	(5,289,129)	(687,491)	1,595	-	-
Gain on disposal of subsidiary	-	-	-	-	-	37,978,038	-	-
	1,706,750	5,595,236	(4,049,095)	(1,619,254)	(20,529,793)	25,277,747	-	-
Net income (loss) for the period								
Continuing operations	(33,481,441)	4,135,956	(12,703,459)	(7,544,891)	(29,130,087)	20,133,964	(7,425,935)	(4,883,587)
Discontinued operations	-	-	-	-	-	(82,230)	(18,868,109)	(179,297)
	(33,481,441)	4,135,956	(12,703,459)	(7,544,891)	(29,130,087)	20,051,734	(26,294,044)	(5,062,884)
Basic and diluted income / (loss) per common share								
Continuing operations	(0.22)	0.03	(0.09)	(0.05)	(0.19)	0.14	(0.05)	(0.04)
Discontinued operations	-	-	-	-	-	-	(0.14)	-
	(0.22)	0.03	(0.09)	(0.05)	(0.19)	0.14	(0.19)	(0.04)
Comprehensive income / (loss) for the period:								
Continuing operations	(34,723,843)	5,744,579	(12,311,555)	(8,653,943)	(27,154,677)	21,287,492	(7,697,512)	(5,880,526)
Discontinued operations	-	-	-	-	-	(82,230)	(18,868,109)	(179,297)
	(34,723,843)	5,744,579	(12,311,555)	(8,653,943)	(27,154,677)	21,205,262	(26,565,621)	(6,059,823)
Total long-term liabilities	38,055,028	38,742,454	37,968,971	42,093,606	38,746,497	45,613,777	44,377,147	44,377,519
Cash dividends	-	-	-	-	-	-	-	-

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Overall performance

Six months ended June 30, 2014 and 2013

Loss from continuing operations for the six months ended June 30, 2014 was $29,345,485 compared to a loss of $8,996,123 for the same period of the previous year for a variance of $20,349,362. The main items contributing to the variance are impairment charges, investment gains and losses and deferred taxes as further discussed below.

The variances for the six months ended June 30, 2014 compared to the same period of 2013 are:

	2014 YTD Q2 $	2013 YTD Q2 $	Increase (Decrease) $
EXPENSES			
Depreciation and impairment loss on property, plant and equipment	58,807	2,408,764	(2,349,957)
Impairment loss on exploration and evaluation assets	33,390,698	4,385,041	29,005,657
Share-based payments	579,369	2,479,989	(1,900,620)
Flow-through interest penalty	(139,365)	11,649	(151,014)
General and administrative	1,810,614	1,990,912	(180,298)
Professional fees	210,528	264,905	(54,377)
Exploration expenses	163,355	105,363	57,992
Property maintenance	241,002	206,683	34,319
Long term debt accretion	451,307	832,813	(381,506)
Environmental rehabilitation accretion	45,686	-	45,686
	36,812,001	12,686,119	24,125,882
Loss from operating activities	(36,812,001)	(12,686,119)	(24,125,882)
Investment income	320,868	429,351	(108,483)
Other income	25,313	32,000	(6,687)
Unrealized gain (loss) on investments	22,233,246	(32,544,188)	54,777,434
Foreign exchange gain (loss)	(141,855)	77,600	(219,455)
Gain (loss) on sale of investments	(14,931,260)	(685,896)	(14,245,364)
Interest expense	-	(20,831)	20,831
Gain on sale of Premier Royalty	-	37,978,038	(37,978,038)
	7,506,312	5,266,074	2,240,238
Loss before income taxes	(29,305,689)	(7,420,045)	(21,885,644)
Current tax expense	(23)	(18,537)	18,514
Deferred tax expense	(39,773)	(1,557,541)	1,517,768
Loss for the period from continuing operations	(29,345,485)	(8,996,123)	(20,349,362)
Loss for the period from discontinued operations	-	(82,230)	82,230
Loss for the period	(29,345,485)	(9,078,353)	(20,267,132)
Exchange difference on translation of foreign operations	366,221	3,128,938	(2,762,717)
Comprehensive loss for the period	(28,979,264)	(5,949,415)	(23,029,849)
Continuing operations	(28,979,264)	(5,867,185)	(23,112,079)
Discontinued operations	-	(82,230)	82,230
	(28,979,264)	(5,949,415)	(23,029,849)

The significant items with variances include:

- A decrease of $2,349,957 in depreciation and impairment loss on property, plant and equipment due to the write down of the Northern Empire mill and related mining equipment in 2013 to the estimated fair market value less cost to sell.

- An increase of $29,005,657 in impairment loss on mineral properties

    - $33,390,698 was taken in 2014 due to transfer of the Saddle property in Nevada as part of the acquisition of the Cove-McCoy property as described in Note 21 to the condensed consolidated interim financial statements

    - $4,385,041 was taken in 2013 based on the evaluation of non-core assets and market conditions.

- A decrease in share-based payments of $1,900,620 due to the timing of option grants in 2013 compared to 2014.

- A decrease in long term debt accretion of $381,506 due to the $10,000,000 repayment of the Cove debt in June of 2013.

- A combined increase in the total realized and unrealized net investment gains for the period this year compared to last year of $2,554,032. This period last year included the sale of Premier Royalty and resulting unrealized losses on the subsequent investment. As the resulting investment is being liquidated (approximately 80% to date), the unrealized losses are reversing and are replaced with realized losses with a positive net gain this period of $7,301,986.

- Foreign exchange gain (loss) changed by $219,455 as a result of the use of U.S. cash during the period and the related reversal of unrealized gains from 2013.

- A decrease in deferred taxes of $1,517,768 directly related to the flow through funding obligations existing last year which do not exist for this period this year; the last flow through financing was completed in October, 2012.

- Included in the loss from discontinued operations for the six months ended June 30, 2013 are the revenue and expenses for Premier Royalty Corporation which were reclassified to discontinued operations as a result of the disposition of Premier Royalty Corporation in January 2013 as discussed in the audited consolidated financial statements for the year ended December 31, 2013. There was no corresponding activity during the same period in 2014.

Three months ended June 30, 2014 and 2013

The loss for the three months ended June 30, 2014 was $33,481,441 compared to a loss of $29,130,087 for the same period of the previous year for a variance of $4,351,354. The main items contributing to the variance for the quarter are impairment charges, investment gains and losses and deferred taxes as further discussed below.

The variances for the three months ended June 30, 2014 compared to the same period of 2013 are:

	2014 Q2 $	2013 Q2 $	Increase (Decrease) $
EXPENSES			
Depreciation and impairment loss on property, plant and equipment	29,888	2,381,428	(2,351,540)
Impairment loss on exploration and evaluation assets	33,390,698	4,385,041	29,005,657
Share-based payments	274,559	569,246	(294,687)
Flow-through interest penalty	(145,000)	(17,473)	(127,527)
General and administrative	869,789	968,992	(99,203)
Professional fees	84,525	165,953	(81,428)
Exploration expenses	127,429	36,276	91,153
Property maintenance	147,828	125,614	22,214
Long term debt accretion	201,106	394,779	(193,673)
Environmental rehabilitation accretion	22,843	-	22,843
	35,003,665	9,009,856	25,993,809
Loss from operating activities	(35,003,665)	(9,009,856)	(25,993,809)
Investment income	160,254	215,716	(55,462)
Other income	8,246	23,283	(15,037)
Unrealized gain (loss) on investments	2,683,333	(19,842,302)	22,525,635
Foreign exchange loss	(354,072)	(14,888)	(339,184)
Loss on sale of investments	(976,583)	(687,491)	(289,092)
Interest expense	-	(20,831)	20,831
	1,521,178	(20,326,513)	21,847,691
Loss before income taxes	(33,482,487)	(29,336,369)	(4,146,118)
Current tax recovery (expense)	(4)	822	(826)
Deferred tax recovery	1,050	205,460	(204,410)
Loss for the period	(33,481,441)	(29,130,087)	(4,351,354)
Exchange difference on translation of foreign operations	(1,943,592)	1,975,410	(3,919,002)
Deferred tax recovery	701,190	-	701,190
	(1,242,402)	1,975,410	(3,217,812)
Comprehensive loss for the year	(34,723,843)	(27,154,677)	(7,569,166)

The significant items with variances include:

- A decrease of $2,351,540 in depreciation and impairment loss on property, plant and equipment due to the write down of the Northern Empire mill and related mining equipment in 2013 to the estimated fair market value less cost to sell.

- An increase of $29,005,657 in impairment loss on mineral properties
  - $33,390,698 was taken in 2014 due to transfer of the Saddle property in Nevada as part of the acquisition of the Cove-McCoy property as described in Note 21 to the condensed consolidated interim financial statements
  - $4,385,041 was taken in 2013 based on the evaluation of non-core assets and market conditions.
- A decrease in share-based payments of $294,687 due to the valuation of option grants in 2013 compared to 2014.
- A decrease long term debt accretion of $193,673 due to the $10,000,000 repayment of the Cove debt in June of 2013.
- A combined increase in the total realized and unrealized net investment gains for the period this year compared to last year of $22,236,543. This period last year included significant unrealized losses on the investment realized from the sale of Premier Royalty. As the resulting investment is being liquidated and current market conditions, the unrealized losses are reversing and are replaced with realized losses with a positive net gain this period of $1,706,750.
- Foreign exchange loss increased $339,184 as a result of the reversal of unrealized gains from Q1 as exchange rates for U.S. dollar declined 3 basis points from March, 2014 to June, 2014.

Other comprehensive income

Included in the comprehensive income for the six months ended June 30, 2014 is an exchange gain on the translation of foreign operations of $366,221 compared to a gain of $3,128,938 for the same period of 2013. The swing of $2,762,717 is due to the strengthening of the U.S dollar from December 31, 2012 to June 30, 2013 (5.7 basis points) as opposed to minimal change from December 31, 2013 to June 30, 2014 (0.3 basis points). As the exchange difference decreased significantly during the three months ended June 30, 2014, related deferred taxes were reversed from Q1.

Financial position at June 30, 2014 and December 31, 2013

Total assets decreased by $33,657,087 from $408,492,298 to $374,835,211 for the period December 31, 2013 to June 30, 2014:

- Current assets decreased by $12,685,498 (see "Liquidity and Capital Resources").
- Restricted cash and cash equivalents increased $3,434 due to exchange rate differences between December 31st and June 30th, no further bonds have been posted during the period.
- Exploration and evaluation assets decreased $21,093,732, with additions of $12,113,010 in continuing exploration and evaluation expenditures and $183,956 in currency adjustments offset by an impairment charge of $33,390,698.

The exploration and evaluation additions during the period ended June 30, 2014 of $12,113,010 is made up of the following:

- $6,133,053 or 51% was spent at Hardrock Project in Geraldton, Canada including:
  - $2,730,547 on exploration activities
    - $1,680,027 in drilling related costs
    - $528,656 in geological costs for exploration including wages and salaries
    - $271,366 in analytical and sampling costs
    - $250,498 in operations support and related costs

- $3,402,506 on activities related to the preliminary economic assessment and feasibility studies for Hardrock development
  - $664,093 on management salaries and administration
  - $74,367 in geological consulting
  - $482,320 on mine development studies
  - $862,688 on metallurgical studies
  - $1,046,273 in environmental permitting and related costs
  - $161,743 in infrastructure studies
  - $111,022 in capitalized community relations costs

- $629,610 or 5% of exploration spending was for the Corporation's joint venture exploration activities at the Bonanza and East Bay projects in Red Lake, Canada.

- A further $5,290,557 or 44% of total expenditures was on the Cove property located in Nevada, USA, $4,456,480 for drilling related costs, geological including wages and benefits of $330,900, $211,825 for analytical costs and $291,352 for operations support and related costs.

As a result of the transfer of the Saddle and Blue Sage mineral properties as described in Note 21 to the condensed consolidated interim financial statements, it was determined that an impairment charge of $33,390,698 should be recorded for the period.

Total liabilities decreased by $10,342,215 with the main items being the $10,000,000 Cove debt repayment to Victoria Resources (US) Inc. and a decrease in accounts payable and accrued liabilities of $853,068 for activity related to the period.

Liquidity and capital resources

At June 30, 2014, the Corporation had cash and cash equivalents of $49,723,702 ($52,552,321 at December 31, 2013). The decrease in cash and cash equivalents of $2,828,619 over the six months ended June 30, 2014 was due to the following:

- $15,925,838 net cash received on the sale of investments

- $85,023 cash received on the exercise of stock options

- $1,939,976 cash used in operating activities offset by positive changes in working capital of $222,433

- $12,881,983 cash used in exploration and evaluation activities

- $19,297 for capital purchases

- $5,000,000 cash debt repayment representing 50% of the Cove debt repayment with the balance being paid in shares

The Corporation has financed a large portion of its Canadian exploration activities with 2012 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 for the year ended December 31, 2013 or for the period ended June 30, 2014. The Company is financing current exploration and development spending through previous financings and liquidation of investments related to the sale of Premier Royalty. The Company anticipates that it has sufficient cash to manage current projects through 2015.

As at June 30, 2014 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 153,789,713 were outstanding as of August 12, 2014. As at August 12, 2014 the Corporation had outstanding options to purchase an aggregate of 12,903,162 common shares under its share incentive plan with exercise prices ranging from $1.40 to $7.45 per share, and expiry dates ranging from June 17, 2014 to May 2, 2019 as discussed in Note 11 to the condensed consolidated interim financial statements for the three and six months ended June 30, 2014. As of June 30, 2014 there were 650,000 unvested stock options.

As at June 30, 2014 the Corporation had no warrants outstanding. On April 5, 2014, 50,000 common share purchase warrants with an exercise price of $6.62 expired.

Outlook

Management continues to review both core and non-core properties to ensure they contribute to the overall vision of the Corporation; as a result, non-core properties identified in the 'Other areas' section of the exploration and evaluation assets described in Note 8 to condensed consolidated interim financial statements at June 30, 2014 are being evaluated for potential disposition. In addition, the mill and mining equipment acquired as a result of the 2011 Goldstone acquisition has been identified as superfluous to the Trans-Canada property. A disposition of this type would include the related liabilities associated with the properties including the asset retirement obligations discussed below. A non-binding letter of intent was entered into on April 25th which would see the mill and several of these properties sold. As the letter of intent is non-binding and conditional on several factors, the assets and related liabilities have not been reclassified as held for sale at this point in time.

Commitments

The following is a summary of the commitments of the Corporation as at June 30, 2014:

	2014	2015	2016	2017	2018	Total
	$	$	$	$	$	$
Long term debt	53,350	53,350	53,350	53,350	53,350	266,750
Contracts and operating leases	1,232,401	361,441	224,939	73,258	-	1,892,039

The Corporation has contractual commitments related to its development activities at Hardrock included in contracts and operating leases.

Provisions

The Corporation has two environmental rehabilitation obligations related to properties acquired as a result of the 2011 Goldstone acquisition which include:

	June 30, 2014	December 31, 2013
	$	$
Northern Empire Mill, Ontario	**2,379,211**	2,351,185
Faymar-Deloro, Ontario	**1,369,855**	1,352,195

Activity for the period is accretion as discussed in Note 10 to the June 30, 2014 condensed consolidated interim financial statements.

Transactions with related parties

Transactions are as disclosed in Note 16 to the June 30, 2014 condensed consolidated interim financial statements with no significant changes for the period.

Contingency

Contingency is as disclosed in Note 20 to the June 30, 2014 condensed consolidated interim financial statements with no significant changes during the period.

Subsequent event

On August 5, 2014 the Corporation announced that it has entered into an agreement with Newmont Mining Corporation (Newmont) to consolidate a 100% ownership interest in the Cove-McCoy gold properties located along the Eureka-Battle Mountain Trend in Nevada. In securing the acquisition, the Corporation will make staged payments to Newmont over 18 months equal to US$21,000,000, of which US$15,000,000 is payable on signing, and will transfer all land sections that comprise its South Carlin project including the Saddle and Blue Sage properties. In addition, the Corporation will assume existing reclamation and environmental liabilities associated with the property and is required to replace existing financial surety with the United States Bureau of Land Management in the amount of US$4,417,691.

The acquisition includes the following:

- 100% interest in the consolidated Cove-McCoy property package (now totaling 31,000 acres or 48 square miles).
- Elimination of "back-in" rights previously held by Newmont as well as a revision of the royalty terms held by Newmont from a "potential" 5.0% royalty (NSR) to a 1.5% NSR.
- The potential to define near-surface heap leachable mineralization at McCoy that could be prioritized towards development.
- Existing infrastructure, including lined heap leach pads that could potentially be utilized under a renewed development scenario.
- A "good faith efforts" processing arrangement with Newmont over a 10-year period within a 12-year window for ores mined at Cove-McCoy
- Premier will retain a 1.5% Net Smelter Royalty ("NSR") in the South Carlin property interests.

Financial instruments and related risks

The Corporation's operations include the acquisition and exploration of mineral properties in Canada, the 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 and market risk. Market risk incudes fair value interest rate risk, currency risk and security price risk. 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 period.

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 one year 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, 2014, 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.

[c] Market risk

i) 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.

ii) 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 recognized 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, 2014	December 31, 2013
	$	$
Cash and cash equivalents	2,601,328	7,948,582
Restricted cash and cash equivalents	1,079,832	1,076,391
Accounts receivable	27,930	46,018
Accounts payables and accrued liabilities	385,438	409,959
Long term promissory note	204,310	190,288

There are no significant financial instruments in Mexican pesos.

During the period ended June 30, 2014, the Corporation recognized a foreign exchange loss of $141,855 and an exchange gain on the translation of foreign operations in comprehensive income of $366,221. As of June 30, 2014, if the Canadian dollar to the U.S. dollar exchange rate increases or decreases by 10%, the Corporation's net income or loss will increase or decrease by $193,127 and the Corporation's other comprehensive income (loss) will increase or decrease by $4,460,300.

iii) Security price risk

Security price risk is the risk that the fair value or future cash flow of the Corporation's financial instruments will fluctuate because of the changes in the market price. In situations where the Corporation has taken a position in the securities of another entity, the Corporation manages its exposure to price risk by monitoring the market(s) where the entity's securities trade and planning the divestiture accordingly.

The Corporation only takes a position in another entity where it has a strategic objective; or as a result of a purchase or sale transaction.

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

[d] Fair value

IFRS 13 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		Total	
	June 30, 2014	December 31, 2013	**June 30, 2014**	December 31, 2013	**June 30, 2014**	December 31, 2013
	$	$	**$**	$	**$**	$
Investments	**8,892,837**	17,516,690	**-**	-	**8,892,837**	17,516,690

Set out below are the Corporation's financial assets by category:

	Fair value through profit or loss		Loans and receivables		Total	
	June 30, 2014	December 31, 2013	**June 30, 2014**	December 31, 2013	**June 30, 2014**	December 31, 2013
	$	$	**$**	$	**$**	$
Cash and cash equivalents	**-**	-	**49,723,702**	52,552,321	**49,723,702**	52,552,321
Accounts receivable	**-**	-	**199,038**	1,285,757	**199,038**	1,285,757
Investments held for sale	**8,600,455**	17,381,833	**-**	-	**8,600,455**	17,381,833
Restricted cash and cash equivalents	**-**	-	**3,938,706**	3,935,272	**3,938,706**	3,935,272
Investments	**292,382**	134,857	**-**	-	**292,382**	134,857
	8,892,837	17,516,690	**53,861,446**	57,773,350	**62,754,283**	75,290,040

Set out below are the Corporation's financial liabilities by category:

	Fair value through profit or loss		Other financial liabilities		Total	
	June 30, 2014	December 31, 2013	**June 30, 2014**	December 31, 2013	**June 30, 2014**	December 31, 2013
	$	$	**$**	$	**$**	$
Accounts payable and accrued liabilities	**-**	-	**2,241,292**	3,094,360	**2,241,292**	3,094,360
Long term debt	**-**	-	**204,309**	9,779,028	**204,309**	9,779,028
	-	-	**2,445,601**	12,873,388	**2,445,601**	12,873,388

The fair value of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying value due to their short term nature. The fair value of the Corporation's long term debt is also approximated by its carrying value.

Management of capital

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, acquire or dispose of assets or acquire new debt.

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 2015.

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, 2014. Based on this assessment, management believes that, as of June 30, 2014, 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, 2014.

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 12, 2014