



**PREMIUM EXPLORATION INC.**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**30 September 2010**

**PREMIUM EXPLORATION INC.**  
**Report to Shareholders and**  
**Management Discussion and Analysis**  
**For the Quarter Ended 30 September 2010**

**TO OUR SHAREHOLDERS:**

This Management Discussion and Analysis (“MD&A”) supplements, but does not form part of, the Interim Consolidated Financial Statements for the quarter ended 30 September 2010. Consequently, the following discussion and analysis of the financial condition and results of operations for Premium Exploration Inc. (“Premium” or the “Company”), should be read in conjunction with the unaudited Interim Consolidated Financial Statements for the Quarter ended 30 September 2010, and related notes therein, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”), consistently applied.

Discussion of the Company, its operations and associated risks are further described in the Company’s filings, available for viewing at [www.sedar.com](http://www.sedar.com). A copy of this MD&A will be provided to any applicant upon request.

**FORWARD-LOOKING STATEMENTS**

Certain statements contained in the following MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth in the Company’s filings and herein. Additional information regarding the Company, including copies of the Company’s continuous disclosure materials is available on the Company’s website at [www.premiumexploration.com](http://www.premiumexploration.com) or through the SEDAR website at [www.sedar.com](http://www.sedar.com).

The table below sets forth the significant forward-looking information included in this MD&A:

<b>Forward-Looking Information</b>	<b>Key Assumptions</b>	<b>Most Relevant Risk Factors</b>
The acquisition of the Buffalo Gulch, Friday-Petsite and Deadwood properties was a significant gain for the Company	The properties will contain zones of mineralized content and hold potential for open pit mining	The properties may not contain the amount of mineralization expected by Management and may not ultimately result in a viable resource.
Future funding for ongoing operations	The Company will be able to raise these funds	The Company has disclosed that this may be difficult and failure to raise these funds will materially impact the Company’s ability to continue as a going concern
The progress in adoption of International Financial Reporting Standards	Adoption will be successful due to the planning and changeover governing the last 3 quarters.	The Company’s ability to meet the future obligations for compliance reporting requirements.

**GENERAL**

Premium Exploration is a mineral exploration company which explores and develops precious metals properties. The Company currently holds projects in varying stages of development from advanced exploration to pre-production projects in Montana and Idaho, USA. and Mexico.

Premium's Idaho Gold Properties (Buffalo Gulch, Friday-Petsite, Deadwood and Dixie) reside along a 28 Km strike zone, known as the Orogrande Shear Zone (OSZ). The OSZ is host to four established gold mineralized zones with open-pit heap leach potential. The mineralized zones have been interpreted as the result of a high-grade conduit and feeder model. As of the date of this report, the Company is in the final stages of the third phase of the planned 12,000 meter (40,000 ft) Drill Program on the Friday-Petsite property.

Premium's Chrome Mountain Property, located in Montana within the Stillwater Complex, is a 970 hectare, PGM and gold target. The property is located approximately 1.5 km from the East Boulder Mine's underground drift within the ultramafic layered intrusion of the Stillwater Complex. Exploration programs from 2006 through 2008 included the drilling of 19 holes and over 2 km of soil geochemistry which identified an extensive zone of platinum, palladium and rhodium mineralization. Premium's geologists have concluded that the broad and laterally extensive PGM soil anomalies were formed by the same type of processes that formed the Platreef disseminated PGM-Cu-Ni deposits in South Africa.

Two of the Idaho Gold Properties (Buffalo Gulch and Friday/Petsite) are the primary exploration properties held by the Company – see *Mineral Exploration* for further detail.

#### **SIGNIFICANT EVENTS, TRANSACTIONS AND EVENTS SUBSEQUENT TO THE END OF THE PERIOD**

The third quarter of 2010 was a transitional time for the Company. Premium was faced with the sudden passing of CEO and Chairman of the Board, Wilf Struck, P.Eng. on July 6<sup>th</sup>. Wilf was an integral member of the Premium team, and his passing was a great loss to the Company. Wilf contributed significantly to the exploration success and geological understanding of the Chrome Mountain and Idaho Gold properties. In the interim, Del Steiner, President, has re-assumed the role of CEO and Chairman of the Board.

On the 7<sup>th</sup> of July, Premium appointed Mr. Colin Jones to the Board of Directors, and Mr. Michael P. Ostenson accepted the position as VP-Exploration. Mr. Jones is the Executive Vice-President of Dundee Resources Limited and has 30 years of experience as a mining, exploration and consulting geologist. He is responsible for sourcing investment opportunities globally in exploration and development companies as well as management of associated technical evaluation and due diligence programs. In addition, he acts as a technical consultant to a number of investee companies and monitors development progress of these companies.

Mr. Michael P. Ostenson, P. Geo., has been with Premium since May 2009 as the Project Geologist for the Company's Idaho Gold Projects and was directly involved with the planning and execution of the Phase I, II and III drill programs. Mr. Ostenson is familiar with the geology surrounding the Idaho Gold Projects as well as the Company's Chrome Mountain Project, located within the Stillwater Complex in Montana.

The Company also announced the resignation of Barney Green Lee Portillo from its Board of Directors, on the 17<sup>th</sup> of July.

In April 2010, Premium announced a brokered private placement which closed in escrow on the 17<sup>th</sup> of June pending the review and approval of the of the merger of Clearwater Mining Corporation ("Clearwater") with Premium Exploration Inc., USA ("Premium USA"), by the TSX Venture Exchange ("TSX-V"). At the request of the Company, the trading shares of Premium were halted on June 18<sup>th</sup> and remained halted at the request of the TSX-V until the 2<sup>nd</sup> of July, when Premium fulfilled its escrow closing conditions for the completion of the \$10,000,000 brokered private placement. The Company closed the first tranche of the financing on July 5<sup>th</sup>, with the issuance of 32,000,000 Units for gross proceeds of \$8,000,000. The second and final tranche closed July 7<sup>th</sup>, with the issuance of 8,000,000 units for gross proceeds of \$2,000,000.

The merger between Premium USA, a wholly-owned subsidiary of Premium Exploration Inc., and Clearwater was a significant gain for the Company. Clearwater was the 100% owner of three advanced gold projects: Buffalo Gulch, Friday-Petsite, Deadwood and an exploration stage project, Dixie. These four projects are located along the Orogrande Shear Zone in central Idaho.

Under the terms of the merger, the shareholders of Clearwater received an aggregate total of 3,000,000 common shares (issued July 2<sup>nd</sup>, 2010) of Premium, along with a 1% Net Smelter Returns royalty (“NSR”) on the Friday-Petsite Project, and 60 ounces of gold from initial production (the “Transaction”). The NSR is payable quarterly upon the commencement of commercial production of gold from the Friday-Petsite Project up to a total of US\$3,000,000 in royalty payments.

Premium also revised the underlying royalty agreement with Kria Resources Ltd (“Kria”) and Valencia Ventures Inc. (“Valencia”). The revised royalty agreement (the “Royalty Agreement”) replaced the 2007 agreement between Clearwater, Kria (then Beartooth Platinum Corp.), and Valencia, governing the acquisition of the Buffalo Gulch Project. Under the Revised Royalty Agreement Premium paid Kria USD\$585,000 (in a combination of cash and shares) and USD\$500,000 (in a combination of cash and shares) to Valencia. The Revised Royalty Agreement also includes a 0.75% NSR on the Buffalo Gulch Project each to Kria and Valencia upon commercial production.

As a condition of the approval for the merger, Premium signed an undertaking to provide an updated, Independent Technical Report in compliance with NI 43-101 and the policies of the Exchange. The Exchange granted its approval on July 2<sup>nd</sup>, due to the death of then CEO Wilf Struck, a 30-day extension was requested by the Company and approved by the Exchange. The Technical Report has been submitted to the Exchange.

Over the course of the third quarter, Premium maintained its focus on the Orogrande Shear Zone (OSZ) and made significant strides in further defining the mineralized structure along the OSZ. The Company’s vision of developing a new mining district along the OSZ began with the ongoing development of the Friday-Petsite project. Friday-Petsite is the most advanced of several known mineralized zones located along the OSZ.

Assay results for the first three holes from the Phase III Drill Program were released July 21<sup>st</sup>. With holes PFR2010-1 and PFR2010-2 intersecting the same mineralized zone encountered in hole PFR2009-10; which returned 2.66 g/t gold over 198.4 meters including 9.16 g/t gold over 25.3 meters . **PFR2010-3, the first step-out hole, was designed to test the continuity of mineralization along strike in a newly discovered mineralized zone located directly beneath, and not included in, the existing bulk-tonnage NI 43-101, 531,890 oz inferred resource.** The new zone, referred to as the “Lower Block” added 300 meters of strike length to the mineralized zone.

Due to the presence of sulphides, magnetite and hematite, a small airborne geophysics program was conducted on the Friday-Petsite property in July. The magnetic data correlates well with the soil geochemistry and delineates the OSZ, most notably the location of the Friday Fault. The findings of the airborne geophysics program led Premium to conduct a program which covered the length of the OSZ. The results led Premium to expand the Deadwood claim block by adding 134 claims to the existing 110 claims. The airborne geophysics program also confirmed that the OSZ is a significant regional structure which consists of multiple targets and links Buffalo Gulch, Deadwood, Aurum and the Friday-Petsite properties.

In August, the next three holes of the Phase III program were released. Holes PFR2010-4, PFR2010-5 and PFR2010-6, advanced the development of the Lower Block by further defining the structure of this zone. Hole PFR2010-4 confirmed the location of the thrust fault, the high-grade mineralization and established that the Lower Block is a minimum of 100 meters wide at depth.

Premium released holes PFR2010-7, PFR2010-8, PFR2010-10, PFR2010-11, PFR2010-12 and PFR2010-13 in mid-September. These six holes, in addition to the six holes previously released, had the effect of doubling the down-

dip extension of the deposit. These holes terminated in mineralization and demonstrate the potential of resource growth.

Holes PFR2010-14, PFR2010-15, PFR2010-16, and PFR2010-17 were released in November. These four holes continue to encounter gold mineralization which continues to be open to the north, south and depth.

<b>Friday-Petsite 2010 Phase III Results to Date</b>				
<b>Hole ID</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Length (m)</b>	<b>Au (g/t)</b>
<b>PFR2010-1</b>	<b>0.0</b>	<b>203.0</b>	<b>203.0</b>	<b>0.98</b>
<i>including</i>	182.0	203.0	21.0	2.61
<b>PFR2010-2</b>	<b>14.6</b>	<b>289.6</b>	<b>275.0</b>	<b>1.84</b>
<i>including</i>	213.4	289.6	76.2	5.74
<i>including</i>	213.4	228.3	14.9	22.18
<b>PFR2010-3</b>	<b>221.0</b>	<b>378.9</b>	<b>157.9</b>	<b>2.23</b>
<i>including</i>	221.0	295.4	74.4	3.65
<b>PFR2010-4</b>	<b>149.3</b>	<b>299.3</b>	<b>150.0</b>	<b>1.5</b>
<i>including</i>	254.8	291.7	36.9	2.5
<i>including</i>	210.0	214.9	4.9	8.3
<b>PFR2010-5</b>	<b>98.1</b>	<b>365.1</b>	<b>267.0</b>	<b>0.9</b>
<i>including</i>	292.9	365.1	72.2	1.5
<i>including</i>	292.9	303.9	11.0	3.4
<b>PFR2010-6</b>	<b>118.0</b>	<b>344.0</b>	<b>226.0</b>	<b>0.5</b>
<i>including</i>	118.0	134.4	16.4	2.5
<b>PFR2010-7</b>	<b>192.9</b>	<b>367.9</b>	<b>175.0</b>	<b>0.6</b>
<i>including</i>	192.9	223.1	30.2	1.1
<i>including</i>	192.9	203.9	11.0	1.7
<b>PFR2010-8</b>	<b>161.9</b>	<b>324.3</b>	<b>162.4</b>	<b>0.7</b>
<i>including</i>	247.2	285.0	37.8	1.2
<i>including</i>	259.4	268.5	9.1	3.1
<b>PFR2010-10</b>	<b>152.7</b>	<b>324.0</b>	<b>171.3</b>	<b>0.8</b>
<i>including</i>	149.0	175.6	26.5	1.2
<i>including</i>	240.8	250.9	10.1	2.9
<b>PFR2010-11</b>	<b>122.2</b>	<b>230.1</b>	<b>107.9</b>	<b>0.8</b>
<i>including</i>	135.0	177.1	42.1	1.1
<b>PFR2010-12</b>	<b>70.0</b>	<b>190.5</b>	<b>120.5</b>	<b>0.7</b>
<i>including</i>	129.5	150.3	20.8	1.1
<i>including</i>	174.0	190.5	16.5	1.2



Friday-Petsite 2010 Phase III Results to Date				
Hole ID	From (m)	To (m)	Length (m)	Au (g/t)
<b>PFR2010-13</b>	<b>65.8</b>	<b>288.0</b>	<b>222.2</b>	<b>0.7</b>
<i>including</i>	121.0	162.2	41.2	1.2
<i>including</i>	146.6	158.5	11.9	2.3
PFR2010-14	89.3	130.8	41.5	1.1
<i>including</i>	130.8	211.90	81.1	1.2
<b>PFR2010-15</b>	169.2	374.3	205.1	0.8
<i>including</i>	169.2	276.8	106.6	1.2
<b>PFR2010-16</b>	211.2	367.0	155.8	0.8
<i>including</i>	292.0	367.0	75.0	1.0
PFR2010-17	159.7	366.4	206.7	0.8
<i>including</i>	176.2	302.4	126.2	1.0
<ul style="list-style-type: none"> <li>The gold grade calculation is a weighted mean with no top cut, and no bottom cut. The grade calculation includes internal waste and low grade sections.</li> <li>True widths are estimated to be between 65% and 75% of the drilled interval.</li> </ul>				

In October, Premium added 774 new claims to the southern end of the OSZ, which increased the land package by 200%. Premium now has 1,168 claims (95 sq Km) over the entire Orogrande Shear Zone. These claims expanded the main project areas of Buffalo Gulch, Deadwood, Aurum, and Friday-Petsite with the addition of Project X on the southern end.

Premium changed its auditor from Davidson & Company to Meyers Norris Penny in October.

## **MINERAL EXPLORATION**

### ***Chrome Mountain, Montana, USA***

The Chrome Mountain Project is a platinum, palladium, rhodium and gold target consisting of 970 hectares and is located approximately 1,500m from the East Boulder Mine within the Stillwater Complex. Premium is reviewing exploration results to date on this property. Exploration programs from 2006 to 2008 included the drilling of 19 holes and over 2 km of soil geochemistry which identified an extensive zone of platinum, palladium and rhodium mineralization. Exploration and drilling in 2007 and 2008 focused on a large PGM soil anomaly measuring 2,500 metres x 800 metres, which hosts up to 1.2 g/t Pt plus Pd Rd over 116.7 metres at surface and encountered mineralization similar to a combination of Platreef and UG2 styles of mineralization.

Premium's geologists believe that the "A" and "B" chromitites have not yet been intersected by drilling to date. Although the mineralized intercepts contained chromites, they appear to be above the zone that hosts the "A" and "B" chromitite horizons. Dr. Reid Keys, Ph.D., of Monash University concluded that the broad and laterally extensive PGM soil anomalies were formed by the same type of processes that formed the Platreef disseminated PGM-Cu-Ni deposits in South Africa.

An exploration program has been designed to follow up on the discovery of the new Platreef exploration model and is scheduled to start in Q3 of 2010. Platreef is one of the most profitable styles of mineralization as it is

located near surface, which lends itself to simple surface mining procedures and typically has large tonnages. Consequently, the mining methods benefit from the economics of scale.

The Pine Claim fault on the property is a conduit for gold mineralization. The fault remobilized PGM's associated with the "A" and "B" chromitite horizons. Premium will conduct a surface mapping and sampling to further define the limits of the gold bearing system of the Pine Claim Shear Zone.

### ***Orogrande Shear Zone – Idaho, USA***

The Orogrande Shear Zone is a gold mineralization belt 28 km long in strike length and hosts many of the 219 mapped prospects which make up "Elk City Gold Belt". This includes at least 13 minor historic producers from the early 20th century. Extensive placer mining has taken place along the streams which parallel and cross the Orogrande Shear Zone which is comprised of the following three sections: the North Orogrande Shear Zone, the South Orogrande Shear Zone and the Central Orogrande Shear Zone ("OSZ"). The OSZ is believed to be the mineralizing conduit for the entire 28 km strike length of the geologic structure. A 12,000 meter drill program, which includes Phases I, II and III is anticipated to be completed by the end of Q4 2010. Premium now controls 1,168 claims over the OSZ which covers 9,454 hectares and is comprised of 5 projects; Buffalo Gulch, Deadwood, Aurum, Friday-Petsite, and Project X.

### ***North Orogrande Shear Zone – Buffalo Gulch, Idaho, USA***

The Buffalo Gulch Property is located at the northern end of the Orogrande Shear Zone. An exploration program of ground geophysics, soil sampling along mineralized horizons and mapping is being developed. A preliminary drill program is being developed for Buffalo Gulch which will include 17 holes totalling 3,700 meters. Drilling is designed to test the high-grade mineralization below the currently defined Buffalo Gulch deposit as well as along strike.

### ***Central Orogrande Shear Zone - Deadwood, Idaho USA***

The Central Orogrande Shear Zone is located between Buffalo Gulch on the northern extension of the shear zone and the Friday-Petsite property on the southern extension of the shear zone.

The preliminary drill plan for the Central Orogrande Shear Zone will include 8 holes totalling 1,700 meters. Drilling on the Central Orogrande Shear Zone is designed to intersect the Orogrande Shear Zone in the area as delineated by past soil geochemistry surveys over a 6 km strike length. The drill program is subject to the permitting applications which are being processed.

### ***South Orogrande Shear Zone – Friday/Petsite, Idaho, USA***

The property is located in the vicinity of Elk City, Idaho and is comprised of two properties Friday-Petsite and the Dixie Property (the Dixie Property is discussed separately). The Friday=Petsite property includes two past-producing mines locally known as the Orogrande Mine and the Frisco Pit.

Premium developed a 12,000 meter (40,000 ft.), three phase, drill program designed to systemically test the 28 kilometre Orogrande Shear Zone (OSZ) modelled as the conduit for the high grade zones and feeder for the disseminated gold zones. The program is anticipated to be completed by the end of Q4 2010.

### **Phase I Drill Program**

The Phase I Program consisted of seven HQ core holes which were drilled to a depth of 153 meters. Total footage drilled in Phase I equalled 853.4 meters of the planned 12,000 meter program. The phase of drilling was designed to delineate the high-grade component of the resource, test the continuity of mineralization on the OSZ along strike to the north and south of the existing resource, and to provide minor in-fill drilling. The geologic model developed by Premium confirmed a steep easterly dip and intersected the Orogrande Shear Zone to the north and south of the main zone of mineralization.

## **Phase II Drill Program**

The Phase II Drill Program totaled 1,969.9 meters of the overall 12,000 meter program and consisted of six HQ core holes. The program was designed to further delineate the northern and southern extension of mineralization for additional strike length of 560 meters; 185 meters north and 375 meters south of the existing resource as well as down dip to a depth of 275 meters. The drill holes in this phase encountered the same geology, structures and mineralization as seen in the Phase I program and all holes intercepted mineralization at depth and along strike. The results of the Phase II program led Premium's team to a better understanding of the geologic and structural controls of mineralization. The mineralization encountered in the drill holes consists of a broad zone of lower grade gold mineralization associated with the shear zone, surrounding a higher grade gold core which has been intruded by a post mineral Dacite Dike.

## ***Phase III Drill Program – See Significant Events & Transactions***

### ***Dixie, Idaho, USA***

The Dixie Property is located near the South Orogrande Shear Zone. It is not part of the South Orogrande Shear Zone, but may be associated with a second shear zone in the area that is similar to the South Orogrande Shear Zone. The underlying geology is that of igneous rocks intruding early Precambrian metamorphic rocks. Anomalous gold areas have been identified by stream sediment and soil geochemical sampling. Premium intends to complete a general exploration program to investigate the anomalous areas in order to locate targets for drilling. The property is classified by Micon as an early-stage exploration property where geochemical surveys have outlined areas of anomalous gold values.

### ***San Pedro Analco, Jalisco, Mexico***

The San Pedro Analco property consists of 1,136 hectares and is located in Jalisco, Mexico, approximately 70 Km northwest of Guadalajara. Premium has an option to earn 100% of the property by making cash payments and exploration expenditures over three years. San Pedro is a past producer with production from five underground mines.

The Company did not make the required option payments in September 2009 and is in default on this contract. Negotiations have reached an impasse.

## **Results of Operations**

The loss for the period ended 30 June 2010 was \$1,858,668 which compares to a loss of \$761,168 in same quarter of 2009.

	<b>3 months 2010</b>	3 months 2009	<b>9 months 2010</b>	9 months 2009
<b>Resource property expense</b>	<b>\$ 1,928,000</b>	\$ 180,000	<b>\$ 2,802,000</b>	\$ 485,000

Variance increase (decrease)

**1,624,000**

**2,435,000**

Resource property expenditures have increased significantly over the comparative period. This is a direct result of increased exploration and drilling activity on the Friday-Petsite property. The Company completed financing late in the second quarter and has aggressively been pursuing the planned drilling program. This variance is as expected by management and consistent with all published activities.

	<b>3 months 2010</b>	3 months 2009	<b>9 months 2010</b>	9 months 2009
<b>Stock based compensation</b>	\$ 97,000	\$ 39,000	\$ 322,000	\$ 209,000
Variance increase (decrease)	<b>38,000</b>		<b>137,000</b>	

The Company incurs stock based compensation expense upon the vesting of options within the period. The vesting date of options granted varies depending on the terms and conditions set within the individual agreements, as well as the timing of their respective issuance. A new grant of options vested 25% on granting and has impacted these results.

	<b>3 months 2010</b>	3 months 2009	<b>9 months 2010</b>	9 months 2009
<b>Management fees</b>	\$ 87,000	\$ 50,000	\$ 236,000	\$ 137,000
Variance increase (decrease)				

The increase is a result of increased activity through the period, and the requirement for a larger management team resulting from the activity in exploration

	<b>3 months 2010</b>	3 months 2009	<b>9 months 2010</b>	9 months 2009
<b>Shareholder relations</b>	\$ 105,000	\$ 33,000	\$ 269,000	\$ 99,000
Variance increase (decrease)				

The increase in shareholder relation expense is due to communication activities to investors as a result of accelerated exploration activities and a higher level of consumer demand in the market place.

	<b>3 months 2010</b>	3 months 2009	<b>6 months 2010</b>	9 months 2009
<b>Professional fees</b>	\$ 57,000	\$ 53,000-	\$ 170,000	\$ 128,000
Variance increase (decrease)				

The three month period shows no material change and the nine month period reflects the increase fees for the audit and fees related to the June financing and acquisition of resource properties.

	<b>3 months 2010</b>	3 months 2009	<b>9 months 2010</b>	9 months 2009
<b>Travel</b>	\$ 50,000	\$ 12,000	\$ 170,000	\$ 59,000
Variance increase (decrease)				

Travel expense has increased over 2009 as a result of growing exploration activity within the Company, calling for key management personnel to travel on location more than they have in the past.

## SUMMARY OF QUARTERLY RESULTS

### Financial Data for the Last Eight Quarters

Three Months Ended	Sep-10 \$	Jun-10 \$	Mar-10 \$	Dec-09 \$
Total Revenues	Nil	Nil	Nil	Nil
Loss from continuing operations	2,180,000	1,859,000	485,000	\$1,301,546
Loss for the period	2,180,000	1,859,000	485,000	\$1,301,546
Loss per share	(0.02)	(0.03)	(0.01)	(0.02)

Three Months Ended	Sep-09 \$	Jun-09 \$	Mar-09 \$	Dec-08 \$
Total Revenues	Nil	Nil	Nil	Nil
Loss from continuing operations	\$444,885	\$313,830	443,264	912,975
Loss for the period	\$444,885	\$313,830	443,264	912,975
Loss per share	(0.01)	(0.01)	(0.02)	(0.03)

The variance between this quarter and the preceding arises principally because of increased exploration activity after the completion of the June financing, which allowed the Company to put extra drills on the site.

The quarter ended June 10 was higher than the preceding quarter because of roll out of the drill program in spring.

The quarter end Dec 2009 was higher because of the fall drilling program

### **OUTSTANDING SHARES**

As at 30 September 2010, the Company had 114,068,519 common shares issued and outstanding versus 46,451,219 common shares issued and outstanding at 30 September 2009. The fully diluted amount of 161,596,185 represents options of 7,891,250 and warrants of 39,636,416

## FINANCIAL POSITION AND LIQUIDITY

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and notes payable. The Company has no speculative financial instruments, derivatives, forward contracts or hedges.

Currency & credit risk – All of the Company's Canadian cash is held in an interest bearing account at a major bank and such balances earn interest at market rates. The Company also maintains cash in the US\$ and the Mexican Peso. The cash balances and payables that are denominated in foreign currencies are subject to currency risk due to fluctuations in the exchange rate between the currencies. To manage this risk the Company maintains only the minimum amount of foreign cash required to fund its ongoing exploration expenditures.

Fair Value – As at 30 September 2010 and 2009 the carrying values of receivables, accounts payable and accrued liabilities and notes payable approximate their fair values due to their short term to maturity.

It is management's opinion that the Company is not exposed to significant credit, interest rate, liquidity or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the

## ***CAPITAL RESOURCES AND COMMITMENTS***

The Company has agreements with the President, the CEO and CFO as laid out below:

The President & CEO has signed a contract for a term of three years which expires 30 April 2012. Under the terms of the contract, the President receives monthly payment of USD\$10,500. This contract may be cancelled upon the Company providing six months advance notice.

The CFO has signed a contract for a term of three years which expires 30 April 2012. Under the terms of the contract, the CFO receives a monthly payment of CDN\$5,000. This contract may be cancelled upon the Company providing six months advance notice.

The Company has entered into an operating agreement for its corporate head office premises. The annual commitments under the lease are as follows:

2010	\$	30,943
2011		41,258
2012		6,876
<b>Total</b>	<b>\$</b>	<b>79,077</b>

## ***OFF-BALANCE SHEET ARRANGEMENTS***

The Company had no off-balance sheet arrangements as at 30 September 2010 and as at the date hereof.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

On 13 February 2008, the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canada's current generally accepted accounting principles for publicly accountable profit oriented enterprises effective 1 January 2011. The Company is presently considering the effect these standards will have on its accounting statements.

The Canadian Accounting Standards Board ("AcSB") has confirmed that publicly accountable enterprises will be required to adopt IFRS effective for fiscal years beginning on or after January 01, 2011. The Company will therefore be required to report using IFRS commencing with its unaudited interim consolidated financial statements for the three months ended 31 March 2011, with comparative statements, as required, being restated in accordance with IFRS presentation.

Based on management's assessment of the Canadian Securities Administrators ("CSA") Notice 52-320, "Disclosure of Expected Changes in Accounting Policies Relating to Changeover to IFRS," the following areas may be impacted:

- accounting policies, financial statement preparation, and implementation decisions, including selecting amongst policies permitted under IFRS and whether to apply specific changes retrospectively or prospectively;
- information technology and data systems;
- internal control over financial reporting;
- disclosure controls and procedures including investor relations and external communications plans;
- training requirements and communications, and;
- business activities, such as foreign currency activities, which may be influenced by Canadian GAAP measures.

The Company has established an implementation team to develop and implement the changeover plan to IFRS on a timely basis. The table below represents a current assessment of the Company's efforts to name, understand and enact the required changes:

<b>Area of Impact</b>	<b>Noted Key Activities</b>	<b>Anticipated Deadlines/Targets</b>	<b>Current Progress</b>
Accounting policies and financial statement presentation	Identify differences between IFRS and Canadian GAAP Select IFRS 1 accounting policy choices  Quantify the effects of IFRS 1 disclosures for 2010 financial statements  Prepare financial statements and related note disclosures to comply with IFRS	Identification and quantification of significant effects is expected to be complete before the current year-end  Final selection of accounting policy choices prior to close of the 1 <sup>st</sup> quarter of the new year	Have not noted any identifiable material impacts that may appear in the IFRS interim financial statements for the period 31 March 2011  Management continues to monitor for further changes that be revealed during this process
Information technology and data systems	Identify and address IFRS differences that will impact financial systems	Changes have been finalized during the fourth quarter and we estimate they are completed	No material change has been noted at this time. Management continues to use accounting systems which provide access to up to date information
Internal control over financial reporting	Processes and procedures for measuring and reporting to be revised to accommodate significant changes Parallel reporting of 2010 under both systems required	The change-over is being completed during the fourth quarter  2010 to be adjusted for IFRS during 2011	We do not see significant changes being required at this time.
Disclosure controls and procedures	See above	See above	This disclosure in the MD&A is the chief impact to date.
Training and communication	Provide team training where necessary Communicate progress to stakeholders	Training to be continued during the final quarter of 2010 with continuous improvement meaning that	Such training and communication is ongoing.

		this will always be an ongoing project	
Business activities	Identify any existing contractual arrangements that may be impacted	Review completed in the 3 <sup>rd</sup> quarter	No material impacts have been noted to date.

As at 30 September 2010 the Company has identified what it believes to be current GAAP applicable to the Company that will be affected by the changeover and differences with the corresponding IFRS and has outlined appropriate policy choices allowed under IFRS.

Management submitted a document outlining the differences between current GAAP and IFRS, appropriate policy choices and their impact on the Company's financial statements and business processes to the Audit committee e for discussion. The Audit Committee is still in discussion but has accepted the proposed changes for consideration. The Audit Committee is overseeing the IFRS project, and hold Management accountable for a successful transition. Possible substantive impacts that management expects IFRS will have on the Company's financial position are summarized in the following table. IFRS will also have more extensive disclosure and analysis of balances and transactions in the notes to the financial statements.

Key areas	Canadian GAAP	IFRS	Preliminary analysis
Mineral properties and deferred exploration	Exploration, evaluation and development costs can be either capitalized or expensed when incurred	IFRS has only limited guidance on this topic and currently allows the Company to carry its current treatment	Recommend to expense the exploration evaluation and development cost
Stock-based compensation	Stock-based compensation is determined using the Black Scholes option pricing model. Allows the option to use straight-line method or accelerated method to account for graded vesting features	Stock-based compensation is determined using the Black Scholes option pricing model. For graded-vesting features, each installment is to be treated as a separate share option grant because each installment has a different	The recognition of the value of stock- based compensation will not necessarily create material differences
Functional currency	Similar, with less specificity	IFRS supplies a specific hierarchy for making this decision, which requires significant judgment in the application of the guidelines. This may require a review of functional currency by various parents or subsidiaries	Management has reviewed, considered and concluded that the functional currency of both the parent and significant subsidiaries should use the Canadian dollar as the functional currency, which is consistent with GAAP.

## RELATED PARTY TRANSACTIONS

Transactions and balances with related parties not disclosed elsewhere in the financial statements are as follows:

The above transactions, occurring in the normal course of operations are measured at the exchange amount, the amount of consideration established and agreed to by the parties.

### *DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE*

Consistent with other companies in the mineral exploration industry, Premium has no source of operating revenue. The Company's 30 September 2010 Interim Financial Statements provide a breakdown of the general and administrative expenses for the period under review and an analysis of the capitalized and expensed exploration and development costs incurred on its mineral properties (-).

### *INVESTOR RELATIONS ACTIVITIES*

With respect to public relations, the Company's policy is to provide information from its corporate offices to investors and brokers directly.

### **MANAGEMENT**

Premium is dependent upon the personal efforts and commitments of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of Premium could result, and other persons would be required to manage and operate the Company.

### **RISK FACTORS**

Companies operating in the mining industry face many and varied kinds of risks. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical. Following are the risk factors most applicable to the Company:

Exploring and developing mineral resource projects bears a high potential for all manner of risks. Additionally, few exploration projects successfully achieve development due to factors that cannot be predicted or foreseen. Moreover, even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company closely monitors its activities and those factors that could impact them, and employs experienced consulting, engineering, insurance and legal advisors to assist in its risk management reviews.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

At present the principal activity of the Company is the exploration and development of gold, silver and PGM resource properties. The feasible development of such properties is highly dependent upon the price of the gold, silver and PGM commodities. A sustained and substantial decline in these commodity prices could result in the write-down, termination of exploration and development work or loss of its interests in identified resource

properties. Although such prices cannot be forecasted with certainty, the Company carefully monitors factors that could affect these commodity prices in order to assess the feasibility of its resource projects.

## APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this Annual Management Discussion and Analysis.

Respectfully submitted  
on behalf of the Board of Directors

*"Delbert W. Steiner"*

*Delbert W. Steiner*  
President & CEO