



PREMIUM EXPLORATION INC.

MANAGEMENT DISCUSSION AND ANALYSIS
Year Ended
31 December 2010

PREMIUM EXPLORATION INC.
Report to Shareholders and
Management Discussion and Analysis
For the Year Ended 31 December 2010

TO OUR SHAREHOLDERS:

This Management Discussion and Analysis (“MD&A”) supplements, but does not form part of, the Consolidated Financial Statements for the year ended 31 December 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 audited Interim Consolidated Financial Statements for the year ended 31 December 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. 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 or through the SEDAR website at www.sedar.com.

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

Forward-Looking Information	Key Assumptions	Most Relevant Risk Factors
The new claims acquired by the Company that reside along the Orogrande Shear Zone are 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 4 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 holds projects in varying stages of development from advanced exploration to pre-production projects in Montana and Idaho, USA.

Premium's Idaho Gold Project (formerly called the Idaho Gold Properties) resides along a 30 Km trend, known as the Orogrande Shear Zone (OSZ). The Idaho Gold Project consists of five known mineralized zones within the OSZ: the Friday Zone; the Deadwood Zone; the Buffalo Gulch Zone; the Project X Zone and the recently discovered Monday Zone. These zones have been interpreted to be the result of a high-grade conduit and feeder model. As of the date of this report, the Company had completed its +10,000 metre Phase Three Drill Program and has started its 25,000 metre, Phase Four Drill Program.

Premium's Chrome Mountain Property is located within the Stillwater Igneous Complex in South-Central Montana. The property is a 1,473 hectare, PGE target, located approximately 1.5 km from Stillwater Mining Companies East Boulder Mine. Limited exploration programs in 2007 and 2008, and ~5 km of soil geochemistry along strike identified an extensive platinum and palladium anomaly. Premium's geologists have concluded that the PGE mineralization on the Chrome Mountain Property may have been formed by a similar type of process that formed the Platreef disseminated PGE-Cu-Ni and UG2 deposits in South Africa.

SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

During the fourth quarter of 2010, Premium completed its Phase Three Drill Program which consisted of 10,354 meters of drilling in 24 holes, with one hole being lost due to ground conditions. Premium's Phase Three program focused on the development of the Lower Block of the Friday-Petsite deposit; the expansion of the current resource and additional exploration for zones of gold mineralization along the Orogrande Shear Zone. Results of Premium's Phase Three Drill program can be viewed on the Company's website at www.premiumexploration.com.

During the quarter, Premium added 1,176 new claims to the southern end of the OSZ, increasing the Company's land package by 300%. Premium controls 1,504 unpatented claims, 5 patented claims, and one State of Idaho Minerals Lease over 12,472 hectares (124.72 sq Km) which covers a large portion of the +30 Km Orogrande Shear Zone trend.

A new understanding of the structural controls regarding the mineralization which covers the OSZ, prompted Premium's geologists to further refine their "Exploration Strategy". Through the use of soil sampling and geophysics Premium's geologic team has been able to locate and define fault structures, which has led to Premium's 100% drill success, as this strategy assists in providing data for new drill targets.

Results of the 30 Km airborne geophysical survey in November, revealed a zone of conductivity interpreted to be the Orogrande Shear Zone. The strong regional extent of the zone of conductivity compares with known zones of gold mineralization within the Buffalo Gulch, Deadwood and Friday Zones. Soil geochemistry, current and historic drilling, geophysical, geochemical, and geological data link these zones together along trend.

Due to the correlation in these zones, Premium conducted a 3-km Dipole-Dipole Geophysical Survey at the Buffalo Gulch and Deadwood zones in order to refine drill targets for the Phase Four Drill Program. Results of this geophysical survey are anticipated early in 2011.

During the last quarter of 2010, the Phase Three Drill Program revealed two new zones of mineralization; the Lower Block, and the Monday Zone. The Lower Block is located within the Friday Zone and is the down-dip and along strike extension of the initial 549,000 oz/Au Friday-Petsite Inferred Resource (15 Mt at 1.1 g/t Au at 0.5 g/t Au cut-off.) The Monday Zone is a parallel mineralized fault zone 300m west of the Friday-Petsite resource.

Premium is working on an updated resource calculation for the Friday-Petsite deposit, which is expected to be completed by the end Q1 of 2011 and will include the new drill results from the Phase One, Two and Three Drill Programs.

During the month of October, Premium changed its auditor from Davidson & Company to Meyers Norris Penny; and in December, the Company elected to drop the option on San Pedro Anasco, a silver property located in Jalisco, Mexico.

EVENTS SUBSEQUENT TO THE END OF THE PERIOD

During the month of January, Premium released the results of the last four holes of the Phase Three Drill Program. One of the holes, PFR2010-21 was an in-fill hole which intercepted the Upper and Lower Bock mineralization, terminating in the Friday Fault. This hole appears to have been drilled into a "mineralized shoot", a feature commonly associated with Shear Zone deposits. The results of this hole substantiates Premium's geological model and confirms the continuity of the Friday Fault.

In February 2010, Premium announced a third gold discovery, the second Monday Zone. The widest step-out drill-hole to the south, PFR2010-22, intercepted the Monday Fault Zone, along the same geophysical-structural anomaly as previously released PFR2010-19. The second Monday Zone is a confirmation drill-hole, 900m along strike to the south of the first Monday Zone. It is interpreted as being contiguous to the first Monday Zone discovery based upon geophysics, mineralization, geochemistry, and alteration. This third zone successfully confirmed the Company's exploration strategy of drilling structures identified through geophysics.

Premium also enhanced their engineering and geological team in preparation for the preliminary assessment of the Friday-Petsite deposit. The Company announced the addition of Robert Todd, P.Eng., Mark Pfau, L.P.Geo., and Doug Parker, P.Geo. to the team. Robert Todd, P.E., is a professional mine engineer registered in Nevada, Idaho and Montana and is responsible for the Preliminary Assessment of the Friday-Petsite Deposit. Mr. Todd brings over 30 years of engineering; mine design, underground, open pit, environmental permitting, operational compliance, precious metals recovery, and refining experience to Premium.

Mark Pfau, MSc., was brought on board as the Independent Qualified Person for the updated resource estimate for the Friday-Petsite Deposit. Mr. Pfau is an international economic geologist with 26 years of experience in base metals, precious metals, and coal. Mr. Pfau was involved in the original resource estimate of the Friday-Petsite deposit for Kinross Gold Corp in 1999. He focuses on advanced project management, resource and reserve expansion, NI-43-101 issues, and bridging the gap between exploration and production.

Doug Parker brings over 30 years of experience as a Hydrologist and Geologist to Premium and will be assisting with the Preliminary Assessment, specializing in the areas of water quality, environmental engineering and permitting. He is a Registered Professional Geologist in Washington and has extensive experience with mine related issues including both underground and open pit mining, water quality, wetlands, threatened-endangered species, and expertise coordinating with regulatory agencies.

In March, the Company reported the geochemical results from over 4,500 soil samples taken from the Deadwood Zone. The samples were collected from previously unexplored territory within the Deadwood Zone in an effort to refine targets identified by airborne geophysics for the Phase-Four Drill Program. The results are comparable to the gold-in-soil anomalies within the Friday and Buffalo Gulch Zones, which correlate with known mineralization along the Orogrande Shear Zone.

Results of the revised NI 43-101 resource estimate on the Company's Friday-Petsite deposit located within the Friday Zone were announced in late March. The Friday-Petsite resource resides within 1.4 Km of strike length and is comprised of three zones.

The Main Zone hosts: 343,000 Indicated oz Au
 (800 m of 1.4 Km strike length) 789,000 Inferred oz Au

North and South Zones host: 100,000 Inferred oz Au

Cut-Off Grade (g/t Gold)	Classification	Tonnes	Grade (g/t Gold)	Ounces Gold
1.00	Indicated	2,918,000	1.56	146,000
0.75	Indicated	5,778,000	1.21	225,000
0.50	Indicated	11,818,000	0.90	343,000
0.25	Indicated	23,404,000	0.64	482,000
0.00	Indicated	38,120,000	0.44	542,000

Cut-Off Grade (g/t Gold)	Classification	Tonnes	Grade (g/t Gold)	Ounces Gold
1.00	Inferred	9,312,000	1.60	479,000
0.75	Inferred	16,641,000	1.28	683,000
0.50	Inferred	26,378,000	1.04	879,000
0.25	Inferred	37,077,000	0.84	1,007,000
0.00	Inferred	45,502,000	0.71	1,043,000

The mineral resource of this project is an Inferred and indicated resource, consistent with the CIM definition of an Inferred and Indicated resource as referenced in NI 43-101. The effective date of the resource is March 28, 2011. As required under section 4.2 (5) (a) of NI 43-101, a technical report detailing this resource will be posted to SEDAR within 45 days of the effective date.

Premium announced the start of the Phase-Four Drill Program in late March. The main focus of the Phase-Four program is to demonstrate the district size potential of the Idaho Gold Project by discovering and delineating new zones of mineralization. Recent soil sampling results along with geophysics will be used to refine the drill targets for the program. West Core Drilling out of Elko, Nevada, has been contracted to provide four drills; two of which have started. One drill is located at the Friday Zone and the second drill is located at the Buffalo Gulch Zone testing an anomaly identified by IP geophysics. The Phase-Four Program will include over 100 drill-targets, up to 10,000 soil samples and additional geophysics. Premium will focus its efforts on continuing to delineate the current resource at the Friday-Petsite Project and refine the known zones of mineralization along the Orogrande Shear Zone.

MINERAL EXPLORATION

Chrome Mountain, Montana, USA

The Chrome Mountain Project is a PGE target consisting of 182 contiguous claims in 1,473 hectares along 10Km of strike length on the Stillwater Complex in south-central Montana. A limited amount of exploration has been completed on the property and includes a 5Km long PGE-in-soil anomaly; drilling of 19 holes during 2007 and 2008; surface mapping; and airborne and ground geophysics.

Drilling confirmed potential PGE mineralization along the A-B Chromitite Zone with intervals of up to 1.0 g/t PT+PD over 116.7 m with higher-grade intervals of up to 4.0 g/t PT+PD over 7.3 m. The A-B Chromitite Zone is characterized by high-grade narrow horizons within a broad envelope of disseminated lower-grade mineralization.

The 2011 exploration program has been designed to follow-up on the A-B Chromitite Zone. A conceptual model has been developed by Premium and is designed to test for lateral continuity along strike. Exploration will include 5Km of PGE-in-soil sampling; 5 Km² of surface geological mapping; and 5,000 m of drilling.

Idaho Gold Project, Orogrande Shear Zone – Idaho, USA

The Orogrande Shear Zone is a trend of gold mineralization +30 Km in strike length and hosts many of the 219 mapped prospects which make up “Elk City Gold Belt”. This includes at least 20 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. The OSZ is believed to be the mineralizing conduit for the entire 30 Km strike length of the geologic structure. A +12,000 meter drill program, covering Phases One, Two and Three was completed in Q4 2010. Premium now controls 1,504 claims over the OSZ which covers 12,472 hectares and is comprised of 5 zones; Buffalo Gulch Zone, Deadwood Zone, Friday Zone, the Monday Zone, and the Project X Zone.

Buffalo Gulch Zone - Idaho, USA

Buffalo Gulch is the most northern zone along the 30 km Orogrande Shear Zone in North-Central Idaho under Premium’s control and hosts an historic 111,000 oz Indicated gold resource in 4.8 Mt @ 0.8 g/t Au (0.4 g/t cutoff)* which was once fully permitted for open-pit production in 1991 by Bema Gold Inc. The existing oxide deposit, as delineated by previous operators, is open along strike and depth and is located within 0.5 Km of the 4.0 Km of soil and geophysical anomalies. To date, no drilling at depth beyond 150 meters has been conducted to test high-grade sulphide potential.

The Buffalo Gulch Zone is defined by a 4.0 Km north-south trending gold-in-soil anomaly with only a small portion of the anomaly being drill tested by previous operators. In November of 2010, Premium announced that a 1.5-km ground magnetic geophysical survey identified the west-bounding “Monday Fault”, which correlates with the north-south trending 4.0 Km gold-in-soil anomaly. Mineralization, gold-in-soils, and ground magnetic geophysical anomalies coincide with the main north-south trending +30Km OSZ.

The historic resource is located 0.5 Km of the 4.0 Km gold-in-soil anomaly. The Buffalo Gulch Zone will be further explored in the Phase Four Drill Program with gold-in-soil sampling, geophysics, and drilling.

**The historic resources as calculated by the Bema Gold subsidiary “Idaho Gold Corporation” were prepared prior to the introduction of NI43-101, but were carried out in accordance with established practice at that time. Idaho Gold estimated “proven and probable geologic reserves” of oxide material to a depth of 220 feet as 4.839 million short tons at a grade of 0.023 ounce/ton containing 110,759 troy ounces of gold*.*

**The resource estimate was reviewed by Micon International in 2004, and they concluded that the Buffalo Gulch property had historical Mineral Resources of about 5 million tons averaging 0.023 oz/ton Au (4.5 million tonnes at 0.8 g/t Au), comparable to an indicated resource. No cut-off grade was provided.*

****Estimates of gold resources/deposits are historical in nature, predate and are noncompliant with NI 43-101. Premium is not treating the historical estimate as current mineral resources or reserves. Premium has not undertaken any independent investigation of the resource estimates nor has it independently analyzed the results of the previous exploration work in order to verify the resources, and therefore the historical estimates should not be relied upon. The historical classes used by Idaho Gold are different from current CIM classes, however, they might be comparable to the CIM inferred or indicated resource classes.***

Buffalo Gulch Historic Metallurgical Work

Previous operators include Bema Gold, Cyprus-Amax, and Kinross Gold Corp in the 1990's and left the area due to low gold prices (~\$350/oz.). As part of its exploration program on this prospect Bema Gold Corporation conducted bottle-roll and column testing on the resource with the latter showing 75% recovery of the gold in oxide material after 25 days. The bottle-roll tests showed recoveries of both oxidized and sulphide material to be in the range of 75% to 90%.

Successful cyanide bottle roll extraction tests and column tests culminated in two pilot scale heap leach tests in the field and confirmed the favorable leaching parameters for the mineralized material. Based on the positive tests from these results; economic and production analysis were conducted by the Bema Gold subsidiary "Idaho Gold Corporation" in 1990; independent engineering group MRDI in 1991; independent engineering group MRDI in 1996; and independent engineering group Golder and Associates in 2006. The analysis by Idaho Gold and MRDI were prepared prior to the introduction of NI 43-101, but were carried out in accordance with established practice at that time.

The prior economic analyses did not apply current parameters or assumptions, and they should not be relied on. Analyses done subsequent to the introduction of NI 43-101 were not based on a current resource estimate, as required by NI 43-101. The company previously disclosed basic economic parameters for Buffalo Gulch on its website; however, these were premature and should not be relied upon.

Deadwood Zone - Idaho USA

The Deadwood Zone is located between Buffalo Gulch on the northern extension of the OSZ and the Friday Zone on the southern extension of the OSZ.

Several historic mines are present within this area and Deadwood is surrounded by historically worked placer deposits. There is an historic 5 km geochemical soil anomaly along strike and a number of shallow RC drill-holes which have been drilled by previous operators. An historic deposit of 57,500 oz in 2.6 Mt @ 0.8 g/t Au with a 0.4 g/t Au cut-off* sits in 1.0 Km of the 5 Km soil geochemical anomaly. The anomaly remains open in all directions and has yet to be drilled by Premium utilizing the new geological model.

During Q4 2010, Premium collected ~4,500 soil samples increasing the total strike length of the gold-in-soil anomaly to 8 km and conducted a geophysical IP survey along 1.0 km of strike to further refine potential mineralized structures in the Deadwood Zone. Results from the survey are currently pending.

The 2011 Phase-4 drill plan for the Deadwood Zone will be an aggressive campaign to discover and delineate numerous mineralized structures. Additional soil sampling and geophysics are also planned.

****All estimates of gold resources/deposits are historical in nature, predate and are non-compliant with NI 43-101. Premium is not treating the historical estimate as current mineral resources or reserves. Premium has not undertaken any independent investigation of the resource estimates nor has it independently analyzed the results of the previous exploration work in order to verify the resources, and therefore the historical estimates should not be relied upon.***

Friday Zone – Friday-Petsite Deposit - Idaho, USA

The property is located in the vicinity of Elk City, Idaho and was 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.

The Company 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.

Premium added 1,176 new claims to the southern end of the OSZ, increasing the Company's land package by 300%. Premium controls 1,504 unpatented claims, 5 patented claims, and one State of Idaho Minerals Lease over 12,472 hectares (124.72 sq Km) which covers a large portion of the +30 Km Orogrande Shear Zone trend.

Phase One Drill Program

The Phase One Program consisted of seven HQ core holes which were drilled to a depth of 153 meters. Total footage drilled in Phase One equalled 853.4 meters. This phase of drilling was designed to delineate the high-grade component of the resource, test the continuity of mineralization of 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 Two Drill Program

The Phase Two Drill Program totaled 1,969.9 meters and consisted of six HQ core holes. The program further delineated 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 similar 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 to mineralization. The mineralization encountered in the drill holes consists of a high grade core within a broad envelope of lower grade gold mineralization which has been intruded by a post mineral Dacite Dike.

Phase Three Drill Program – See Significant Events & Transactions During the Period

The Phase Three Drill Program was completed in December 2010 and totalled 10,354 meters within 24 drill holes (one hole was lost due to ground conditions). Premium has validated its proven exploration methodology which has resulted in 100% drill success rate and has now increased the strike length of the mineralized footprint between the North, Main and South zones along the Friday Fault to 1.4 km, while increasing the Lower Block strike length to 500 meters.

Premium's Phase Three program focused on the development of the Lower Block of the Friday-Petsite deposit; the expansion of the current resource and additional exploration for zones of gold mineralization along the Orogrande Shear Zone. Geophysics, soil geochemistry and drilling indicate that the North, Main and South Zones making up the current block model are potentially contiguous.

As of the date of this report, all assays had been received for the Phase-Three Drill Program and an updated resource estimate for the Friday-Petsite deposit has been released. The current Friday-Petsite resource resides within 1.4 Km of strike length and is comprised of the following two categories:

343,000 oz Au Indicated Resource hosted in 11.8 Mt at 0.9 g/t Au with a 0.5 g/t Au cut-off

879,000 oz Au Inferred Resource hosted in 26.4 Mt at 1.04 g/t Au with a 0.5 g/t Au cut-off

Monday Zone – Idaho, USA

The Monday Zone mineralization discovered in December 2010 was the first time Premium utilized its exploration strategy outside of the Friday Zone. Drilling encountered the “Monday Fault”, a west-bounding fault of the OSZ parallel to the east-bounding “Friday Fault”:

Premium’s geologists believe that the Monday Fault has the potential to host another gold zone 300m west of, and parallel to, the existing inferred gold resource along the Friday Fault. Geophysics indicates an additional +2 km of potential mineralized strike length along the Monday Fault. Gold-in-soil sampling will be used to locate the Monday Zone at surface with future drilling being targeted along strike to the north and south during the Phase Four Drill Program.

Structurally controlled mineralization along the parallel Monday and Friday faults correlate with airborne geophysical and gold-in-soil anomalies, clearly demonstrating the large district potential of the OSZ over 30 km of strike.

Aurum Zone – Idaho, USA

Aurum is situated along the OSZ and links the Deadwood Zone to the north with the Monday and Friday Zones to the south. The Aurum Zone hosts a number of potentially mineralized structures identified by airborne geophysics and will be further explored in the Phase Four Program of 2011 with gold-in-soil sampling, geophysics, and drilling.

Project X Zone – Idaho, USA

Project X is south of the Monday and Friday Zones and is situated at the southern-most end of the interpreted OSZ. Airborne geophysics has revealed potentially mineralized structures in the Project X Zone which will be further explored in Phase Four of 2011 with gold-in-soil sampling, geophysics, and drilling.

Dixie - Idaho, USA

The Dixie Property is located to the south of the Project X Zone. It may be the southerly extension of the Orogrande Shear Zone however there is insufficient information to make this assumption. 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 was classified by Micon as an early-stage exploration property where geochemical surveys have outlined areas of anomalous gold values.

Selected Annual Information

Fiscal Year Ended	December 2010	December 2009	December 2008	December 2007 Restated
Total Revenues	\$Nil	\$Nil	\$Nil	\$Nil
Net Loss from Continuing Operations	\$6,638,061	\$2,445,400	\$4,045,756	\$3,615,284
Net Loss	\$6,686,133	\$2,503,525	\$4,045,756	\$3,615,284
Basic and Diluted Loss Per Share	\$(0.06)	\$(0.05)	\$(0.11)	\$(0.14)
Total Assets	\$8,463,179	\$1,562,271	\$817,471	\$1,474,014
Long-Term Financial Liabilities	\$Nil	\$Nil	\$Nil	\$Nil
Cash Dividends Declared	\$Nil	\$Nil	\$Nil	\$Nil

Results of Operations

The loss for the year ended 31 December 2010 was \$6,686,133, which compares to a loss of \$2,503,525 in the same period of 2009. The loss for the three month period ended 31 December 2010 was \$2,647,642, which compares to a loss of \$1,303,087 in same period of 2009. The main fluctuations in costs are as follows:

Resource Properties (rounded to the nearest '000)	3 months 2010	3 months 2009	12 months 2010	12 months 2009
	\$ 1,545,000	703,000	\$ 4,347,000	1,269,000
Variance increase (decrease)	842,000		3,078,000	

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 pursued the planned drilling program. This variance is as expected by management and consistent with all published activities.

Management Fees (rounded to the nearest '000)	3 months 2010	3 months 2009	12 months 2010	12 months 2009
	\$ 308,000	56,000	\$ 544,000	216,000
Variance increase (decrease)	252,000		328,000	

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.

Stock Based Compensation (rounded to the nearest '000)	3 months 2010	3 months 2009	12 months 2010	12 months 2009
	\$ 140,000	70,000	\$ 462,000	302,000
Variance increase (decrease)	70,000		160,000	

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 grant of options vested 25% on issuance and has impacted these results.

Shareholder Relations (rounded to the nearest '000)	3 months 2010	3 months 2009	12 months 2010	12 months 2009
	\$ 112,000	143,000	\$ 409,000	317,000
Variance increase (decrease)	(31,000)		92,000	

The decrease in shareholder relations expense in the 3 month period is a result of timing differences. The overall increase for the year is a due to communication activities to investors as a result of accelerated exploration activities and a higher level of consumer demand in the market place.

Travel (rounded to the nearest '000)	3 months 2010	3 months 2009	12 months 2010	12 months 2009
	\$ 108,000	44,000	\$ 287,000	112,000
Variance increase (decrease)	77,000		175,000	

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

Professional Fees (rounded to the nearest '000)	3 months 2010	3 months 2009	12 months 2010	12 months 2009
	\$ 51,000	34,000	\$ 221,000	124,000
Variance increase (decrease)	17,000		97,000	

The three month period reflects the increase in fees relating to the audit, while the twelve month period reflects the increase fees related to the June financing and acquisition of resource properties.

SUMMARY OF QUARTERLY RESULTS

Financial Data for the Last Eight Quarters

Three Months Ended	Dec-10 \$	Sep-10 \$	Jun-10 \$	Mar-10 \$
Total Revenues	Nil	Nil	Nil	Nil
Loss from continuing operations	2,114,000	2,180,000	1,859,000	485,000
Loss for the period	2,114,000	2,180,000	1,859,000	485,000
Loss per share	(0.06)	(0.02)	(0.03)	(0.01)

Three Months Ended	Dec-09 \$	Sep-09 \$	Jun-09 \$	Mar-09 \$
Total Revenues	Nil	Nil	Nil	Nil
Loss from continuing operations	1,301,546	444,885	313,830	443,264
Loss for the period	1,301,546	444,885	313,830	443,264
Loss per share	(0.02)	(0.01)	(0.01)	(0.02)

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 2010 was higher than the preceding quarter due to the roll-out of the drill program in the spring. The quarter ended December 2009 was higher due to the fall drill program.

OUTSTANDING SHARES

As at 31 December 2010, the Company had 114,694,519 common shares issued and outstanding versus 61,750,219 common shares issued and outstanding at 31 December 2009. The fully diluted amount of 157,736,019 represents options of 7,222,500 and warrants of 35,819,000.

As at the date of this report, the Company had 117,954,519 common shares issued and outstanding. The fully diluted amount of 157,736,019 represents options of 6,282,500 and warrants of 33,499,000.

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 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 on-going exploration expenditures.

Fair Value – As at 31 December 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 quarter.

CAPITAL RESOURCES AND COMMITMENTS

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

The President, CEO and Director 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:

2011	74,000
2012	18,000
Total	\$ 92,000

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as at 31 December 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:

Area of Impact	Noted Key Activities	Anticipated Deadlines/Targets	Current Progress
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 st 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

Area of Impact	Noted Key Activities	Anticipated Deadlines/Targets	Current Progress
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 this will always be an ongoing project	Such training and communication is ongoing.
Business Activities	Identify any existing contractual arrangements that may be impacted	Review completed in the 3 rd quarter	No material impacts have been noted to date.

As at 31 December 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 for discussion. The Audit Committee 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 Costs	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 vesting period, and hence the fair value of each Installment will differ	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. This conclusion is subject to review and approval by both the Company's directors and auditors

RELATED PARTY TRANSACTIONS

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

- a) The Company paid management fees of \$211,164 (2009 - \$105,701) to a Director in his capacity of Chief Executive Officer.
- b) The Company paid management fees of \$62,055 (2009 - \$101,042) to a director in his capacity of president.
- c) The Company paid or accrued consulting fees of \$143,365 (2009 - \$60,403) to an officer of the Company in the capacity of chief financial officer.
- d) The Company paid management fees of \$17,995 (2009 - \$39,960) to a director of the Company in the capacity of Vice President of mining development.
- e) The Company paid fees of \$NIL (2009 - \$34,561) to a former director for administrative services.
- f) Included in accounts payable is \$70,000 (2009 - \$2,136) owing to a Company in which the Chief Financial Officer is a director and to the Chief Financial Officer.
- g) Included in accounts payable is \$30,000 (2009 - \$Nil) owing to a Company in which the Corporate Secretary is a director.

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 31 December 2010 Consolidated 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.

DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with Canadian GAAP. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased costs of such hiring could threaten the Company's financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

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