



Interim Management Discussion and Analysis

For the Period Ended 31 March 2011

28 June 2011

PREMIUM EXPLORATION INC.

(Unaudited)

Canadian Funds

Interim Management Discussion and Analysis

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 31 March 2011. 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 31 March 2011, 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 and Disclosure

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. 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
Future funding for ongoing operations	The Company will be able to raise these funds	The Company’s ability to meet the future obligations for compliance reporting requirements.
The progress in adoption of International Financial Reporting Standards	Adoption will be successful due to the planning and changeover governing the last 4 quarters.	

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.

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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 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 2011, 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.

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The revised NI 43-101 resource estimate on the Company's Friday-Petsite deposit located within the Friday Zone was 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 NI 43-101 technical report on the Friday-Petsite Zone on Premium's Idaho Gold Project, in Idaho, USA, was prepared for Premium by Mark I. Pfau, MSc. of Tellurian Exploration, Inc. Mr. Pfau is an Independent Qualified Person as defined under NI 43-101. The technical report has an effective date of March 28, 2011 and was filed on SEDAR on May 12, 2011.

Premium also announced the start of the Phase-Four Drill Program in late March. The main focus of the 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.

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Events subsequent to 31 March 2011

In early April, Premium announced a stock option grant of 100,000 stock options to certain consultants of the Company. The options are exercisable for a period of five years at a price of \$0.65. Any shares issued on the exercise of these stock options will be subject to a four-month hold period from the date of the grant.

Toward the end of April the Company announced that it had received gross proceeds of \$2,143,500 from the exercise of 7,145,000 warrants. The funds pertain to a private placement offering in September 2009 which closed in two tranches. The first tranche closed October 23, 2009 and the second tranche closed November 12, 2009. All warrants from the first tranche were exercised. The warrant exercise completed the funding for the \$7,000,000 Phase-Four Exploration Program.

The remaining funds from the second tranche of the September 2009 financing were received in May and the Company announced that it had received gross proceeds of \$1,912,500 from the exercise of 6,375,000 warrants. The proceeds from the warrant exercise will supplement the Company's current working capital position and will be used to fund exploration work on Premium's flagship property, the Idaho Gold Project.

In mid-May, Premium announced over-limit silver results for the previously released Phase-Three drill-hole PFR2010-22 (see release Feb 8th, 2011). PFR2010-22 returned 3 elevated silver assays grading 153, 100, and 93 g/t Ag in its new Monday Zone discovery along the Idaho Gold Project, 100% owned by Premium.

Hole ID	Zone	From M	To M	Length M	Au g/t	Ag g/t
PFR2010-22	Monday	332.8	333.8	1.0	0.6	153.0
		608.4	609.3	0.9	0.4	100.0
		623.0	623.9	0.9	0.1	91.0

The high silver values are a unique characteristic of the Monday Zone. The silver along the Monday Zone is a new discovery at the Idaho Gold Project and follow-up drilling on the Monday Zone is planned in the Phase-Four 2011 drill program. In late May, Premium provided an update of its Phase-Four Exploration program:

Buffalo Gulch Zone:

Two drill holes have been completed in 332.5 metres, and both holes have encountered alteration and sulphide mineralization consistent with the Orogrande Shear Zone ("OSZ"). The target zone at Buffalo Gulch is 4 km of the 12 km correlating Gold-in-Soil and Airborne Geophysical anomalies along the main 30 km trend. Drilling at Buffalo Gulch is designed to test the same geological model tested at the Friday Zone, 20 km south along the 30 km trend,

Friday Zone:

Seven drill holes have been completed in 2,758.3 metres; all holes have encountered alteration and sulphide mineralization consistent with the "OSZ". Drilling is designed to locate and intersect the Friday Fault at depth, along strike to the north and south to test 5km of potential strike length identified by gold-in-soils and geophysics. The first 7 holes are located within the current Friday-Petsite resource footprint. Premium intends to continue stepping out along strike, out of the resource footprint.

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Deadwood Zone:

A total of 550 gold-in-soil samples in the +10,000 sampling program have been taken along the western portion of the Deadwood Zone to further refine drill targets planned for the Phase-Four drill program. This first stage of sampling is focused on the new "Lucky Strike Structure" previously announced March 29th 2011. The second stage of the gold-in-soil sampling program will be focused to the west and south of the Friday-Petsite resource following the OSZ south to the X Zone.

In late May, announced drill results and the 4th gold discovery on the Idaho Gold Project (IGP). The discovery is 20 km along strike to the north from the initial discoveries on the IGP.

Buffalo Gulch Drilling:

Drill-hole BG2011-1 intersected 0.5 g/t gold over 26.2 meters of oxide mineralization consistent with the historic 111,000 oz indicated resource (4.8 Mt grading 0.8 g/t Au @ 0.4 g/t cut-off). It demonstrates the continued growth potential of the deposit.

It also intersected 1.3 g/t gold over 4.6 meters within the sulphides. It intersected an interpreted mineralized structure identified by IP Dipole-Dipole geophysics and is considered secondary to a much larger structure nearby. BG2011-1 was drilled vertically to a total depth of 266.7 meters and terminated in anomalous mineralization.

Drill-Hole	Zone	From (m)	To (m)	Interval	Au g/t
BG2011-1	Buffalo Gulch	77.4	103.6	26.2	0.5
		88.1	92.7	4.6	1.3
BG2011-2	Buffalo Gulch	44.5	65.8	21.3	.5

**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. *True Widths for BG2011-1 are estimated to be 65-75% of the drilled interval from 77.4m to 103.6m and the unknown for the interval from 88.1m to 92.7m. The True width for the drilled interval in BG2011-2 is estimated to be 20-30%.*

Drill-hole BG2011-2 intersected 0.5 g/t gold over 21.3 meters within the oxide portion of the Buffalo Gulch historic resource. It did not reach the structural target identified by the IP geophysics as it was halted due to weather conditions. The target zone at Buffalo Gulch comprises 4 km of the 12 km correlating gold-in-soil and airborne geophysical anomalies along the 30 km trend. Previous operators defined the historic resource drilling 0.5 km of strike along the gold-in-soil trend. They defined the deposit via shallow, vertical RC drilling and did not investigate potential high-grade structural mineralization at depth or along strike.

Disclaimer: All estimates of historic gold resources 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 Corporation, a subsidiary of Bema Gold, are different from current CIM classes, however, they might be comparable to the CIM inferred or indicated resource classes. Previous operators defined the historic resource drilling 0.5 km of the gold-in-soil trend. They defined the deposit via shallow, vertical RC drilling and did not investigate potential high-grade structural mineralization at depth.

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Friday Zone Drilling:

Step-out drilling encountered gold mineralization 100 meters south along strike of the Main Zone of the the Friday-Petsite resource.

Drill-Hole	Zone	From (m)	To (m)	Interval	Au g/t
PFR2011-1	Friday	21.0	57.6	36.6	1.0
PFR2011-2	Friday	75.9	101.7	25.8	1.0

** 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. *True Widths are estimated to be between 40% and 60% of the drilled interval.*

Drill-holes PFR2011-1 and PFR2011-2 were drilled as a fan to confirm the orientation and depth of mineralization. Both holes were drilled from the same collar to the east with PFR2011-1 at a -60 degree dip and PFR2011-2 at a -80 degree dip. The orientation and depth of mineralization is consistent with the Friday-Petsite resource and is considered to be continuous with the Friday-Petsite resource.

The Issuer announced that as a result of a review by the British Columbia Securities Commission (“BCSC”), the BCSC identified compliance issues in the Company’s website, Corporate Presentation, IR material and MD&A. The BCSC noted the following: that the Company reported a current resource but did not disclose the effective date, source & key assumptions of the resource; that Premium had links to third party IR material which added inferred mineral resources to other categories; and that the Company discloses potential exploration targets for their Idaho Gold Project, but does not include the required disclosure language. As a result of the review, Premium updated its Corporate Presentation and website and included the required disclosure language, deleted non-compliant third party links, and disclosed the author, effective date and SEDAR filing date of the current NI 43-101 Technical Report on the Company’s Friday-Petsite Zone.

Disclaimer

The Company wishes to state that the potential additional resources are conceptual in nature only, and that there has been insufficient exploration to define an increased mineral resource outside of the current NI 43-101 compliant resource. Furthermore, it is uncertain if further exploration will result in additional mineral resources. Estimates for potential additional resources are reported as exploration targets based on the presence of step-out mineralized drill holes, known mineralized zones open along strike and depth and geophysically anomalous areas from data received by the Company.

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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*.*

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**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. Deadwood hosts an historic deposit of Indicated and Inferred ounces of gold:

38,940 Indicated oz gold in 1.6 Mt at 0.75 g/t Au with 0.4 g/t Au cut-off;

18,480 Inferred oz gold in 0.7 Mt at 0.75 g/t Au with 0.4 g/t Au cut-off

The historic deposit 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.

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.

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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

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

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Shear Zone. Geophysics, soil geochemistry and drilling indicate that the North, Main and South Zones making up the current block model are potentially contiguous.

In late May, Premium announced an updated NI 43-101 report on the Friday-Petsite Zone. The report was prepared for Premium by Mark I. Pfau, MSc. of Tellurian Exploration, Inc. Mr. Pfau is an Independent Qualified Person as defined under NI 43-101. The technical report has an effective date of March 28, 2011 and was filed on SEDAR on May 12, 2011.

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.

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Results of operations

The loss for the period ended 31 March 2011 was \$897,490 which compares to a loss of \$497,917 in same quarter of 2010.

Exploration expenditures (rounded to the nearest '000)	3 months 2011	3 months 2010
	<u>\$ 318,000</u>	<u>\$ 108,000</u>
Variance increase (decrease)	\$ 210,000	

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 of 2010 and has aggressively been pursuing 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 2011	3 months 2010
	<u>\$ 134,000</u>	<u>\$ 61,000</u>
Variance increase (decrease)	\$ 73,000	

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

Travel (rounded to the nearest '000)	3 months 2011	3 months 2010
	<u>\$ 124,000</u>	<u>\$ 52,000</u>
Variance increase (decrease)	\$ 72,000	

Travel expense has increased over 2010 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.

Office and miscellaneous (rounded to the nearest '000)	3 months 2011	3 months 2010
	<u>\$ 66,000</u>	<u>\$ 23,000</u>
Variance increase (decrease)	\$ 43,000	

Office and miscellaneous expenses have increased in response to the growing exploration activity to fill the need of greater support from head office.

Professional fees (rounded to the nearest '000)	3 months 2011	3 months 2010
	<u>\$ 53,000</u>	<u>39,000</u>
Variance increase (decrease)	14,000	

The fees in the period have increased over the comparative period as a result of activity on the Company's properties as it relates to US compliance.

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Summary of Quarterly Results

Financial Data for the Last Eight Quarters

Three Months Ended	IFRS Mar-11	IFRS Dec-10	IFRS Sep-10	IFRS Jun-10	IFRS Mar-10	GAAP Dec-09	GAAP Sep-09	GAAP Jun-09
Total Revenues	-	-	-	-	-	-	-	-
Loss from continuing operations	897,490	2,264,545	2,210,960	1,365,198	491,917	\$1,301,546	\$444,885	\$313,830
Income (loss) for the period	897,490	2,264,545	2,210,960	1,365,198	491,917	\$1,301,546	\$444,885	\$313,830
Loss per share (Basic and diluted)	(0.01)	(0.06)	(0.02)	(0.03)	(0.01)	(0.02)	(0.01)	(0.01)
Total assets	5,501,057	8,466,263	10,520,045	1,503,735	1,579,184	1,211,196	519,231	798,830
Working capital	4,733,887	4,868,783	7,048,625	802,728	1,019,378	980,478	(741,213)	(398,304)

The variance between March 11 and December 10 is primarily a result of extreme weather conditions which slowed the progress of the drill program.

The variance between September 10 and June 10 and the preceding arose 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 31 March 2011, the Company had 117,529,519 common shares issued and outstanding versus 64,120,219 common shares issued and outstanding at 31 March 2010. The fully diluted amount of 157,586,019 represents options of 5,982,500 and warrants of 34,074,000.

As at the date of this report, the Company had 130,289,519 common shares issued and outstanding. The fully diluted amount of 157,586,019 represents options of 5,932,500 and warrants of 21,364,000.

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 March 2011 and 2010, the carrying values of receivables, accounts payable and accrued liabilities and notes payable approximate their fair values due to their short term to maturity.

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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, the CEO and CFO as laid out below:

The CEO, President 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 a monthly payment of \$10,000. This contract may be cancelled upon the Company providing six months advance notice.

The CFO has signed, through a company controlled by the CFO, a contract for a term of three years, which expires 30 April 2012. Under the terms of the contract, the Company receives a monthly payment of \$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 lease commitments under the lease are as follows:

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

Share capital

The table below presents the Company's common share data as of 31 March 2011.

	Number of common shares
Common shares, issued and outstanding	117,529,519

The Company currently has no options or warrants outstanding as of 31 March 2011 or as at the date of this report.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at 31 March 2011 and as at the date hereof.

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Related Party Transactions

Related party transactions and balances not disclosed elsewhere in the financial statement, are as follows:

Name and Principal Position	Period ⁽¹⁾	Remuneration or fees ⁽²⁾	Share-based awards
CEO and President - Del Steiner	2011	30,542	6,600
	2010	\$ 31,227	\$ 2,000
Clearline Chartered Accountants, a Company owned or controlled by the CFO, Grant T. Smith	2011	15,877	-
	2010	15,000	-
CFO – Grant T. Smith	2011	-	4,600
	2010	-	800
Robert Komarechka – Director	2011	-	4,100
	2010	-	400
Colin Jones – Director	2011 ⁽³⁾	-	4,100
Patrick Sam Yue – Director	2011 ⁽³⁾	-	4,100
Dr. Guojian Xu - Director	2011 ⁽³⁾	\$ -	\$ 4,100

⁽¹⁾ Periods ended 31 March 2011 and 31 March 2010

⁽²⁾ Amounts disclosed were paid or accrued to the related party

⁽³⁾ No remuneration paid in the comparative period

Included in accounts payable and accrued liabilities is \$5,000 (2010 - \$Nil) due to Clearline Chartered Accountants, a Company owned or controlled by the CFO.

Included in accounts payable and accrued liabilities is \$11,181 (2010 - \$Nil) due to Del Steiner, CEO and President.

These transactions were in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

Financial Instruments

Fair Value – The carrying values of receivables and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity. Cash is measured on the balance sheet at Level 1 of the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Currency risk – All of the Company's Canadian cash is held in interest bearing accounts at major banks 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. At 31 March 2011 the Company held currency totalling Cdn \$4,675,118; and US \$299,640. Accounts payable are settled in a timely manner. It is management's opinion that the Company is not exposed to significant currency risk. The Company does not use derivative instruments to reduce upward and downward risk associated with foreign currency transactions.

Credit risk - Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank

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accounts. The Company's bank accounts are held with major banks in Canada accordingly the Company believes it not exposed to significant credit risk.

Liquidity risk - Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company has cash available to meet all current obligations.

Market risk - Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns.

Interest rate risk - Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to interest rate.

Price risk - Price risk is the risk that the value of a security will decline in the future. The Company is not exposed to price risk.

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.

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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 Interim Management Discussion and Analysis.

A Cautionary Tale

This document contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Corporation, its subsidiaries and its projects, the future supply, demand, inventory, production and price of minerals, the estimation of reserves and resources, the realization of reserve estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters.

Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations

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(including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of resources; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the resource industry; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Respectfully submitted

on behalf of the Board of Directors

“Delbert W. Steiner”

Delbert W. Steiner
President & CEO