



**MANAGEMENT DISCUSSION AND ANALYSIS**

**30 September 2009**

**PREMIUM EXPLORATION INC.**  
**Report to Shareholders and**  
**Management Discussion and Analysis**  
**Of the Financial Position and Results of Operations**  
**For the Nine Months Ended September 30, 2009**

**29 November 2009**

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**TO OUR SHAREHOLDERS:**

This Management Discussion and Analysis (“MD&A”) supplements, but does not form part of, the Interim Consolidated Financial Statements for the quarter ended 30 September 2009. Consequently, the following discussion and analysis of the financial condition and results of operations for Premium Exploration Inc. (“Premium” or the “Company”), should be read in conjunction with the unaudited Interim Consolidated Financial Statements for the quarter ended 30 September 2009 and related notes therein, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”), consistently applied.

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

**FORWARD-LOOKING STATEMENTS**

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

**GENERAL**

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

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

Premium’s Idaho Gold Properties (Buffalo Gulch and Friday-Petsite) reside along a 28 Km strike known as the Orogrande Shear Zone. The Shear Zone is host to four established gold mineralized zones with open-pit heap leach potential. The mineralized zones are being interpreted as the result of a high-grade conduit and feeder model. The Company is on the second phase of the planned 15,000 meter (44,000 ft) Drill Program on the Friday-Petsite property.

The Chrome Mountain and Idaho Gold Properties (Buffalo Gulch and Friday/Petsite) are the primary exploration properties held by the Company – see *Mineral Exploration*.

## **HIGHLIGHTS, SIGNIFICANT EVENTS AND TRANSACTIONS**

During the third quarter of 2009, the Company had the following highlights, significant events and transactions:

- 9 July 2009 – Premium completed the Phase-One drill program on its Friday-Petsite property in Idaho, USA. The program was designed to test the continuity of the Orogrande Shear Zone (OSZ) along strike to the north and south of the existing resource and to provide minor in-fill drilling for information which will be used to re-assess the NI 43-101 compliant resource. The Company anticipates that data from this program may upgrade a significant portion of the resource. Seven HQ core holes were drilled to a maximum depth of 153 metres with total footage drilled of 853.4 metres.
- 6 August 2009 – Premium released assay results from the first three holes of the drill program on the Friday-Petsite property in Idaho, USA. The assays confirm the continuity of the high-grade gold mineralization associated with the Orogrande Shear Zone and extends the strike length by 50%, from 350 meters to 525 meters, in this Phase-One drill program.
- 11 August 2009 – The Company announced an amendment to the terms of the warrants issued by the Company in conjunction with its private placement announced July 28, 2008. The amendment would extend the time available to exercise the Year-1, \$0.50 warrants by 45 days. The 3,400,166 warrants were originally issued on August 26, 2008 and were exercisable for a two year period at \$0.50 per share in Year 1 (until August 26, 2009) and \$0.75 in Year-2 (until August 26, 2010).
- 27 August 2009 - Premium received results from an additional two holes from the Phase-One drill program on the Company's Friday-Petsite property. The holes confirm the continuity of a high-grade gold zone within the current bulk-tonnage resource along strike and down dip and is expected to increase the current 531,890 oz inferred gold resource on the property. Several holes (PFR2009-01, PFR2009-02, PFR2009-05) terminated in mineralization, which leaves the deposit open at depth. Premium has initiated a resource recalculation and will incorporate recent drill results into the recalculation.
- 9 September 2009 - Premium announced that results had been received from the final two holes of the Phase-One drill program. PFR2009-06 and PFR2009-07 confirmed gold mineralization associated with soil geochemistry (*which extends 1150 meters to the south*) resulting in a 100-meter continuation of the current bulk-tonnage resource zone, south, at the Friday-Petsite Project. The target for the second phase of drilling will be the 1150 meters of soil gold geochemistry, which continues directly to the south of the existing resource.
- 11 September 2009 – The Company announced its intention to raise up to CDN\$3,000,000 through a non-brokered private placement of 12,000,000 Units at \$0.25 per Unit. Each Unit will consist of one Common Share and one-half of a non-transferable Warrant. Each whole Warrant will be exercisable for a period of two years at a price of \$0.35 in the first year and \$0.50 in the second year. The Warrants are subject to an acceleration clause which comes into effect once the shares trade above a weighted average price of 100% or more from the exercise price, for any fifteen consecutive trading-day period subsequent to four months from the Closing Date. In this event, Premium may accelerate the expiry of the Warrants upon providing 30 days' notice to the Warrant holders. The funds raised will be subject to a 7% finder's fee in cash or shares.

- 23 September 2009 - Premium announced plans for the Phase-Two drill program of 1,830 meters (6,000 feet) on the Friday-Petsite gold project located in central Idaho. This program is the next phase of the planned 15,000 meter (44,000 feet) drill program designed to delineate gold resources along the Orogrande Shear Zone. The drill is currently on the property and the site is accessible year round, The program will commence once the financing has been completed.

#### **EVENTS SUBSEQUENT TO 30 SEPTEMBER 2009**

- 20 October 2009 - Premium announced an amendment to the terms of the private placement announced on September 11, 2009. Under the terms of the amended offering, Premium intends to raise up to \$2,800,000 through a non-brokered private placement of 14,000,000 Units at \$0.20 per Unit. Each Unit will consist of one Common Share and one non-transferable Share Purchase Warrant. Each Share Purchase Warrant will be exercisable at a price of \$0.30, for a period of 18 months from the closing date of the financing. The securities are subject to a four-month hold period. The Warrants are subject to an acceleration clause which comes into effect once the shares trade above a weighted average price of 200% or more from the exercise price, for any fifteen consecutive trading-day period subsequent to four months from the Closing Date. In this event, Premium may accelerate the expiry of the Warrants upon providing 60 days' notice to the Warrant holders. The closing of the offering will be completed in two tranches. The funds raised will include up to 7% finder's fees in cash or shares.

## **MINERAL EXPLORATION**

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

The Chrome Mountain Project is a platinum, palladium, rhodium and gold target consisting of 970 hectares and is located approximately 1,500m from the East Boulder Mine within the Stillwater Complex.

Premium is reviewing exploration results to date on this property. Exploration programs from 2006 to 2008 included the drilling of 19 holes and over 2 km of soil geochemistry which identified an extensive zone of platinum, palladium and rhodium mineralization. Exploration and drilling in 2007 and 2008 focused on a large PGM soil anomaly measuring 2,500 metres x 800 metres, which hosts up to 1.2 g/t Pt plus Pd Rd over 116.7 metres at surface and encountered mineralization similar to a combination of Platreef and UG2 styles of mineralization.

Premium believes that the "A" and "B" chromitites have not yet been intersected by drilling to date. Although the mineralized intercepts contained chromites, they appear to be above the zone that hosts the "A" and "B" chromitite horizons. Dr. Reid Keys, Ph.D., of Monash University concluded that the broad and laterally extensive PGM soil anomalies were formed by the same type of processes that formed the giant Platreef disseminated PGM-Cu-Ni deposits in South Africa. An exploration program scheduled for Q4 of 2009 is currently being designed to follow up on the discovery of the new Platreef exploration model.

Platreef is one of the most profitable styles of mineralization as it is located near surface, which lends itself to simple surface mining procedures and typically has large tonnages. Consequently, the mining methods benefit from the economics of scale.

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

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

The Orogrande Shear Zone is a gold mineralization belt 28 km long in strike length and hosts many of the 219 mapped prospects which constitute the "Elk City Gold Belt". The Gold Belt includes at least 13 minor historic producers from the early 20th century. Extensive placer mining has taken place along the streams which parallel and cross the Orogrande Shear Zone, which is comprised of three sections: the North Orogrande Shear Zone; the South Orogrande Shear Zone; and the Central Orogrande Shear Zone. The Company conducted an extensive review of all available exploration data and believes that the Orogrande Shear Zone is the mineralizing conduit for the entire 28 km strike length of the geologic structure. Phase I of a \$4,000,000 drill program was started in June 2009 and is designed to test each of the three sections. The drill program is expected to extend over a two year period.

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

The Buffalo Gulch Property is comprised of 107 unpatented quartz lode mining claims and is under a Letter of Intent to Joint Venture with the Clearwater Mining Corporation to explore and develop the property which is being permitted for production. A Memorandum of Understanding (MOU) is in process between the BLM and Elk City Mining, LLC (ECM).

The permitting process is ongoing and an exploration program of ground geophysics, soil sampling along mineralized horizons and mapping is being developed. A preliminary drill program of approximately 5,000 feet is being developed for Buffalo Gulch. The program is designed to test the high-grade mineralization below the currently defined Buffalo Gulch deposit as well as along strike. The program is expected to start in Q4 of 2009.

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

In June 2008, the Company staked 110 quartz lode mining claims which cover the heart of the Central Orogrande Shear Zone. This portion of the Shear Zone is located between the Company's Buffalo Gulch Joint Venture property on the northern extension of the shear zone and the Friday/Petsite NI-43-101 property on the southern extension of the shear zone.

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

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

The Friday-Petsite property is under a Letter of Intent to acquire the South Orogrande Shear Zone from Clearwater Mining Corporation. The property is located in the vicinity of Elk City, Idaho and is comprised of two properties Friday-Petsite and the Dixie Property. The Friday-Petsite property consists of 120 claims and includes the two past-producing mines locally known as the Orogrande Mine and the Frisco Pit.

The property is NI 43-101 compliant with an Inferred Resource of 531,890 troy ounces Au, contained in 15.17 million tonnes averaging 1.1 g/t gold (0.032 oz/ton) at a cut-off of 0.514 gram per metric tonne (0.017 oz/ton). The property is open to the north and south along strike and at depth. Premium's review of the historical exploration data of this disseminated gold deposit has identified three additional targets. Some of the targets are associated with geochemical / geophysical gold anomalies in the vicinity of this deposit have not been drill tested.

Premium has designed a 15,000 metre (44,000 feet) drill program with the intention of delineating gold resources along the Orogrande Shear Zone. The first phase of the drill program was started in June 2009. A total of 853.4 metres was drilled consisting of 7 HQ core holes. The program was designed to intersect the Orogrande Shear Zone and delineate mineralization down dip and along strike from gold mineralization encountered in past drill programs. The program has confirmed the continuity of the high-grade gold mineralization associated with the Orogrande Shear Zone and extended the strike length of the zone by 50%. Premium believes that the program has significantly increased ounces and proven a new model advancing the soil geochemistry and potential drill target 4,000 ft to the south.

Phase II of the drill program is currently underway. The program will consist of 6 to 10 HQ core holes designed to intercept gold mineralization associated with the Shear Zone for up to an additional 560 metres (1,837 ft) along strike. Phase II is designed to provide additional data for the delineation of gold resources associated with the Orogrande Shear Zone. At the time of this report, the first hole had been completed and was drilled to a total depth of 488 metres (1,602 ft). To date, this is the deepest hole drilled on the Friday-Petsite project.

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

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

The Phase II Exploration Program involves the review and compilation of an independent engineering report, historical data, and previous drill and sample data. The compiled information will be field tested in order to confirm the reserves that have already been calculated in the area. The exploration program will lay the foundation for the design and implementation of the drill program on the property. The drill program will test several targeted vein systems.

The Company did not make the required option payments in September and is in default on this contract. Renegotiations are ongoing to find a structure that will allow the Company to complete exploration and management is optimistic that these negotiations will be successful. In the interim, the focus for exploration remains with the Idaho properties.

## Results of Operations

The loss for the nine month period ended 30 September 2009 was 1,039,000, which compares to a loss of \$2,411,000 in same period of 2008. For the three months ended 30 September 2009 the loss was \$393,000 versus \$624,000 in the prior year. The main fluctuations in costs are as follows:

In \$ thousands	<b>3 months 2009</b>	3 months 2008	<b>9 months 2009</b>	9 month 2008
<b>Resource property expense</b>	<b>\$ 180</b>	\$ 678	<b>\$ 485</b>	\$ 1,597
Variance increase (decrease)	<b>(498)</b>		<b>(1,112)</b>	

The vast majority of the exploration costs this year relate to the drilling program undertaken in Idaho and the drop from the prior periods is a result in a narrowly defined focus and aggressive cost monitoring. These hard learned lessons bode well for the future of the Company. In the third quarter the company completed the first phase of drilling in Idaho. The fourth quarter will include a new phase and costs are expected to rise significantly as management continues to define the resource through further drilling.

In \$ thousands	<b>3 months 2009</b>	3 months 2008	<b>9 months 2009</b>	9 month 2008
<b>Stock-based compensation</b>	<b>\$ 39</b>	\$ 75	<b>\$ 209</b>	\$ 369
Variance increase (decrease)	<b>(36)</b>		<b>(160)</b>	

This is a non-cash expense related to the granting of stock awards to officers, directors and consultants and fluctuates based on the whims of the Black-Scholes calculations. There have been no substantial changes in the nature and timing of grants. In the fourth quarter however, we expect to see an increase due to a single grant of options to the CEO as required by the signing agreement.

In \$ thousands	<b>3 months 2009</b>	3 months 2008	<b>9 months 2009</b>	9 month 2008
<b>Management fees</b>	<b>\$ 50</b>	\$ 64	<b>\$ 137</b>	\$ 217
Variance increase (decrease)	<b>(14)</b>		<b>(80)</b>	

The decrease in management fees relates to the cost control efforts of the Company. Our expectation is that these cost will start to return to normal levels as we have recently acquired a new CEO and expanded the office base by one party.

In \$ thousands	<b>3 months 2009</b>	3 months 2008	<b>9 months 2009</b>	9 month 2008
<b>Shareholder relations</b>	<b>\$ 33</b>	\$ 88	<b>\$ 99</b>	\$ 337
Variance increase (decrease)	<b>(55)</b>		<b>(38)</b>	

Management has focused on putting the money into the ground and not on communication. Our anticipation is that these levels will rise as the anticipated results provide increased interest in the properties and a need to convey results and activities. During the fourth quarter management has entered into further support contracts.

In \$ thousands	<b>3 months 2009</b>	3 months 2008	<b>9 months 2009</b>	9 month 2008
<b>Professional fees</b>	<b>\$ 53</b>	\$ 41	<b>\$ 128</b>	\$ 158
Variance increase (decrease)	<b>12</b>		<b>(30)</b>	

The prior period results included unexpected legal and audit costs which have been controlled in the current year. The change in this 3 months represents audit fees that were higher than anticipated or accrued.

In \$ thousands	<b>3 months 2009</b>	3 months 2008	<b>9 months 2009</b>	9 month 2008
<b>Travel</b>	<b>\$ 12</b>	\$ 70	<b>\$ 59</b>	\$ 164
Variance increase (decrease)	<b>(58)</b>		<b>(103)</b>	

The reduction is entirely due to cost controls relating to management's focus on same and the decrease in travel to Mexico.

### Summary of Quarterly Results

#### **Financial Data for the Last Eight Quarters**

Three Months Ended	Sep-07	Jun-09	Mar-09	Dec-08	Sept-08	June-08	Mar-08	Dec-07
Total Revenues	\$Nil	\$Nil	\$NI	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Loss from continuing operations	\$393,065	\$277,275	\$338,984	\$844,588	\$569,655	\$1,364,742	\$963,719	\$1,040,253
Loss for the period	\$393,065	\$277,275	\$338,984	\$844,588	\$569,655	\$915,463	\$1,412,998	\$1,040,253
Loss per share	(0.01)	(0.01)	\$(0.01)	\$(0.03)	\$(0.02)	\$(0.03)	\$(0.4)	(0.05)

## **OUTSTANDING SHARES**

As at 30 September 2009, the Company had 46,451,219 common shares issued and outstanding versus 39,467,219 common shares issued and outstanding at 30 September 2008. The Company has seen the following capital transactions during the nine months ended 30 September 2009:

On 29 May 2009, the Company issued 6,739,000 units on a private placement at Cdn\$0.10 per unit for gross proceeds of Cdn \$673,900. Each unit consisted of one common share and one common share purchase warrant. Each warrant allows the holder to acquire one additional common share for a two year period at an exercise price of Cdn\$0.20 in the first year and Cdn\$0.50 in the second year. The Company paid agent's commissions of Cdn\$10,000 and other costs relating to the placement of CDN\$27,475.

During the third quarter 250,000 shares were issued on exercise of options and 20,000 were issued on exercise of warrants.

On 23 October 2009, the Company issued 7,145,000 units on a private placement at CDN \$0.20 per unit for gross proceeds of CDN \$1,429,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to acquire an additional share at \$0.30 for an eighteen month period. The Company paid agent's commissions of 402,500 shares of Premium.

On 13 November 2009, the Company issued 6,375,000 units on a private placement at CDN \$0.20 per unit for gross proceeds of CDN \$1,275,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to acquire an additional share at \$0.30 for an eighteen month period. The Company paid agent's commissions of 402,500 shares of Premium.

Subsequent to the period the Company granted 500,000 options to the CEO and 100,000 options to a geologist and 300,000 to an investor relations firm.

As at today's date the issued and outstanding shares are 61,401,219 representing the addition of the 23 October and the 13 November private placements and the issuance of 625,000 on settlement of debt with SNS Silver Inc.. The fully diluted amount would be 91,945,385 including 23,639,166 warrants and 6,905,000 options.

## **FINANCIAL POSITION AND LIQUIDITY**

Premium has no history of profitable operations and its mineral projects are at an early stage. Therefore, it is subject to many risks common to comparable companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources as well as a lack of revenues.

At the end of the quarter under review, the Company had a working deficiency of \$731,000 as compared to a working capital deficiency of \$460,000 at December 31, 2008.

At 30 September 2009, the Company had cash on hand of \$62,000 compared to \$119,000 at December 31, 2008. Management believes that additional financing will be needed to fund ongoing expenses as required for its mineral property agreements and its general and administrative activities for the current exploration season, including additional funds for the Nueva Galicia, San Pedro Analco, Dos Amigos, Rosamorada, Bonanza and La Lupe option agreements in Mexico and for the continued exploration of the Montana properties including Orogrande property.

## **CAPITAL RESOURCES AND COMMITMENTS**

It will be necessary for the Company to arrange for additional financing to meet its ongoing exploration and overhead requirements.

Management believes it will be able to raise equity capital as required in the long term, but recognizes the risks attached thereto. Although the Company successfully completed financings over the years, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favourable.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company had no off-balance sheet arrangements as at 30 September 2009 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.

## **RELATED PARTY TRANSACTIONS**

Transactions and balances with related parties not disclosed elsewhere are as follows:

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

- a) The Company paid or accrued management fees of US\$1,000 (2008 - \$42,000) to a director and officer of the Company.
- b) The Company paid or accrued management fees of Cnd\$45,000 (2008 - \$18,000) to an officer of the Company.
- c) The Company incurred \$8,600 (2008 - \$6,000) of interest on notes payable to directors

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.

## **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, due to related parties and notes payable. The Company maintains most of its cash in Canadian dollars. However, amounts are converted into U.S. dollars and Mexican pesos and are therefore subject to changes in fair value due to fluctuations in exchange rates. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

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

Consistent with other companies in the mineral exploration industry, Premium has no source of operating revenue. The Company's 30 September 2009 Consolidated Financial Statements provide a breakdown of the general and administrative expenses for the year 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 very dependent upon the personal efforts and commitments of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of Premium could result, and other persons would be required to manage and operate the Company.

## **RISK FACTORS**

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

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

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

At present the principal activity of the Company is the exploration and development of gold, silver and PGM resource properties. The feasible development of such properties is highly dependent upon the price of the gold, silver and PGM commodities. A sustained and substantial decline in these commodity prices could result in the write-down, termination of exploration and development work or loss of its interests in identified resource properties. Although such prices cannot be forecasted with certainty, the Company carefully monitors factors that could affect these commodity prices in order to assess the feasibility of its resource projects.

**APPROVAL**

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

Respectfully submitted  
On Behalf of the Board of Directors

*"Delbert W. Steiner"*

Delbert W. Steiner  
President