



PREMIUM EXPLORATION INC.

MANAGEMENT DISCUSSION AND ANALYSIS

31 March 2010

PREMIUM EXPLORATION INC.
Report to Shareholders and
Management Discussion and Analysis
For the Quarter Ended March 31, 2010

May 26, 2010

TO OUR SHAREHOLDERS:

This Management Discussion and Analysis (“MD&A”) supplements, but does not form part of, the Interim Consolidated Financial Statements for the quarter ended March 31, 2010. Consequently, the following discussion and analysis of the financial condition and results of operations for Premium Exploration Inc. (“Premium” or the “Company”), should be read in conjunction with the unaudited Interim Consolidated Financial Statements for the quarter ended March 31, 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

GENERAL

Premium Exploration is a mineral exploration company which explores and develops precious metals properties. The Company currently 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, Friday-Petsite, and Dixie) 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. As of the date of this report, the Company is on the third phase of the planned 12,000 meter (40,000 ft) Drill Program on the Friday-Petsite property.

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

SIGNIFICANT EVENTS AND TRANSACTIONS

During the first quarter of 2010, and through the date of this report, the Company conducted the following significant events or transactions:

- January 13, 2010 – Premium received assay results from the first three holes of the Phase II Drill Program. These holes confirmed the continuity of the high-grade gold zone below the current bulk-tonnage 531,890 oz inferred gold resource currently hosted in 350 meters of strike length down to a depth of 150 meters.

Highlights from the drill program include:

PFR2009-10	2.66 g/t gold over 198.4 meters (650.9 feet) including 3.81 g/t gold over 121.1 meters (397.2 feet) including 9.16 g/t gold over 25.3 meters (83.0 feet) including 30.60 g/t gold over 1.8 meters (6.0 feet)
PFR2009-11	2.94 g/t gold over 73.5 meters (241.1 feet) including 10.57 g/t gold over 17.2 meters (56.4 feet) including 160.63 g/t gold over 0.9 meters (3.0 feet)
PFR2009-12	1.00 g/t gold over 83.4 meters (273.6 feet) including 3.47 g/t gold over 2.2 meters (7.2 feet)

The drill program consisted of six HQ core holes totaling 1,969.9 meters (6,463 feet) These results compare well to historic hole PC010 which returned grades of 3.81 g/t over 85.4 meters (including 10.8 g/t over 22.90 meters and 17.66 g/t over 10.7 meters). The initial results from this program support the current understanding of the geologic and structural controls to mineralization and will be used in the upcoming revision to the inferred 43-101 resource. This will likely result in an upgrade of a portion of the existing resources and may increase the resource in total.

- January 27, 2010 - Premium announced the appointment of Mr. Patrick Sam Yue and Dr. Guojian Xu to the Company's Board of Directors. Mr. Sam Yue's experience in international finance and Dr. Xu's geological knowledge and technical expertise in exploration will be extremely valuable for the development of the Company and its assets. A substantial portion of Premiums' last private placement came from Ausmon Resources Limited of Australia and was based on a review of Premium's assets by Mr. Sam Yue and Dr. Xu. Premium also announced the resignation of Salvador Huerta and Vanessa Bachman from the Board of Directors.
- February 22, 2010 - Premium received assays from the final three holes of the Phase II Drill Program at the Friday-Petsite gold project. These holes confirmed the presence of the mineralized Orogrande Shear Zone ("OSZ"), 425 meters south of the current 531,890 oz inferred gold resource, increasing the project strike length over 120%. This may impact the size of the resource along strike with the Company's upcoming work programs.

Highlights from the program include:

PFR2009-8:	0.55 g/t gold over 124.86 meters (407.0 ft) including 0.84 g/t gold over 14.63 meters (48.0 ft)
PFR2009-9:	0.88 g/t gold over 6.4 meters (21.0 ft) and 2.39 g/t gold over 4.57 meters (15.0 ft) and 0.99 g/t gold over 11.58 meters (38.0 ft)
PFR2009-13:	1.25 g/t gold over 26.52 meters (87.0 ft) including 4.39 g/t gold over 5.49 meters (18.0 ft)

- March 23, 2010 - Premium announced that the existing NI43-101 inferred resource has been updated to conform with the revised geological and structural model at the Friday-Petsite gold project located along the OSZ. The Company has initiated a scoping (preliminary assessment) study in preparation for a future prefeasibility study. Snowden Mining Industry Consultants (Snowden) was retained and involved in revising the geologic model for the resource estimate, utilizing their engineering and geological expertise, in order to model the deposit applying the best industry practices that will benefit Premium as the project progresses.

A scoping study is underway to determine development parameters for a potential mine. This includes metallurgical test work on representative samples to provide a preliminary assessment of potential methods for efficient economic extraction of the gold and water baseline studies. The in-house modeling of geology, structures and mineralization defined three domains used for the estimation and provided tight constraints for the estimation procedure. The internal estimate was completed with the objective of quantifying gold ounces within the target area as well as highlighting areas for the next phase of drilling. **Based on the internal revision, the deposit is estimated to contain an inferred resource with approximately 17,000 kilograms (550,000 ounces) of gold in 15 million tonnes at an average grade of 1.13 g/t at a cutoff grade of 0.50 g/t.**

EVENTS SUBSEQUENT TO 31 MARCH 2010

- April 13, 2010 – Premium announced the Phase III Drill Program. The program is designed to delineate the target mineralization adjacent to the existing 550,000 oz gold resource with the aim of increasing the size of the resource and upgrading the resource categories. The program is estimated to have 33 holes ranging in depth from 150 meters (500 ft) to 610 meters (2,000 ft) for a total of 10,000 meters (33,000 ft) of drilling. Two-thirds of the footage from this program will be used for resource definition and in-fill drilling within the immediate “target” zone and one-third will be used to step-out along strike to the north, south and down-dip. Drilling will also provide data for the scoping (preliminary assessment) study announced 23 March 2010.
- April 23, 2010 - Premium announced a brokered private placement with the intent of raising \$7,000,000 for ongoing exploration and development of Premium’s projects. Byron Securities Ltd. was engaged as lead agent, in a syndicate which includes Industrial Alliance Securities Inc. The placement will consist of 23,333,333 units at \$0.30 per Unit. Each Unit will consist of one Common Share and one half of one transferable Share Purchase Warrant. Each whole Warrant will be exercisable at a price of \$0.40 for a period of 18 months from the closing date of the financing. The securities will be subject to a four-month hold period. The funds raised will include a 7% cash commission and 7% broker’s warrants (payable on closing). The private placement is subject to approval from the TSX Venture Exchange.

- May 6, 2010 – Premium provided an update on the Phase-Three drill program on the Friday-Petsite property. The Company reported that it had completed the first two holes of Phase-Three and both drill holes have successfully intersected the same mineralized zone as encountered in hole PFR2009-10 of the Phase-Two program, which returned 2.66 g/t gold over 198.4 meters (650.9 feet) including 9.16 g/t gold over 25.3 meters (83.0 feet).

- May 18, 2010 – At the request of the BC Securities Commission, Premium clarified the historic resource on the Buffalo Gulch project which is located in central Idaho. The Project is defined by a north-south trending gold in soil geochem anomaly that has a length of 3,200 meters. Extensive geological modeling, block modeling, engineering and metallurgical testwork has been conducted on the mineralized zone by previous operators and culminated in the definition of a resource that Premium considers a historic resource.

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 on behalf of Beartooth Platinum Corporation and they concluded that the – Buffalo Gulch property has 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 cutoff grade was provided. Micon qualified the estimate by stating that “The estimations reported here were made prior to the introduction of NI 43-101 and were carried out in accordance with practice at the time. The information is reported as part of the historical data on the Buffalo Gulch property.” Golder Associates also reviewed the historical estimate in a 2006 report. The Micon and Golder reports do not qualify the historical estimate as a current mineral resource

Estimates of 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 are different from current CIM classes, however, they might be comparable to the CIM inferred or indicated resource classes.*

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 on.

Premium will conduct additional drilling on the Buffalo Gulch historic resource during the 2010 exploration season and will use the newly generated data in conjunction with the historic drill data to prepare a NI43-101 compliant resource estimate. A “preliminary assessment” will also be initiated, subsequent to the resource estimate, to develop an economic analysis of the potential viability of defined mineral resources.

MINERAL EXPLORATION

Chrome Mountain, Montana, USA

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

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

An exploration program has been designed to follow up on the discovery of the new Platreef exploration model and is scheduled to start in Q3 of 2010. Platreef is one of the most profitable styles of mineralization as it is located near surface, which lends itself to simple surface mining procedures and typically has large tonnages. Consequently, the mining methods benefit from the economics of scale.

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

Orogrande Shear Zone – Idaho, USA

The Orogrande Shear Zone is a gold mineralization belt 28 km long in strike length and hosts many of the 219 mapped prospects which make up "Elk City Gold Belt". This includes at least 13 minor historic producers from the early 20th century. Extensive placer mining has taken place along the streams which parallel and cross the Orogrande Shear Zone which is comprised of the following three sections: the North Orogrande Shear Zone, the South Orogrande Shear Zone and the Central Orogrande Shear Zone. 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. A \$4,000,000 preliminary drill program has been prepared which will 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 located at the northern end of the Orogrande Shear Zone. The property is under a Letter of Intent to Joint Venture the property with the Clearwater Mining Corporation and is being permitted for production.

A Memorandum of Understanding (MOU) is being finalized between the Bureau of Land Management and Elk City Mining, LLC (ECM).

An exploration program of ground geophysics, soil sampling along mineralized horizons and mapping is being developed. A preliminary drill program is being developed for Buffalo Gulch which will include 17 holes totalling 3,700 meters. Drilling is designed to test the high-grade mineralization below the currently defined Buffalo Gulch deposit as well as along strike. The program is expected to start in Q3 of 2010.

Central Orogrande Shear Zone - Deadwood, Idaho USA

Premium has staked 110 claims covering the Central Orogrande Shear Zone. The Central Orogrande 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 for the Company 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 Dixie Property is discussed separately). The Friday/Petsite property consists of 120 claims and includes two past-producing mines locally known as the Orogrande Mine and the Frisco Pit.

Premium has developed a 12,000 meter (40,000 ft) 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. As of the date of this report, Premium has completed two phases of drilling and has commenced on a third program.

Phase I Drill Program

This program consisted of seven HQ core holes which were drilled to a depth of 153 meters (502 ft) and total footage drilled equalled 853.4 meters (2,800 ft.). This first phase of drilling which commenced in March 2009 and completed in July 2009, was designed to further delineate the high-grade component of the resource, test the continuity of mineralization on the OSZ along strike to the north and south of the existing resource, and to provide minor in-fill drilling. Results from this program will be used to reassess the NI 43-101 compliant 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 geologic model developed by Premium's geologists, confirmed a steep easterly dip and intersected the OSZ to the north and south of the main zone of mineralization. Drill holes PFR2009-6 and PFR2009-7 (located south of Quartz Creek) intersected intensely sheared and altered Muscovite-Sericite Schist with associated sulphides which are indicative of OSZ mineralization as found in the main zone of mineralization. These two holes also extend the strike length of the OSZ by 100 meters to the south and are located on the north end of a 1,200 meter (4,000 foot) gold in soil geochemical anomaly. This confirms the probability that the anomaly is likely related to the continuation of the OSZ to the south.

PFR2009-3, the northern-most drill hole in the program, intersected shear zone material and has increased the strike length of the OSZ by 75 meters to the north. Based on drilling by previous operators and core logging of the new core, gold mineralization is found to occur in two distinct forms; primary fine grained gold mineralization associated with Pyrite, Arsenopyrite, and likely Lollingite (iron arsenide), and a second coarser gold phase which is likely associated with a post-mineral Dacite Dike remobilizing the primary gold. Additional research will be conducted to determine if there is any significance to the Lollingite-gold association which may be useful in future drilling programs. The host rock in the shear zone is predominately Muscovite-Sericite Schist with sericite altered Quartz Monzonite to a lesser extent. Pyrite, Arsenopyrite and Lollingite are disseminated and also occur within quartz/carbonate veinlets.

Highlights from the Phase I Drill Program are listed below:

Friday-Petsite 2009 Phase I Results				
Hole ID	From (m)	To (m)	Length (m)	Au (g/t)
PFR2009-01	0	37.7	37.7	0.56
<i>including</i>	23.16	30.33	7.16	1.2
Dike	37.7	54.86	17.16	n/a
	55.84	73.76	17.92	5.02
<i>including</i>	63.58	69.31	5.73	13.58
<i>including</i>	63.58	65.17	1.58	35.55
PFR2009-02	1.52	41.09	39.56	1.77
<i>including</i>	32.92	41.09	8.17	3.37
Dike	41.09	60.05	18.96	n/a
	114.6	116.28	1.68	1.35
PFR2009-03	0.91	9.85	8.95	1
<i>including</i>	0.91	5.18	4.27	1.49
PFR2009-04	15.24	28.13	12.89	0.88
PFR2009-05	0	76.05	76.05	1.2
<i>including</i>	39.93	76.05	36.12	1.84
<i>including</i>	65.53	76.05	10.52	3.76
<i>including</i>	68.28	74.07	5.79	5.95
<i>including</i>	71.17	74.07	2.9	8.81
Dike	76.05	94.79	18.75	n/a
	94.79	137.46	42.67	1.13
<i>including</i>	94.79	106.07	11.28	3.51
<i>including</i>	98.76	103.33	4.57	7.73
PFR2009-06	1.83	47.12	45.29	0.64
<i>including</i>	12.5	28.04	15.54	1.06
PFR2009-7	0	97.23	97.23	0.61
<i>including</i>	36.12	67.97	31.85	1.16
Note: True Widths are estimated to be between 75% and 100% of the drilled interval				

Phase II Drill Program

The Phase II Drill Program totaled 1,969.9 meters (6,463 ft) and consisted of six HQ core holes. This second phase of drilling commenced in September 2009 and was completed in December 2009. The program was designed to delineate the northern and southern extension of mineralization for an 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 (900 ft.).

This phase of the program included three of the deepest holes drilled on the property and intercepted the mineralized zone 300 meters down-dip from the bottom of historic drill hole PC010. The current inferred resource of 531,890 ounces of gold is hosted in 350 meters (1,148 ft) of strike length and down to a depth of 150 meters (492 ft) from surface. PC010 returned grades of 3.81 g/t Au over 85.4 meters, (including 10.8 g/t over 22.90 meters, and 17.66 g/t over 10.7 meters). PFR2009-11, the first hole completed in this segment of the program intercepted the down-dip extension of mineralization encountered in PC010, and was mineralized to a depth of 490 meters (1,608 ft) which is triple the depth of historic PC010.

The drill holes in this phase encountered the same geology, structures and mineralization as seen in the Phase I program and all of the holes intercepted mineralization at depth and along strike and the gold mineralization remains open to the north, south and at depth. All holes intercepted targeted mineralization with several holes terminating in mineralization at depth. The results of the Phase II program have led Premium's team to a better understanding of the geologic and structural controls of mineralization and will be used in the upcoming revision of the Inferred 43-101 resource. The mineralization encountered in the drill holes consists of a broad zone of lower grade gold mineralization associated with the shear zone, surrounding a higher grade gold core which has been intruded by a post mineral Dacite Dike.

Results from PFR2009-08 and PFR2009-09 are significant as they confirm gold mineralization 425 meters south of the current inferred resource indicate by the strong, contiguous, 1,150 meter gold in soil geochemical anomaly. This has doubled the strike length of the project and could significantly impact the size of the resource along strike with the upcoming work programs

Highlights from the Phase I Drill Program are listed below:

Friday-Petsite 2009 Phase II Results				
Hole ID	From (m)	To (m)	Length (m)	Au (g/t)
PFR2009-08	23.2	147.2	124.1	0.55
<i>including</i>	59.7	93.3	33.5	0.68
<i>including</i>	107	121.6	14.6	0.84
PFR2009-09	7	13.4	6.4	0.88
<i>including</i>	45.4	50	4.6	2.39
<i>including</i>	98.8	110.3	11.6	0.99
PFR2009-10	173.4	371.8	198.4	2.7
<i>including</i>	232.2	353.3	121.1	3.8
<i>including</i>	238.7	264.0	25.3	9.2
<i>including</i>	239.3	241.1	1.8	30.6
<i>including</i>	352.9	353.3	0.4	285.9
PFR2009-11	266.1	339.6	73.5	2.9
<i>including</i>	277.4	294.6	17.2	10.6
<i>including</i>	290.5	291.4	0.9	160.6
PFR2009-12	281.6	365.0	83.4	1.0
<i>including</i>	362.8	365.0	2.2	3.5
PFR2009-13	126.5	153	26.5	1.25
<i>including</i>	126.5	132	5.5	4.39
<i>including</i>	130.2	132	1.8	11.99
<ul style="list-style-type: none"> • 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 65% and 75% of the drilled interval. 				

Revised Resource Estimate

In March 2010, Premium completed a resource estimate revision and initiated a scoping (preliminary assessment) study in preparation for a future feasibility study. Premium retained Snowden Mining Industry Consultants to assist in the revision of the geological model for the in-house resource estimate. In addition, Snowden will conduct an independent assessment of the in-house estimate on the Friday-Petsite project to meet the requirements for an independent Technical Report when reporting mineral resources for a project. The assessment will require a property visit and validation of the data used for the in-house estimate. Contingent on site conditions, the independent review may be completed by Q3 of 2010. The resource estimate is based on historic and current data generated on the Friday-Petsite project by Premium Exploration and previous operators. Snowden utilized their engineering and geological expertise to model the deposit and apply best industry practices.

The revised estimate conforms well to the 2008 NI43-101 compliant inferred resource estimate. The NI43-101 Technical Report was filed on SEDAR on 29 January 2009.

Upcoming exploration will target the Orogrande Shear Zone directly adjacent to the modeled inferred resource (on strike to north and south and down dip). The target may contain 15,000,000 to 25,000,000 tonnes of mineralized material grading from 0.7 to 1.2 gram/tonne. The target may contain 337,000 to 964,000 ounces if intercepted by future exploration. The target tonnage and grade is conceptual in nature and there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource.

The target tonnage and grade has been estimated by projecting potential mineralization to the north and south along strike and to the depth of the deepest intercepts in core drilling. The projections are in areas where drilling has intercepted mineralization but there is insufficient density of data to be included in the Premium's new model. Ounces have increased due to a slight increase in grade and a slight decrease in tonnage at a 0.5 g/t cut-off.

The in-house modeling of geology, structures and mineralization defined three domains used for the estimation and provided tight constraints for the estimation procedure. The internal estimate was completed with the objective of quantifying gold ounces within the target area as well as highlighting areas for the next phase of drilling. **Based on the internal revision, the deposit is estimated to contain an inferred resource with approximately 17,000 kilograms (550,000 ounces) of gold in 15 million tonnes at an average grade of 1.13 g/t at a cutoff grade of 0.50 g/t.**

The grade is estimated based on the average grade calculated during construction of three domains developed during the modeling utilizing a 0.5 g/t cutoff. Domain-One has an estimated average grade of 1.24 g/t Au, while Domain-Two averages 1.13 g/t Au and Domain-Three averages 0.74 g/t Au. Preliminary geostatistical evaluation was used to define three separate domains with distinct geologic or mineralization characteristics. A top cut (grade capping) analysis of the composite data to determine appropriate top cuts for each domain was conducted. The top cut for Domain-One is 14.53 g/t, for Domain-Two is 13.97 g/t and for Domain-Three is 5.62 g/t. The top cut for Domain-Three is much lower due to the lack of a sufficient number of sample points.

126 drill hole intercepts were used to develop the geologic model and define the 3 primary domains out of a total of 195 holes drilled on the project, which consisted of 150 reverse circulation holes and 45 core holes. Additional data used to develop the model included surface geologic maps, geochemical maps and topographic maps. In preparation for the estimate, the drill hole collar data, geologic data, survey data and assay data were compiled and cross-checked to existing original data. A specialized mineral modeling program (GEMCOM, www.gemcomsoftware.com) was used for evaluation and interpolation of the data and is instrumental in the development of the model.

In addition to drilling, scoping has commenced to determine development parameters for a potential mine. This will include metallurgical testwork on representative samples to provide a preliminary assessment of potential methods for efficient economic extraction of the gold and water baseline studies. The recent detailed modeling work incorporating geostatistical tools validates the revised geologic model and clearly defines the best areas for additional drilling to test potential expansions to the recent estimate.

Phase III Drill Program

In April 2010, Premium commenced Phase III of the 12,000 meter (40,000 ft) program designed to systemically test the 28 kilometre Orogrande Shear Zone (OSZ). The program is designed to delineate the target mineralization adjacent to the existing 550,000 oz gold resource with the aim of increasing the size of the resource and upgrading the resource categories.

The Phase III program is estimated to have 33 holes ranging in depth from 150 meters (500 ft) to 610 meters (2,000 ft) for a total of 10,000 meters (33,000 ft) of drilling. Two-thirds of the footage from this program will be used for resource definition and in-fill drilling within the immediate "target" zone and one-third will be used to step-out along strike to the north, south and down-dip. Drilling will also provide data for the scoping (preliminary assessment) study announced 23 March 2010.

As of the date of this report, Premium had completed the first two holes of Phase-Three and both drill holes have successfully intersected the same mineralized zone as encountered in hole PFR2009-10 of the Phase-Two program, which returned **2.66 g/t gold over 198.4 meters (650.9 feet) including 9.16 g/t gold over 25.3 meters (83.0 feet)**.

Dixie, Idaho, USA

The Dixie Property consists of 17 claims and is located near the South Orogrande Shear Zone. It is not part of the South Orogrande Shear Zone, but may be associated with a second shear zone in the area that is similar to the South Orogrande Shear Zone. The underlying geology is that of igneous rocks intruding early Precambrian metamorphic rocks. Anomalous gold areas have been identified by stream sediment and soil geochemical sampling. Premium intends to complete a general exploration program to investigate the anomalous areas in order to locate targets for drilling. The property is classified by Micon as an early-stage exploration property where geochemical surveys have outlined areas of anomalous gold values.

San Pedro Analco, Jalisco, Mexico

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

A Phase I Exploration Program was completed in 2007 and included preliminary sampling and mapping in four of five of the larger mines. A total of 1,600 metres of mine workings were mapped from which 71 chip samples and nine grab samples (from ore chutes) were collected from five mines. A Phase II Exploration Program has been designed and 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 2009 and is in default on this contract. The contract is currently under negotiation.

Results of Operations

The loss for the period ended 31 March 2010 was, \$484,847 which compares to a loss of \$443,264 in same quarter of 2009. The increase in the loss for the current year is due to a number of factors key among them being:

In \$ thousands	3 months 2010	3 months 2009
Resource property expense	\$ 108	\$ 63
Variance increase (decrease)	\$ 45	\$

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. The Company has recently begun the next phase of drilling in Idaho and is currently involved in a financing to allow further exploration.

In \$ thousands	3 months 2010	3 months 2009
Shareholder Relations	\$ 99	\$ 26
Variance increase (decrease)	\$ 73	\$

The first quarter of 2009 is remembered for the challenges of the marketplace and the Company was focused on conserving costs. It was management's belief that no expenditures on shareholder relations could benefit the company during such difficult times. Our focus was on conserving cash and surviving the turmoil. This conservative approach served us well. Today we are well positioned to pursue our drill program and optimistic that the market place supports this approach

In \$ thousands	3 months 2009	3 months 2008
Management fees	\$ 61	\$ 49
Variance increase (decrease)	\$ 12	\$

The increase in this area is expected to balance out in the next quarter. This temporary increase is a result of a restructuring in the second quarter of 2009, when the Company brought Wilf Struck on as the CEO and moved Del Steiner into the sole role of President. While this increased the cost of operations, management believes that Mr. Struck's geological skills and intimate knowledge of the properties will benefit the exploration programs.

In \$ thousands	3 months 2009	3 months 2008
Travel	\$ 52	\$ 24
Variance increase (decrease)	\$ 28	\$

The increase in travel corresponds with the increase in Shareholder relations, and arises because the Company is quite active currently and is optimistic that the Idaho property will continue to perform. The other factor in this increase is that the Company has two new directors in Australia and travel costs are, therefore expected to increase. The new directors are proving to be a strong addition to the governance structure and have added value in the areas of geology and governance.

In \$ thousands	3 months 2009	3 months 2008
Stock-based Compensation	\$ 44	\$ 129
Variance increase (decrease)	\$ (85)	\$

The decrease in this non-cash expense is thus result of the Company choosing not to grant any options during the first quarter of 2010.

SUMMARY OF QUARTERLY RESULTS

Financial Data for the Last Eight Quarters

Three Months Ended	Mar-10 \$	Dec-09 \$	Sep-09 \$	Jun-09 \$
Total Revenues	Nil	Nil	Nil	Nil
Loss from continuing operations	485,000	\$1,301,546	\$444,885	\$313,830
Loss for the period	485,000	\$1,301,546	\$444,885	\$313,830
Loss per share	(0.01)	(0.02)	(0.01)	(0.01)

Three Months Ended	Mar-09 \$	Dec-08 \$	Sep-08 \$	Jun-08 \$
Total Revenues	Nil	Nil	Nil	Nil
Loss from continuing operations	443,264	912,975	615,781	989,590
Loss for the period	443,264	912,975	615,781	989,590
Loss per share	(0.02)	(0.03)	(0.02)	(0.02)

OUTSTANDING SHARES

As at March 31, 2010, the Company had 64,120,219 common shares issued and outstanding versus 39,442,219 common shares issued and outstanding at March 31, 2009. The fully diluted amount of 92,064,385, represents options of 6,523,750 and warrants of 21,420,416.

FINANCIAL POSITION AND LIQUIDITY

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

Currency & credit risk – All of the Company's Canadian cash is held in an interest bearing account at a major bank and such balances earn interest at market rates. The Company also maintains cash in the US\$ and the Mexican Peso. The cash balances and payables that are denominated in foreign currencies are subject to currency risk due to fluctuations in the exchange rate between the currencies. To manage this risk the Company maintains only the minimum amount of foreign cash required to fund its ongoing exploration expenditures. At 31 March 2010, the Company held currency totalling CDN\$ 962,000 US\$ 203,000; and Pesos\$ 75,000. Accounts payable are settled in a timely manner.

Fair Value – As at 31 March 2010 and 2009 the carrying values of receivables, accounts payable and accrued liabilities and notes payable approximate their fair values due to their short term to maturity.

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

CAPITAL RESOURCES AND COMMITMENTS

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

The President 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 US\$7,500. This contract may be cancelled upon the Company providing six months advance notice.

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

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

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

2010	\$	30,943
2011		41,258
2012		6,876
Total	\$	79,077

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as at 31 March 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.

RELATED PARTY TRANSACTIONS

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

- a) The Company paid management fees of \$30,000 (2009 - \$21,000) to a director in his capacity of Chief Executive Officer.
- b) The Company paid management fees of \$22,500 (2009 - \$Nil) to a director in his capacity of President.
- c) The Company paid consulting fees of \$15,000 (2009 - \$15,000) to an officer of the Company in the capacity of Chief Financial Officer.
- d) The Company paid management fees of \$Nil (2009 - \$24,000) to a director of the Company in the capacity of Vice President of mining development.

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 March 31, 2010 Interim Financial Statements provide a breakdown of the general and administrative expenses for the period under review and an analysis of the capitalized and expensed exploration and development costs incurred on its mineral properties (-).

INVESTOR RELATIONS ACTIVITIES

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

MANAGEMENT

Premium is 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