



PREMIUM EXPLORATION INC.

MANAGEMENT DISCUSSION AND ANALYSIS

30 June 2010

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

27 August 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 June 30, 2010. Consequently, the following discussion and analysis of the financial condition and results of operations for Premium Exploration Inc. (“Premium” or the “Company”), should be read in conjunction with the unaudited Interim Consolidated Financial Statements for the Quarter ended 30 June 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 three projects in various stages of development from advanced exploration to pre-production projects in Montana and Idaho, USA, with a third project in Jalisco, Mexico whose contract is currently under negotiation.

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 in the third phase of the planned 12,000 meter (40,000 ft) Drill Program on the Friday-Petsite property.

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

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

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

During the second quarter of 2010, Premium announced the commencement of their Phase III Drill Program. This phase of the program was designed to delineate the target mineralization, adjacent to the existing NI 43-101, 531,890 oz inferred gold resource, with the aim of increasing the size of the resource and upgrading the resource categories. The current resource is hosted in 15.17 million tonnes averaging 1.1 g/t gold at a cut-off grade of 0.5 g/t. An estimated 33 holes, ranging in depth from 150 meters to 610 meters, will be drilled; for a total of 10,000 meters of drilling of the overall 12,000 meter program. 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. This program will also provide data for the scoping (preliminary assessment) study announced in March 2010.

The assay results for the first three holes were released in July and the first two holes (PFR2010-1 and PFR2010-2) intersected the same mineralized zone encountered in hole PFR2009-10; which returned 2.66 g/t gold over 198.4 meters including 9.16 g/t gold over 25.3 meters. The third hole, PFR2010-3 was drilled in the same direction and dip as PFR2009-10. PFR2010-3 was the first step-out hole, designed to test the continuity of mineralization along strike in a newly discovered mineralized zone located directly beneath, and not included in, the existing bulk-tonnage NI 43-101, 531,890 oz inferred resource. The new zone, referred to as the “Lower Block” has added 300 meters of strike length to the mineralized zone.

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

As of the date of this report, Premium has two drills turning on the property. The first drill will continue the exploration program to the north and south, while the second drill will be used for definition drilling in the Lower Block. With well defined structural interpretation, and mineralization open at depth, Premium is confident that the development of this project will advance quickly as the program continues to test the extent of the deposit’s strike length.

Friday-Petsite 2010 Phase III Results				
Hole ID	From (m)	To (m)	Length (m)	Au (g/t)
PFR2010-1	0.0	203.0	203.0	0.98
<i>including</i>	182.0	203.0	21.0	2.61
PFR2010-2	14.6	289.6	275.0	1.84
<i>including</i>	213.4	289.6	76.2	5.74
<i>including</i>	213.4	228.3	14.9	22.18
PFR2010-3	221.0	378.9	157.9	2.23
<i>including</i>	221.0	295.4	74.4	3.65
PFR2010-4	149.3	299.3	150.0	1.5
<i>including</i>	254.8	291.7	36.9	2.5
<i>including</i>	210.0	214.9	4.9	8.3

Friday-Petsite 2010 Phase III Results				
Hole ID	From (m)	To (m)	Length (m)	Au (g/t)
PFR2010-5	98.1	365.1	267.0	0.9
<i>including</i>	292.9	365.1	72.2	1.5
<i>including</i>	292.9	303.9	11.0	3.4
PFR2010-6	118.0	344.0	226.0	0.5
<i>including</i>	118.0	134.4	16.4	2.5
<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 50% and 75% of the drilled interval 				

In April 2010, Premium announced a brokered private placement with the intent of raising \$7,000,000 for ongoing exploration and development of the Company's projects. Byron Securities Ltd. was engaged as lead agent, in a syndicate which included Industrial Alliance Securities Inc. The placement was to consist of 23,333,333 units at \$0.30 per Unit, with each Unit consisting of one Common Share and one-half of one transferable Share Purchase Warrant. Each whole Warrant would be exercisable at a price of \$0.40 for a period of 18 months from the closing date of the financing and the funds raised would include a 7% cash commission and 7% broker's warrants which would be payable upon closing.

The placement was amended in June to reflect a change in the lead agent from Byron Securities to Industrial Alliance and the syndicate was expanded to include Dundee Securities Corporation. In addition, the placement was increased to a \$10,000,000 raise through the issuance of 40,000,000 Units at \$0.25 per Unit. The Units consisted of one Common Share and one-half of one transferable Share Purchase Warrant at a price of \$0.35, for a period of 18 months from the closing date of the financing. The securities are subject to a four-month hold period from the date of issuance, and to final acceptance from the TSX Venture Exchange. The commission allocation of 7% cash and 7% broker's warrants remained the same.

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

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

Under the terms of the merger, the shareholders of Clearwater received an aggregate total of 3,000,000 common shares of Premium, along with a 1% Net Smelter Returns royalty ("NSR") on the Friday-Petsite Project, and 60 ounces of gold from initial production (the "Transaction"). The NSR is payable quarterly upon the commencement of commercial production of gold from the Friday-Petsite Project up to a total of US\$3,000,000 in royalty payments. Premium USA continues as the sole surviving corporation of the merger.

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

As a condition of the approval for the merger, Premium signed an undertaking to provide an updated, Independent Technical Report in compliance with NI 43-101 and the policies of the Exchange within two months after the Exchange issues its final acceptance of the Transaction. The Exchange granted its approval on July 2nd and as of the date of this report; a 30-day extension has been requested by the Company and approved by the Exchange.

At the request of the BC Securities Commission in May, Premium undertook a revision of its January 22, 2008 Technical Report on the Friday-Petsite property as well as a clarification on the historic resource on the Buffalo Gulch project. The Technical Report, written by Wilf Struck, P.Eng., and CEO of Premium at the time, was revised May 27, 2010 and confirmed that the inferred resource estimate of 16.73 million tons grading 0.032 oz/ton gold, at a cut-off grade of 0.015 oz/ton gold is a current inferred resource estimate. The revised report is available under Premium’s profile on SEDAR at www.sedar.com.

The Buffalo Gulch property is defined by a north-south trending gold in soil geochem anomaly which has a length of 3,200 meters. Extensive geological modeling, block modeling, engineering and metallurgical test-work was conducted on the mineralized zone by previous operators and culminated in the definition of a resource which Premium considers an historic resource.

The historic resources, as calculated by the Bema Gold subsidiary “Idaho Gold Corporation”, were prepared prior to the introduction of NI 43-101, and were carried out in accordance with established practices 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 approximately 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. 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 non-compliant with NI 43-101. Premium is not treating the historical estimate as current mineral resources or reserves. The Company 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.*

During the 2010 exploration season, Premium intends to conduct additional drilling on the Buffalo Gulch historic resource, and will use the new data in conjunction with the historic drill data to prepare an NI 43-101 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.

At the end of the second quarter, Premium granted 2,460,000 stock options to certain directors, officers and consultants of the Company. The options are exercisable at a price of \$0.36 for a period of five years.

Premium announced the sudden passing of CEO and Chairman of the Board, Wilf Struck, P.Eng. on July 6th. Wilf was an integral member of the Premium team, and his passing is a great loss to the Company, both personally and professionally. Wilf contributed significantly to the exploration success and geological understanding of the Chrome Mountain and Idaho Gold properties. In the interim, Del Steiner, President, has re-assumed the role of CEO and Chairman of the Board.

On the 7th of July, Premium announced the appointment of Mr. Colin Jones to the Board of Directors and Mr. Michael P. Ostenson as their VP-Exploration. Mr. Jones is the Executive Vice-President of Dundee Resources Limited and has 30 years of experience as a mining, exploration and consulting geologist. He is responsible for sourcing investment opportunities globally in exploration and development companies as well as management of associated technical evaluation and due diligence programs. In addition, he acts as a technical consultant to a number of investee companies and monitors development progress of these companies. Mr. Jones has a Bachelor of Science (Earth Sciences) from Massey University, NZ and is a Member of the Australasian Institute of Mining and Metallurgy.

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

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

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.

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 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.

Phase I Drill Program

This program consisted of seven HQ core holes which were drilled to a depth of 153 meters. Total footage drilled for Phase I equalled 853.4 meters of the planned 12,000 meter program. This first phase of drilling 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 likelihood that the anomaly is 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.

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

Friday-Petsite 2009 Phase I Results				
Hole ID	From (m)	To (m)	Length (m)	Au (g/t)
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
PFR2009-07	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 of the overall 12,000 meter program 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 .

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 of strike length and down to a depth of 150 meters 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; 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. 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 indicated 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

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. 				

Phase III Drill Program

Please see Significant Events, Transactions and Events Subsequent to the end of the Period.

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 was 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 and is expected to be resolved before the end of the next quarter.

Results of Operations

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

	3 months 2010	3 months 2009	6 months 2010	6 months 2009
Resource property expense	\$ 765,565	\$ 304,068	\$ 873,795	\$ 367,361
Variance increase (decrease)	461,497		506,434	

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.

	3 months 2010	3 months 2009	6 months 2010	6 months 2009
Stock based compensation	\$ 180,967	\$ 58,594	\$ 224,855	\$ 187,375
Variance increase (decrease)	122,373		37,480	

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

	3 months 2010	3 months 2009	6 months 2010	6 months 2009
Management fees	\$ 88,207	\$ 51,660	\$ 149,246	\$ 104,575
Variance increase (decrease)	36,547		44,461	

In previous years the Company combined the role of President and CEO. With the increasing activity in the Company, the role was separated and an additional person was hired to fill the position of CEO.

	3 months 2010	3 months 2009	6 months 2010	6 months 2009
Shareholder relations	\$ 101,129	\$ 92,069	\$ 191,997	\$ 117,991
Variance increase (decrease)	9,060		74,006	

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

	3 months 2010	3 months 2009	6 months 2010	6 months 2009
Professional fees	\$ 74,009	\$ -	\$ 113,311	\$ 50,832
Variance increase (decrease)	74,009		62,479	

The increase of professional fees is mainly due to the costs associated with compliance and assurance costs.

	3 months 2010	3 months 2009	6 months 2010	6 months 2009
Travel	\$ 76,345	\$ 31,985	\$ 128,571	\$ 56,473
Variance increase (decrease)	44,360		72,098	

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

SUMMARY OF QUARTERLY RESULTS

Financial Data for the Last Eight Quarters

Three Months Ended	Jun-10 \$	Mar-10 \$	Dec-09 \$	Sep-09 \$
Total Revenues	Nil	Nil	Nil	Nil
Loss from continuing operations	1,859,000	485,000	\$1,301,546	\$444,885
Loss for the period	1,859,000	485,000	\$1,301,546	\$444,885
Loss per share	(0.03)	(0.01)	(0.02)	(0.01)

Three Months Ended	Jun-09 \$	Mar-09 \$	Dec-08 \$	Sep-08 \$
Total Revenues	Nil	Nil	Nil	Nil
Loss from continuing operations	\$313,830	443,264	912,975	615,781
Loss for the period	\$313,830	443,264	912,975	615,781
Loss per share	(0.01)	(0.02)	(0.03)	(0.02)

OUTSTANDING SHARES

As at 30 June 2010 the Company had 108,604,219 common shares issued and outstanding versus 46,181,219 common shares issued and outstanding at 30 June 2009. The fully diluted amount of 157,174,385 represents options of 8,683,750 and warrants of 39,886,416.

FINANCIAL POSITION AND LIQUIDITY

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

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

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

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

CAPITAL RESOURCES AND COMMITMENTS

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

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

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

The Company had no off-balance sheet arrangements as at 30 June 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 in the financial statements are as follows:

- a) The Company paid management fees of US\$60,000 (2009 - US\$42,000) to a director in his capacity of chief executive officer.
- b) The Company paid management fees of US\$45,000 (2009 - US\$25,000) to a director in his capacity of president.
- c) The Company paid consulting fees of \$30,000 (2009 - \$30,000) to a company controlled by an officer of the Company in the capacity of chief financial officer.
- d) The Company loaned \$231,000 to an officer and director of the Company. The loan has a 5% interest rate per annum and is payable on or before 31 December 2010.

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

DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Consistent with other companies in the mineral exploration industry, Premium has no source of operating revenue. The Company's 30 June 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 & CEO