

PREMIUM EXPLORATION INC.
Report to Shareholders and
Management Discussion and Analysis
Of the Financial Position and Results of Operations
For the Quarter Ended September 30, 2007

November 26, 2007

TO OUR SHAREHOLDERS:

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the interim consolidated financial statements of the Company and the notes thereto for the quarter ended September 30, 2007. 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 interim consolidated financial statements for the quarter ended September 30, 2007 and related notes therein, which have been prepared in accordance with Canadian generally accepted accounting principles, consistently applied.

Discussion of the Company, its operations and associated risks is 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.

GENERAL

Premium is a mineral exploration company that has unproven mineral property interests in Montana, and Idaho, USA and Sonora, Nayarit, and Jalisco, Mexico. Our principal business activities have been the exploration of two mineral properties known as the Montana Property and the Nueva Galicia Property respectively located in the Stillwater Complex, the State of Montana, United States of America and the State of Nayarit, Mexico, respectively. During the quarter under review those efforts expanded to include the Clearwater property in Idaho.

The Company's Montana Property consists of 167 mining claims acquired through three separate acquisition agreements that were completed during the third and fourth quarters of 2004 and a staking program completed in February 2007. The Company's primary property located in Mexico consists of 7 mining concessions and the Company is negotiating title for three additional concessions. The Company signed 2 definitive option agreements, on the Rosamorada and Dos Amigos properties, in Mexico, during the three months ended September 30 2007.

The Montana Property and the Nueva Galicia Property are the primary exploration properties held by the Company – see *Mineral Exploration*.

SIGNIFICANT EVENTS AND TRANSACTIONS

During the quarter ended September 30, 2007, the Company announced the following the agreements on properties:

Beartooth

By a letter of intent dated September 1, 2006, the Company entered into an agreement with Beartooth Platinum Corporation ("Beartooth") to jointly explore and share data on the Company's properties in Montana, U.S.A. Under the terms of the agreement, Beartooth will be the operator and will pay all costs of the exploration activities, except the Company will pay the assaying costs. Contingent upon the results, Beartooth may negotiate a joint venture with the Company on the platinum group metals component of these properties. The Company may at its option include any silver or gold metals in the joint venture.

By an agreement date June 1, 2007 The Company signed a definitive joint venture agreement, with Beartooth Platinum Corp, ("Beartooth") on the Chrome Mountain Project for which the company will receive the following:

- Reimbursement of 50% of its previously incurred exploration expenditures (\$125,778) on the Chrome Mountain project.
- A 1% net smelter royalty on both the Company's and Beartooth's properties
- Beartooth must complete \$3,000,000 in exploration expenditures on vest its 50% interest, at which time the Company may, at its option, maintain a 50% interest in the project by paying its pro rata share of exploration expenditures. Should the Company decline, Beartooth may earn an additional 30% interest by spending an additional \$2,000,000.
- Upon completion of the required \$5,000,000 of cumulative exploration expenditures by January 1, 2011 Premium will maintain a 20% interest.

South Orogrande Shear Zone

By a letter of intent dated September 1, 2007, the Company entered into an agreement to acquire the South Orogrande shear zone located in the state of Ohio, from Clearwater Mining Company ("Clearwater") Over the past 20 years, there has been extensive historical exploration work conducted on the South Orogrande shear zone that has been completed by several well-known mining companies including Bema Gold Corp., Cyprus Amax Minerals and Kinross Gold Corp. Premium has reviewed a technical report meeting the criteria for National Instrument 43-101 on the property prepared by Micon International Ltd. dated Sept. 10, 2004.

Dos Amigos

On August 14, 2007 the Company entered into a definitive option agreement whereby the Company must complete the following in order to maintain the option in good standing:

		Cash Payments		Complete Exploration Expenditures
On signing definitive agreement	\$	25,000	(i)\$	-
August 15, 2008		125,000		50,000
August 15, 2009		250,000		250,000
August 15 2010		600,000		700,000
Total	\$	1,000,000	\$	1,000,000

(i) complete

On entering commercial production the vendors will receive 1.5% net smelter return or \$1,500,000.

Rosamorada

On August 14, 2007 the Company paid \$10,000 and entered into a definitive option agreement to exploration rights on two concession, totalling 300 hectares, in the municipality of Rosamorada in the State of Nayarit, Mexico. The Company must complete the following in order to maintain the option in good standing:

	Cash Payments		Complete Exploration Expenditures
On the date of execution	50,000	(i)\$	-
August 15, 2008	100,000		100,000
August 15, 2009	250,000		200,000
August 15, 2010	600,000		500,000
Total	\$ 1,000,000	\$	800,000

(i) Paid

On entering commercial production the vendors will receive 1.5% net smelter return or \$1,500,000.

Subsequent to September 30, 2007, October 25, 2007 the Company announced the issuance of 1,400,000 stock options to certain directors, officers and consultants. The options are exercisable at a price of Cdn \$0.35 for a period of five years

MINERAL EXPLORATION

U.S.A. Properties

Montana Property

The Company has entered into a joint venture agreement with Beartooth to develop the Montana properties.

The new joint venture agreement follows the successful completion of the 2006 exploration program. The 2006 work included 2,300 soil samples and documented a major copper-nickel-platinum-group-metal anomaly with soil grades up to 1.4 grams platinum-group metals from Premium Exploration's property (as announced in Premium Exploration's press release reported in Stockwatch on May 24, 2007).

Del Steiner, president and chief executive officer of Premium Exploration, states: "Premium is very excited to be working with Beartooth Platinum Corp. Along with Beartooth's aggressive drill program they bring substantial platinum-group metals expertise and resources to our Chrome Mountain project. We look forward to working with them to fully develop the potential of the Chrome Mountain project."

Orogrande Property

Premium Exploration, Inc. has entered into a letter of intent to acquire the South Orogrande shear zone located in the state of Idaho, United States of America, from Clearwater Mining Company (CMC). The South Orogrande shear zone comprises two properties known as the Friday-Petsite property and the Dixie property.

The Orogrande shear zone is a gold mineralization belt that is 26 miles long in strike length, and has 245 mapped prospects and mines with historically reported results of 0.5 ounce gold in past producing mines which produced from small vein structures. There are disseminated deposits that are open along strike and at depth associated with the historic mines. This information has not been corroborated by Premium Exploration, nor does it meet the standards for 43-101 compliance, but it is provided for historical perspective.

The property is located in the vicinity of Elk City, Idaho county, central Idaho, in the Western United States. The terrain is hilly, rather than mountainous, although local relief is sharp in places. The elevations at which properties are located, range from 4,000 and 5,000 feet above sea level, and are heavily wooded. Due to extensive soil development, outcrop is less than would be anticipated based on the relief. Premium believes the possibility exists to increase these historical resource estimates on the Friday-Petsite property through further exploration work as the deposit is open to the north and south along strike, and at depth

Mexican Properties

Nueva Galicia

The main exploration focus for the Company during the 9 month ended September 30 2007 has been the Nueva Galicia property with expenditures during the period of approximately \$520,000.

The Nueva Galicia Project is centered on a large, low sulfidation epithermal precious metal vein system, which is outlined by 17 historic workings over 10 km of strike across the Project. This structural corridor contains several mineralized, sub-parallel, sub-vertical vein systems, breccias, and low-angle vein structures locally. Stringer and disseminated mineralization have been identified peripheral to the veins.

Premium's first phase exploration program was focused on approximately 200 hectares of the property where significant results were obtained by the Mexican Geological Survey and a previous operator (see Press Release dated July 19, 2006). In the area of current focus alone, over 4,000 meters of mineralized structures are present in six sub-parallel and cross-cutting veins. The area of current exploration represents only a small part of the entire system - large areas with known mineralization have yet to be explored using modern methods - no drilling or geophysical surveys have ever been carried out at Nueva Galicia.

Sampling and mapping were carried out to develop drill targets for testing in Spring 2007, as well as mapping extensions of known vein structures and prospecting for additional mineralized zones. The program included re-sampling of a representative percentage of accessible historic workings, surface sampling, as well as structural and alteration mapping, which will be used to develop drill targets which will test the continuity of mineralization along strike and down-dip of known ore shoots.

The Nueva Galicia Project is located immediately south of Cream Mineral's Nuevo Milenio Project, where a NI 43-101 compliant inferred mineral resource of 13,120,000 tonnes containing 268,000 oz. gold and 30,340,000 oz. of silver have been identified so far.

Infrastructure and access to the Nueva Galicia project are excellent. The claims are located 29 kilometers southeast of the Nayarit State capital, Tepic, and four kilometers from the town of Compostela (pop. 15,000), where Premium has established a field office. Paved highways and electric power lines pass within four kilometers of the western boundary, and within one kilometer of the southern boundary of the property. An operating railway line crosses the northwest corner of the property. A gravel road provides access to the center of the property where many of the historic workings are located. Water is available year round on the property.

Dos Amigos

Dos Amigos consists of 3,230 hectares situated on moderate topography at approximately a 600-metre elevation with road access in northeastern Nayarit, approximately eight kilometres from the Durango state border.

Epithermal veins are present at several locations within the claim area with widths up to two metres. Fifteen chip samples from veins returned from 95 to 2,664 ppb gold and 0.3 to 258 ppm silver. An area of quartz-chalcedony stockwork approximately 500 metres by 400 metres was mapped and eight samples were taken from subcrop and one from a one-metre-deep pre-existing pit. The pit sample returned anomalous values of 81 ppb gold and 6.8 ppm silver. This sample also contained weakly anomalous arsenic, manganese, antimony and tellurium. All samples returned weakly anomalous antimony values. The nature of the stockwork, with abundant banded chalcedony, indicates that it represents a high-level low-temperature environment of formation, possibly overlying a deeper, precious-metal-mineralized part of the system.

The next phase of exploration at Dos Amigos will be a trenching program, followed by drilling if trenching results are favourable. Premium can earn a 100-per-cent interest in the Dos Amigos property by making staged cash payments of \$1-million (U.S.) and work expenditures of \$1-million (U.S.) over three years, with a net smelter royalty of 1.5 per cent which may be purchased for \$1.5-million (U.S.).

Rosamorada

Rosamorada demonstrates good potential to host bulk-tonnage gold-silver deposits amenable to low-cost open-pit mining methods. The Rosamorada project consists of 300 hectares at approximately a 100-metre elevation, within two kilometres of the Pan American Highway and less than one kilometre from an active rail line. A high-tension power line crosses the property.

Geological mapping at Rosamorada by Premium revealed quartz veining and stockwork over low hills covering an area of 1,000 metres by 300 metres. Samples were collected from surface outcrops, subcrops or were composite samples of representative locally derived float where outcrop was not exposed. Outcrop exposure at Rosamorada represents less than 5 per cent of the claim area. Twenty-five samples were collected from the stockwork zone, of which 13 returned greater than 200 parts per billion (ppb) gold, and four returned greater than 20 parts per million (ppm) silver. In addition, 12 samples returned greater than 0.5 gram per tonne gold equivalent and eight samples returned greater than 0.7 g/t gold equivalent, using a 55-to-1 silver-to-gold ratio. Gold-equivalent grades are calculated using a gold-to-silver ratio of 1 to 55 based on recent gold-to-silver ratios. One float sample, which contained visible sulphide minerals encapsulated in quartz, returned 2,393 ppb gold and 437.5 ppm silver (9.7 g/t gold equivalent). Silver values could be understated due to leaching and downward mobilization of silver from the surface.

RESULTS OF OPERATIONS

The loss for the quarter ended September 30, 2007 was \$549,000, which compares to a loss of \$113,000 for the comparable quarter of 2006, over the nine month period the loss was 1,376,000 compared to 674,000 in the prior year. The increase in the loss for the current quarter is due to a number of factors including significant increases in management fees, professional fees, shareholder relations, Stock-based compensation, foreign exchange loss and professional fees and general property search. . The current quarter loss includes management fees of \$49,000 (2006 - \$33,000) with the nine month comparatives of 148,000 (2006 – 82,000) The amount also increased due to a full year of wages and benefits for our Montana office accountant and certain one-time fees related to potential additional exploration projects. Shareholder relations increased to \$75,000 (2006 - \$10,000), or year to date 183,000 (2006 – 52,000) due to increased activity. Stock-based compensation was \$82,000 (2006 - \$9,000) with the nine month comparatives of 385,000(2006 – 39,000) from the issuance and vesting of stock options, the change relates to the maturing of the Company as last year was prior to significant growth.. Foreign exchange gain was \$53,000 (2006 – loss \$25,237) with the nine month comparatives of 25,000 loss (2006 – 29,000 gain) as a result of the strength in the Canadian dollar through the quarter. Professional fees for the quarter were \$91,000 (2006 – 150,000) or year to date 150,000 (2006 – 61,000) the increase is understood through the continuing growth in activity of the company and finally the Company reported general exploration costs of \$170,000 (2006 – Nil) due to ongoing search for new properties. During the quarter the Company recognized a loss on write-off of mineral properties of \$6,000 (2006 – 322,000) the numbers are consistent over the nine months.

The Company incurred resource property costs of \$293,000 (2006 - \$175,000) during the quarter ended September 30, 2007, versus \$938,000 (2006 – 309,000) over nine months, as a result of exploration work completed on its Mexican properties, this includes a recovery of 85,000 on the joint venture project with in Montana with Beartooth.

SUMMARY OF QUARTERLY RESULTS

Financial Data for the Last Eight Quarters

Three Months Ended	Sep-07	Jun-07	Mar-07 Restated	Dec-06	Sep-06	Jun-06	Mar-06	Dec-05
Total Revenues	\$Nil	\$Nil	\$Nil	\$Nil	Nil	\$Nil	\$Nil	\$Nil
Loss from continuing operations	549,460	587,950	\$238,878	\$322,125	\$445,596	\$113,369	\$94,266	\$47,737
Loss for the period	549,460	587,950	\$238,768	\$322,125	\$445,596	\$113,369	\$94,266	\$47,085
Loss per share	(0.02)	(0.02)	\$(0.01)	\$(0.02)	\$(0.02)	\$(0.01)	\$(0.01)	\$(0.00)

In the first quarter of fiscal 2007 the Company's calculation of stock-based compensation was incorrect. The correction of this error is summarized as follows:

	March 31, 2007		March 31, 2007
	As Previously Reported	Restatement	
Balance Sheet			
Contributed Surplus	\$ 536,395	\$ (252,104)	\$ 284,291
Statements of Loss, Comprehensive Loss and Deficit			
Stock-based Compensation	\$ 373,389	\$ (252,104)	\$ 121,285
Net Loss for the Period	\$ (490,872)	\$ 252,104	\$ (238,768)
Deficit - Beginning of period	1,282,067	-	1,282,067
Deficit, End of Period	\$ 1,772,939	\$ (252,104)	\$ 1,520,835
Loss per share	\$ (0.02)	\$ 0.01	\$ (0.01)

The quarterly losses for the three month period ended September 30, 2007 reflect a higher level of exploration activity and a higher level of administrative activity than in same period of fiscal 2006 as discussed above (see *Results of Operations*). Comparison of 2007 quarterly results with those of 2006 must be considered accordingly.

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 capital of \$837,000 as compared to a working capital of \$162,000 at December 31, 2006. The change during the quarter primarily reflects the closing of the private placement for a net inflow from share capital financing activities for gross proceeds of Cnd\$1,322,500

At September 30, 2007, the Company had cash on hand of \$819,000 compared to \$936,000 at December 31, 2006. 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 de Analco, Dos Amigos and Rosamorada option agreements in Mexico and for the continued exploration of the Montana properties including Orogrande property.

CAPITAL RESOURCES AND COMMITMENTS

The Company has option payments of \$125,000 on the Mexican concessions covered by the Nueva Galicia Option Agreement by July 07, 2008.

The Company has option payments of \$15,000 on the Mexican concessions covered by the San Pedro de Analco Option Agreement by January 11, 2008.

The Company has to expend a further \$20,000 and on the Mexican concessions and has option payments of \$125,000 covered by the Dos Amigos Option Agreement by August 15, 2008.

The Company has option payments of \$105,000 covered by the Rosamorada Option Agreement by August 15, 2008.

The Company has an agreement, with Delbert W. Steiner, President and Director, which call for monthly payments of \$5,000 each with a term of five years 1 March 2011, renewable upon mutual consent.

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 has successfully completed its IPO, 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 September 30, 2007 and as at the date hereof.

RELATED PARTY TRANSACTIONS

Transactions with related parties are disclosed in the financial statements and include management fees for the nine months of \$112,900 (2006 - \$41,000) paid or accrued to a director of the Company in his capacity as President. The Company incurred \$7,718 (2006 - \$9,579) in interest expense on a note payable to a director in the 3 quarters. The balance of 9,555 (2006 - \$114,854) due to related parties, is owing to directors and is unsecured and non- interest bearing.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants:

Section 3855 – Financial Instruments – Recognition and Measurement. Section 3855 requires that all financial assets, except those classified as held to maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost. Investments classified as available for sale are reported at fair market value (or mark to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. Investments subject to significant influence are reported at cost and not adjusted to fair market value. The adoption of Section 3855 had no impact on the opening equity and the current period losses or comprehensive losses of the Company.

Section 1530 – Comprehensive Income. Comprehensive Income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available for sale securities which are not included in net income (loss) until realized.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable, 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 September 30, 2007 interim consolidated financial statements provide a breakdown of the general and administrative expenses for the year under review (Statement 2) and an analysis of the capitalized and expensed exploration and development costs incurred on its mineral properties (Schedule and Note 3a).

OUTSTANDING SHARES

As at September 30, 2007, the Company had 29,315,953 common shares issued and outstanding versus 12,914,303 common shares issued and outstanding at December 31, 2006. The increase over 2006 arises from the private placements that have closed during the six month period and the exercise of options and warrants. In addition the Company had outstanding 3,580,000 share purchase options and 17,241,575 share purchase warrants for total diluted shares outstanding of 50,137,528.

As at the date hereof, the Company had outstanding _____ common shares, which reflects the exercise of _____ options subsequent to 30 September 2007. In addition, the Company has outstanding 4,980,000 share purchase options and _____ share purchase warrants for total diluted shares outstanding of _____.

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.

SUBSEQUENT EVENTS

Subsequent to September 30, 2007, October 25, 2007 the Company announced the issuance of 1,400,000 stock options to certain directors, officers and consultants. The options are exercisable at a price of Cdn \$0.35 for a period of five years

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 resource properties. The feasible development of such properties is highly dependent upon the price of gold. A sustained and substantial decline in commodity gold 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 gold commodity prices in order to assess the feasibility of its resource projects.

Exploration and development projects are subject to the environmental laws and regulations of the country within which the Company is conducting its operations. As such laws are subject to change, the Company carefully monitors proposed and potential changes, and ensures that it is and will be in strict compliance.

Various non-governmental organizations dedicated to environmental protection monitor, amongst others, the mining industry. These organizations have in the past commenced actions with the regulatory agencies or the courts to prevent or delay mining activities.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The information provided in this report including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

The Company's management, including the chief executive officer and the chief financial officer, are responsible for the establishing and maintaining disclosure controls and procedures for the Company, and have designed such disclosure controls and procedures, or caused them to be designed under the supervision of management, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to management by others within those entities, particularly during the period in which the interim filings are being prepared.

As of September 30, 2007, the Company's certifying officers, being the President and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the certifying officers have concluded that, as of September 30, 2007, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings) and reports filed or submitted under Canadian securities laws were recorded, processed, summarized and reported within the time periods specified by those laws and that material information was accumulated and communicated to management of the Company, including the President and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In conducting the evaluation management is aware due to the current small size of the Company that it relies upon certain informal procedures and communication, and upon "hands on" knowledge of senior management. Management intends to formalize certain of its procedures. In the interim, and until such time as the additional staff has been identified, the Company will continue to rely on an active Board Management with open lines of communication to maintain the effectiveness of the Company's disclosure controls and procedures. It should be noted that any system of controls whether formal or informal, are based upon certain assumptions designed to obtain reasonable assurances as to the effectiveness, and there can be no assurance that any design will succeed in achieving its stated objectives. Lapses in the disclosure controls and procedures could occur and/or mistakes could happen. Should any such occurrence transpire, the Company will take all reasonable steps necessary to minimize the consequences thereof.

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