

PREMIUM EXPLORATION INC.
Report to Shareholders and
Management Discussion and Analysis
Of the Financial Position and Results of Operations
For the Year Ended December 31, 2007

24 April 2007

TO OUR SHAREHOLDERS:

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the consolidated financial statements of the Company and the notes thereto for the year ended December 31, 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 year ended December 31, 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 specializes in prospect generation in Mexico and the United States. The Company's portfolio currently holds 8 projects in various stages of exploration from grassroots to advance stage projects in Montana, and Idaho, USA and Durango, Guanajuato, Jalisco, Nayarit and Sonora, Mexico. Our principal business activities have been the exploration of two mineral properties known as the Chrome Mountain Property, located in the State of Montana, USA, and the Nueva Galicia Property, located in the State of Nayarit, Mexico.

The Company's Chrome Mountain Property consists of 167 mining claims acquired through three separate acquisition agreements that were completed during the third and fourth quarters of 2004 and 60 additional claims staked by the Company during 2006. The 970 hectare property is a platinum, palladium, rhodium and gold target located approximately 1.5 km from the East Boulder Mine's underground drift within the ultra-mafic layered intrusion of the Stillwater Complex. Chrome Mountain is being explored as part of a joint venture agreement with Beartooth Platinum Corporation.

The Company's Nueva Galicia Property consists of approximately 18,125 hectares and is a gold-silver target currently undergoing a Phase I, 2,000 metre drill program.

The Chrome Mountain Property, and the Nueva Galicia Property are the primary exploration properties held by the Company – see *Mineral Exploration*. The Company has also recently entered into several other letters of intent on other Mexican properties - see *Mineral Exploration*.

SIGNIFICANT EVENTS AND TRANSACTIONS

During the quarter ended December 31, 2007, the Company conducted the following significant events or transactions:

- Announced the acquisition of two properties in Nayarit State, Mexico, the Rosamorada and Dos Amigos properties. Under the terms the agreement, Premium may earn a 100% interest in the 300 hectare Rosamorada property by making staged cash payments of \$1,000,000 USD and work expenditures of \$800,000 USD over three years, with an NSR of 1% which may be purchased for \$1,000,000 USD. Additionally, Premium may earn a 100% interest in the 3,230 hectare property by making staged cash payments of \$1,000,000 USD and work expenditures of \$1,000,000 USD over three years, with an NSR of 1.5% which may be purchased for \$1,500,000 USD.
- Announced the completion of seven holes of the first drill program on the Chrome Mountain joint venture property in Montana, USA.
- Resumed the drill program on the Nueva Galicia property in Nayarit, Mexico.
- Entered a Letter of Intent to acquire the Southern Extension of the Orogrande Shear Zone located in the State of Idaho, USA from the Clearwater Mining Company (CMC). The South Orogrande Shear Zone comprises two properties known as the Friday/Petsite Property and the Dixie Property. Under the terms of the Letter of Intent with CMC, Premium may acquire a 100% in the South Orogrande Shear Zone subject to the following:
 - Assumption of an underlying 1% NSR on the Friday/Petsite property payable jointly to previous operators of the property, capped at CDN \$1,000,000.
 - Assumption of an underlying 1% NSR on the Dixie property payable jointly to previous operators of the property, capped at CDN \$1,000,000.
 - Assumption of all other obligations of CMC under various agreements with third party property vendors for the South Orogrande Shear Zone.
 - Assumption of the yearly US BLM Claim Maintenance Fees on the South Orogrande Shear Zone.
 - Should Premium vend or transfer all or part of the South Orogrande shear Zone to a third party within one year, Premium shall pay 25% of all cash and stock based consideration that it receives in-turn for making the transfer to the third party.
 - Should Premium spend CDN \$500,000 on developing the property and more than one year passes before PEM transfers all or part of the South Orogrande Shear Zone to a third party, Premium shall pay CDN\$200,000 and will grant 15% net profits interest in the South Orogrande Shear Zone to CMC.
 - No finder's fee was part of this agreement.
- Announced the grant of 1,400,000 share purchase options at C\$0.35 per share, expiring October 25, 2012.
 - Entered into a Letter of Intent to Joint Venture with Clearwater Mining Corporation (CMC) to explore and develop the Northern Extension of the Orogrande Shear Zone the pre-production Buffalo Gulch Gold deposit, located in the State of Idaho, USA.

MINERAL EXPLORATION

US Properties

Chrome Mountain, Montana

Chrome Mountain consists of 970 hectares and is currently under a Joint Venture agreement with Beartooth Platinum Corporation (BTP). The Pine Claim Shear Zone is excluded from the agreement. As at April 24, 2008, assays had been resubmitted for rhodium and ruthenium assaying and Premium was awaiting the results. Premium's JV Operator, Beartooth Platinum Corp., is obligated to spend \$1,000,000 in exploration activities. Exploration activities for the 2008 field season will include geochemical sampling on the 8 km to the west of the property to test the extent of the anomaly.

North Orogrande Shear Zone – Buffalo Gulch, Idaho

Buffalo Gulch is under a Letter of Intent to Joint Venture with the Clearwater Mining Corporation to explore and develop the northern extension of the property. The pre-production gold deposit is comprised of 107 unpatented quartz lode mining claims. Soil sampling on the property has been completed and results are being evaluated. The property is in the process of being re-permitted for production.

A 500 sample soil geochemical program conducted in the fall of 2007 was designed to delineate the southern extent of the gold mineralization on the Buffalo Gulch property. The soil sampling will assist in defining additional drill targets south of the currently defined Buffalo Gulch Deposit. It is expected, pending receipt of the necessary permits and approvals, that additional drilling will be conducted at Buffalo Gulch during the 2008 exploration field season.

With this Joint Venture, Premium now controls both the North and South ends of the 26 mile long shear zone, while Clearwater Mining Corporation retains control over the Central Orogrande Shear Zone. The soil samples are being evaluated on both Buffalo Gulch and Friday/Petsite and a \$4,000,000 drill program is being put together for these properties that will extend over a two year period.

South Orogrande Shear Zone – Friday/Petsite , Idaho

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

The property is NI 43-101 compliant and has an Inferred Resource of 531,890 ounces. Premium believes this resource may be increased through further exploration work as the deposit is open to the north and south along strike and at depth. In Premium's review of the historical exploration data of this disseminated gold deposit, Premium has identified three additional targets, some of which are associated with geochemical / geophysical gold anomalies in the near vicinity of this deposit that have not been drill tested to date.

In conjunction with the acquisition of the lode claims and associated drill inferred gold mineralization, Premium is also acquiring all available historical data including geological mapping, geochemical and geophysical surveys, drill logs, core samples, and other related geologic data. Premium is currently reviewing this historical data on the South Orogrande Shear Zone and intends to conduct a drilling program, and will be engaging potential joint venture partners to further develop this project. Premium has completed a 150 sample soil campaign. The northern end of the property is currently being mapped and will extend the anomaly to the north.

South Orogrande Shear Zone – Dixie, Idaho

The Dixie Property is comprised 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 for the 2008 field season.

Nueva Galicia Property

During the fourth quarter of 2007, Premium completed 13 holes totalling 605 meters of diamond drilling of the Phase I, 2000 meter drilling program. The program is focused on exploration along strike and at depth of 10 high-grade silver-gold ore shoots exposed at surface. The drill program was suspended for the 2007 holiday season and Premium expects to resume the drill program in the Spring of 2008 with two drills working the property. The Phase I drill program will be completed before the rainy season begins and results will be evaluated through the rainy season with drilling resuming in October. By the end of the Phase I drill program, Premium can begin the calculation of a 43-101 resource. Mapping and sampling to date has been completed on approximately 10% of the property. Detailed geophysics program has been designed to further identify structures and targets.

Other Mexican Properties

Bonanza Property

Premium has executed an option to acquire 100% of the Bonanza Gold Property, located in Guanajuato State, central Mexico. Under this option Premium has acquired the right to purchase 599 hectares from the property vendor. In addition, Premium has staked new claims covering approximately 9045 hectares around the optioned property that covers a structural window. Exploration targets at Bonanza include high-grade gold-silver vein deposits and disseminated bulk-tonnage gold-silver deposits. The first phase of mapping and sampling has been completed and results are being evaluated. The second phase of mapping and sampling will be completed to identify targets on the property. If a high grade target is established, a 500-700 meter trenching program will be completed. If trenching results are favourable, a 2000 meter drill program will be conducted to identify the structures.

Cucurpe Property

At December 31, 2007, the Company controlled 12 exploration concessions in the area. At this time, no exploration is being carried out on this property, as the Company's current focus is on the Nueva Galicia property, among other recent acquisitions

Dos Amigos

The Dos Amigos property is under current evaluation by the Company but time and fiscal constraints have meant that it has not been an active development. The Company expects to complete the initial analysis within the first 6 months of 2008.

La Lupe

The property is located in the Sierra Madre region of western Durango and consists of 900 hectares. Preliminary sampling showed up to 5,337.5 g/t silver and 11.79 g/t gold. A detailed exploration program of geological and structural mapping and surface sampling is underway to identify structures.. An office

has been established in Durango to accommodate the crew and Premium will have two people working continuously on mapping and sampling.

Rosamorada

The Rosamorada property is located in Nayarit State, west central Mexico and consists of 300 hectares. Surface sampling was carried out in 2007 and a 500 metre trenching program is underway. The trenching will be followed by drilling in September if trenching results are favourable.

San Pedro Analco

The San Pedro Analco property is located in Jalisco State, Mexico and consists of 1,136 hectares. Premium has an option to earn 100% of the property by making staged cash and share payments and exploration expenditures over three years. The property is a past producer with production from five underground mines. Preliminary mapping and sampling has been carried out in four of the five mines and 100 underground samples have been taken. The next stage of exploration will include surface and underground mapping and sampling in preparation of a geophysical survey to map structures at depth. This will be followed by drilling to test the extent of the existing resource

SELECTED ANNUAL INFORMATION

Fiscal Year Ended	December 2007	December 2006	December 2005	December 2004
Total revenues	\$Nil	\$Nil	\$Nil	\$Nil
Net loss from continuing operations	2,099,845	\$975,356	\$195,799	\$110,912
Net loss	2,099,845	\$975,356	\$195,799	\$110,912
Basic and diluted loss per share	(0.08)	\$(0.06)	\$(0.02)	\$(0.03)
Total assets	3,408,729	\$1,348,169	\$796,302	\$537,203
Long-term financial liabilities	\$Nil	\$15,073	\$28,454	\$30,298
Cash dividends declared	\$Nil	\$Nil	\$Nil	\$Nil

RESULTS OF OPERATIONS

The loss for the year ended December 31, 2007 was \$2,099,845, which compares to a loss of \$975,356 in 2006. The increase in the loss for the current year is due to a number of factors key among them being:

- Stock-based compensation expense of \$582,579 (2006 – 168,410) this is a non cash expense related to the granting of stock awards to officers, directors and consultants, which increased in accordance with the maturing of the Company.
- Shareholders relations expense of \$291,992 (2006 – 76,223) the increase is primarily a result of the expansion and growth of the Company, which included hiring two full-time investor relations staff in-house.
- Travel expense of 275,897 (2006 – 99,590) resulting from the increased activity in Mexico in accordance with our growth
- Management Fees of \$229,059 (2006 – 122,383) from the necessary increases relating operating a larger more active Company, actively operating in Canada, United States and Mexico.
- Professional fees of 187,138 (2006 – 101,709) relating to the increased legal and audit costs of the current reporting atmosphere, this also reflect higher audit fees than were accrued in the prior year, causing a one time increase in the current year.
- Foreign exchange losses of \$112,375 (2006 – gain of 60,779) These losses arise a result of the fluctuations in foreign currency rates.
- Office and general expense of \$128,167 (2006 – 26,131) based on the general increases in size and activity
- General Exploration costs of \$105,103 (2006 – 33,161) have increased as the Company continues to search for new properties and include any amounts expensed prior to acquiring an option agreement on a given property. Accordingly expenses in the new projects in Mexico were recorded here until the signing of a letter of intent or definitive agreement.
- Office rent expense \$78,699 (2006 – 38,735) has increased as the Company formerly shared office space and now is the sole occupant.
- These additional expenses have been partially offset by a smaller write off of mineral properties during the year under review \$5,914 (2006 – 318,084).

During the year ended December 31, 2007, the Company incurred resource property costs of \$1,378,970 (2006 – \$549,522) as a result of exploration work completed on its Montana Clearwater and Mexican properties. The increase was due to successful private placement funding and the commencement of the 2007 work program in Mexico, the additional Mexican properties investigated.

SUMMARY OF QUARTERLY RESULTS

Financial Data for the Last Eight Quarters

Three Months Ended	Dec-07	Sep-07	Jun-07	Mar-07 Restated	Dec-06	Sep-06	Jun-06	Mar-06
Total Revenues	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Loss from continuing operations	723,667	549,460	587,950	\$238,768	\$322,125	\$445,596	\$113,369	\$94,266
Loss for the period	723,667	549,460	587,950	\$238,768	\$322,125	\$445,596	\$113,369	\$94,266
Loss per share	(0.03)	(0.02)	(0.02)	\$(0.01)	\$(0.02)	\$(0.02)	\$(0.01)	\$(0.01)

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 As Previously Reported		Restatement	March 31, 2007 As Restated		
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 12 month period ended December 31, 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 \$473,000 as compared to a working capital of \$162,000 at December 31, 2006. The change during the quarter primarily reflects the exercising of warrants that were due to expire for a net inflow from share capital financing activities for gross proceeds of Cnd\$708,000. For the year under review the Company a net inflow from financing activities of \$3,138,000 as a result of private placements and warrants exercised.

At December 31, 2007, the Company had cash on hand of \$684,000 compared to \$439,000 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 Analco, Dos Amigos, Rosamorada, Bonanza and La Lupe option agreements in Mexico and for the continued exploration of the Montana properties including Orogrande property.

CAPITAL RESOURCES AND COMMITMENTS

The Company is a party to several option agreements on properties, under those agreements the Company expects to fulfill the following cash or share commitments during the next fiscal year:

	Issue Shares	Cash Payments	Complete Exploration Expenditures
Nueva Galicia			
7 January 2008 <i>completed subsequent</i>	50,000	60,000	150,000
7 July 2008	75,000	70,000	400,000
Dos Amigos			
15 August 2008		125,000	50,000
San Pedro Analco			
11 January 2008 <i>completed subsequent</i>	15,000	50,000	250,000
11 July 2008	25,000	125,000	250,000
Rosamorada			
15 August 2008		100,000	100,000
Bonanza			
03 June 2008		50,000	
3 December 2008		50,000	
La Lupe			
03 June 2008		70,000	
3 December 2008		120,000	
Total	165,000	\$ 820,000	\$ 1,200,000

The Company has an agreement, with Delbert W. Steiner, President and Director, which calls for monthly payments of \$7,000 and a term of five years to 1 March 2011. This contract may be cancelled upon the Company providing six months advance notice.

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

Management believes it will be able to raise equity capital as required in the long term, but recognizes the risks attached thereto. Although the Company successfully completed three financings in 2007, 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 December 31, 2007 and as at the date hereof.

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, included in wages, fees and benefits, of \$76,500 (2006 - \$56,000) to a director in his capacity of chief executive officer.
- b) The Company paid wages of \$24,000 (2006 - nil) to an officer of the Company in the capacity of chief financial officer.
- c) The balance of \$3,673 (2006 - \$38,844) due to related parties, is owing to directors and is unsecured and non-interest bearing.
- d) The Company incurred \$21,575 (2006 - \$12,914) of interest on notes payable to directors (Note 7).

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

DISCUSSION OF FOURTH QUARTER RESULTS

The fourth quarter of 2007 saw aggressive progress on the Mexican properties and the Company is awaiting final results from the program

Travel costs increased in the 4th quarter as the recorded expense was \$149,000 compared to 60,000 in the third quarter, this is due to increased corporate travel to trade shows and ongoing development in Mexico. Office and general costs of \$72,000 incurred in the fourth quarter were higher than costs of \$23,000 incurred in the third quarter as a result of general increases due to volume and some issues of timing. There was also an increase in shareholders relations costs to 109,000 compared 75,000 in the third quarter, as a result of trade shows in the quarter Finally stock based compensation expense of 198,000 for the 4th quarter was higher than the third in which 82,000 was booked as a result of option grants in the quarter.

Cash flows used in operations, before changes in non-cash working capital items, of \$669,000 were higher than the \$450,000 use of cash for operations in the previous quarter of 2007, reflecting the increased amount expended on travel and general office costs in the quarter.

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.

During the year, the Company adopted the recommendations of the CICA Handbook Section 1506, *Accounting Changes*. This new standard establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting practices and estimates, and correction of errors, replacing CICA Handbook Section 1506. This section also requires disclosure of new accounting pronouncements which have been issued but have not yet become effective.

Recent Canadian Generally Accepted Accounting Principle Pronouncements

Section 1535 – *Capital Disclosures* This section requires disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the Company's objectives, policies and processes of managing capital. These recommendations are effective for the Company's annual reporting period beginning 01 January 2008. This new standard is not expected to have a material effect on the Company's financial statements or on its results of operations.

Sections 3862 and 3863 *Financial Instruments – Disclosure and Presentation* These sections require disclosure of qualitative and quantitative information in their financial statements that enable users to evaluate, the significance of financial instruments for the entity's financial position and performance and, the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and management's objectives policies and procedures for managing such risks. These recommendations are effective for the Company's annual reporting period beginning 01 January 2008. Disclosure of the measurement basis used and the criteria used to determine classification for different types of financial instruments are also required.

FINANCIAL INSTRUMENTS

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

DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Consistent with other companies in the mineral exploration industry, Premium has no source of operating revenue. The Company's December 31, 2007 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 5).

OUTSTANDING SHARES

As at December 31, 2007, the Company had 31,762,593 common shares issued and outstanding versus 20,764,303 common shares issued and outstanding at December 31, 2006. The increase over 2006 reflects the success of the Company in completing one financing during the first quarter of 2007 and two financings during the second quarter of 2007.

Issued and diluted shares outstanding as at the date hereof are 35,792,053. The increase from December 31, 2007 reflects the exercise of 37,500 options, and 15,000 shares issued pursuant to the San Pedro Analco property agreement. The balance of 3,976,960 are shares issued pursuant to the purchase of warrants.

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

- a) On January 29th, 2008, the Company filed an NI-43-101 report on their Friday/Petsite property. The report reviews the extensive historical exploration work conducted on the South Orogrande Shear Zone over the past 20 years. The property is described by Wilf Struck, P.Eng. and Qualified Person, as an Advanced Exploration Property and concluded that past exploration has defined a medium-sized disseminated gold deposit potentially expandable through additional exploration.
- b) On February 15, 2008, the Company granted 300,000 stock options to directors and consultants for 5 years, to February 15, 2013 at \$0.23 per share.
- c) On March 3rd, 2008, the Company released the drill results from the 2007 drill program on their joint ventured Chrome Mountain Property. All holes intercepted anomalous gold + platinum + palladium mineralization with a high of 11.909 g/t. The platinum to palladium ratios averaged 1:1/14 indicating that the Chrome Mountain target contains relatively more platinum than the North American average from producers. Rhodium assays returned rhodium to platinum ratios that averaged 8:1.

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.

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.

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