



**Management Discussion & Analysis**  
Year ended  
31 December 2008

**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, 2008**

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27 April 2009

**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 31 December 2008. 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 consolidated financial statements for the year ended 31 December 2008 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](http://www.sedar.com). A copy of this MD&A will be provided to any applicant upon request.

**FORWARD-LOOKING STATEMENTS**

Certain statements contained in the following MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth in the Company's filings and herein.

**GENERAL**

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

Premium's Chrome Mountain Property in Montana, 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 ultra-mafic layered intrusion of the Stillwater Complex. Chrome Mountain is being explored as part of a joint venture agreement with Beartooth Platinum Corp., and is currently in its second year of the agreement.

Premium's Idaho Gold Properties (Buffalo Gulch and Friday-Petsite) reside along a 28 Km strike known as the Orogrande Shear Zone. The Shear Zone is host to four established gold mineralized zones with open-pit heap leach potential. Premium's geologists have interpreted the mineralized zones as the result of a high-grade conduit and feeder model. The Company has plans to drill the Friday-Petsite property in Spring 2009 and to advance the Buffalo Gulch property into production.

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

## HIGHLIGHTS, SIGNIFICANT EVENTS AND TRANSACTIONS

During the fourth quarter of 2008, the Company had the following highlights, significant events and transactions:

- October 2<sup>nd</sup> 2008 – Premium’s joint venture partner, Beartooth Platinum Corp., announced the completion of the 2008 Drill Program on the Company’s Chrome Mountain Project, at the Stillwater Complex in Montana, USA. A total of 11 holes were completed totalling 1,623 metres with an average depth of 148 metres. Surface soil samples were collected over 2,400 metres west of Chrome Mountain to delineate the western extension of the geochemical anomaly.
- October 23<sup>rd</sup>, 2008 - Premium’s joint venture partner, Beartooth Platinum Corp., announced that they had signed a Letter of Agreement with Kria Resources Inc., to acquire the outstanding common shares of Kria in exchange for common shares of Beartooth. Upon completion of the transaction, Kria shareholders will hold approximately 82.5% of the issued and outstanding shares of the combined company and the management and Board of Kria will become the management and board of the combined company. The merger is subject to the approval of the TSX Venture Exchange.
- November 17<sup>th</sup>, 2008 – Premium announced drill results from its Nueva Galicia property in Nayarit, Mexico. The brecciated and sheared nature of the mineralized zones resulted in poor core recovery, which may have impacted assays due to the loss of fine particular gold and silver sulphides by washing, Premium implemented a process to recover drill mud for lab analysis which revealed elevated levels of gold and silver. This indicates that fine-grained mineralization was flushed from the mineralized zones during the drilling process and actual grades are unknown at this time. As a result, the Company has implemented a policy of using a drilling technique utilizing a “triple tube” to significantly reduce the risk of poor core recovery in the future

## EVENTS SUBSEQUENT TO 31 DECEMBER 2008

- January 9, 2009 – Premium announced that the Company was closely monitoring the progress of the merger between Premium’s joint venture partner, Beartooth Platinum Corp. and Kria Resources. Assay results from the 2008 Drill Program were pending at the time of this notice.
- January 15, 2009 – The Company announced that its geologists have developed the first high-grade gold conduit and feeder model for the 28 Km Orogrande Shear Zone, located in Idaho, USA.
- February 18, 2009 – Premium announced that the 2008 Drill Program confirmed PGM mineralization intersected at Chrome Mountain was formed by the same type of processes that form Platreef deposits in South Africa. This confirms that there are two distinct styles of mineralization present at the project.
- March 2, 2009 – Premium announced that it has entered into two Letters of Intent with SNS Silver Corp. to jointly develop and explore two of Premium’s central Idaho Gold Projects, Buffalo Gulch and Friday/Petsite.
- March 25, 2009 – The Company announced plans to raise up to Cdn\$500,000 through a private placement of 5,000,000 Units at Cdn\$0.10 per Unit. Each Unit will consist of one Common Share and one-half (1/2) of a non-transferable Warrant. Each whole Warrant will be exercisable for a period of two years at an exercise price of Cdn\$0.30 in the first year and Cdn\$0.50 in the second year.
- March 27, 2009 – Beartooth Platinum Corp announced that the shareholders of both companies have voted in favour of the merger between the companies. The merger is still subject to approval from the TSX Venture Exchange.

- April 15, 2009 – Premium announced an amendment to the warrant for the Private Placement. The ½ Warrant previously announced is increased to a full Warrant as part of each Unit and the price to exercise a Warrant is amended to Cdn\$0.20 during the first year and Cdn\$0.50 in the second year. The offering will raise up to Cdn\$500,000 through a non-brokered private placement of 5,000,000 Units (the “Unit”) at Cdn\$0.10 per Unit. Each Unit will consist of one (1) Common Share (a “Share”) and one (1) non-transferrable Warrant. Each Warrant will be exercisable for a period of two years at a price of Cdn\$0.20 in the first year and Cdn\$0.50 in the second year.

## **MINERAL EXPLORATION**

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

The Chrome Mountain Project is a platinum, palladium, rhodium and gold target consisting of 970 hectares and located approximately 1,500m from the East Boulder Mine within the Stillwater Complex. The property is at the end of the second year of a Joint Venture agreement with Beartooth Platinum Corporation (“BTP” or “Operator”). Drilling on the property is being carried out by BTP who has the right to earn a 50% interest in the property by spending \$3,000,000 on exploration over three years at \$1,000,000 per year. Premium retains the gold rights on the Pine Claim Shear Zone

The Pine Claim fault is a conduit for gold mineralization which has deposited gold into rocks which form the Stillwater Complex. The fault has also remobilized PGM’s associated with the “A” and “B” chromitite horizons. Premium will conduct surface mapping and sampling to further define the limits of the gold bearing system of the Pine Claim Shear Zone.

The 2008 Drill Program was completed toward the end of September. and consisted of 12 NQ core holes totaling 1,623 m (5,324 ft), with 9 holes totaling 1,106 m (3,629 ft) on Premium’s Chrome Mountain property and three holes totaling 517 m(1,695 ft) on Beartooth’s adjacent Iron Mountain property. The 2008 Drill Program tested 5 km of the district scale 15 km PGM soil anomaly that hosts grades up to 1.2 g/t at surface. The Program was a follow up to the 2007 Drill Program and was designed to delineate the mineralization encountered in 2007, described as analogous to a combination of Platreef and UG2 styles of mineralization. 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, and consequently the mining methods benefit from economics of scale. Platreef-style mineralization was encountered in hole CM2007-04 of the 2007 drill program which returned 1.2 g/t Pt+Pd+Au over 116.7 meters.

### ***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 under a Letter of Intent to Joint Venture with the Clearwater Mining Corporation to explore and develop the property which is being permitted for production.

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

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

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

Premium has staked 110 claims covering the Central Orogrande Shear Zone. The Central Orogrande Shear Zone is located between the Company's Buffalo Gulch Joint Venture property on the northern extension of the shear zone and the Friday/Petsite NI-43-101 property on the southern extension of the shear zone.

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

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

The Friday/Petsite property is under a Letter of Intent 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 with an Inferred Resource of 531,890 troy ounces Au, contained in 15.17 million tonnes averaging 1.1 g/t gold (0.032 oz/ton) at a cutoff of 0.514 gram per metric tonne (0.017 oz/ton). The property is open to the north and south along strike and at depth. Premium's review of the historical exploration data of this disseminated gold deposit has identified three additional targets. Some of the targets are associated with geochemical / geophysical gold anomalies in the vicinity of this deposit have not been drill tested. Results from the 150 sample soil campaign and results are being evaluated. The northern end of the property is being mapped and will extend the anomaly to the north.

Premium intends to drill a six hole, 800 metre (2,624 ft) program to expand the strike length and further delineate the down dip extension of the high-grade zone.. Drilling is designed to intersect the Orogrande Shear Zone and delineate mineralization down dip and along strike from gold mineralization encountered in past drill programs.

The following properties were dropped during the year end 31 December 2008

- Nueva Galicia, Nayarit, Mexico
- Dos Amigos, Nayarit, Mexico
- Rosamorada, Nayarit, Mexico
- Bonanza, Guanajuato, Mexico
- Cucurpe, Sonora, Mexico
- La Lupe, Durango, Mexico

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

The San Pedro Analco property consists of 1,136 hectares. Premium has an option to earn 100% of the property by making cash payments and exploration expenditures over three years. San Pedro is a past producer with production from five underground mines. The Company commenced the Phase II Exploration Program designed to follow up on historic reported drilling of 86 holes at the San Pedro Analco silver mine.

The Phase II Exploration Program involves the review and compilation of an independent engineering report, historical data, and previous drill and sample data. The information will be compiled and 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.

### **SELECTED ANNUAL INFORMATION**

Fiscal Year Ended	December 2008	December 2007 Restated	December 2006	December 2005
Total Revenues	\$NI	\$NI	\$NI	\$NI
Net Loss from Continuing Operations	\$3,742,704	\$3,366,186	\$975,356	\$195,799
Net Loss	\$3,742,704	\$3,366,186	\$975,356	\$195,799
Basic and Diluted Loss Per Share	\$(0.10)	\$(0.13)	\$(0.06)	\$(0.02)
Total Assets	\$711,777	\$1,456,536	\$1,348,169	\$796,302
Long-Term Financial Liabilities	\$NI	\$NI	\$15,073	\$28,454
Cash Dividends Declared	\$NI	\$NI	\$NI	\$NI

### **Results of Operations**

The loss for the year ended 31 December 2008 was \$3,742,704, which compares to a loss of \$3,366,186 during fiscal year 2007. The main fluctuations in costs are as follows:

- Resource property expenditures of \$1,933,000 (2007 \$1,377,000) the increase of 40% is a result of increased activity in both Mexico and United States during the first nine months of the year.
- Shareholders relations expense of \$339,000 (2007 – \$292,000) the change is a result of the growth of the company since the prior year.
- Travel expense of \$126,000 (2007 - \$275,000) represents a specific effort to reduce travel costs in the second half of the fiscal year. This was achieved by restricting trade show attendance and limiting exploration travel.
- Wages, fees and benefits of \$246,000 (2007 – 229,000) represent normal growth.

The loss for the three month period ended 31 December 2008 was \$845,000, which compares to a loss of \$1,041,000 in same period of 2007. The main fluctuations in costs are as follows:

- Stock based Compensation is down to \$69,000 compared to 197,600 in the prior year this is relates only to timing and vagaries of such an expense.

- Shareholders relations expense of \$2,000 (2007 – 109,000) the decrease is a result of concerted efforts by the Company to restrict costs due to uncertain market conditions.
- Wages and fees are down \$52,000 in the three months, from \$81,000 in the prior year as a result of a drastic approach to wage reduction in uncertain financial times.
- General exploration costs have dropped in the 4<sup>th</sup> quarter, again due to management's reaction to the current market and a need to conserve cash.
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## **SUMMARY OF QUARTERLY RESULTS**

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

Three Months Ended	Dec-08	Sept-08	June-08	Mar-08	Dec-07	Sep-07	Jun-07	Mar-07
Total Revenues	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil
Loss from continuing operations	\$844,588	\$569,655	\$915,463	1,412,998	1,040,253	\$866,045	\$904,535	\$555,353
Loss for the period	\$844,588	\$569,655	\$915,463	1,412,998	1,040,253	\$866,045	\$904,535	\$555,353
Loss per share	\$(0.03)	\$(0.02)	\$(0.03)	\$(0.4)	(0.05)	(0.03)	(0.04)	\$(0.03)

## **OUTSTANDING SHARES**

As at 31 December 2008, the Company had 39,442,219 common shares issued and outstanding versus 31,762,593 common shares issued and outstanding at December 31, 2007. The fully diluted amount of 47,047,385 represents options of 4,205,000 and warrants of 3,400,166.

Issued and diluted shares outstanding as at the date hereof are, As at 31 December 2008, the Company had 39,442,219 common shares issued and outstanding. The fully diluted amount of 49,097,385 represents the further issuance of 2,050,000 options subsequent to the year end.

## **FINANCIAL POSITION AND LIQUIDITY**

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

Currency & credit risk – All of the Company's Canadian cash is held in an interest bearing account at a major bank and such balances earn interest at market rates. The Company also maintains cash in the US\$ and the Mexican Peso The cash balances and payables that are denominated in foreign currencies are subject to currency risk due to fluctuations in the exchange rate between the currencies. To manage this risk the Company maintains only the minimum amount of foreign cash required to fund its ongoing exploration expenditures. At 31 December 2008 the Company held currency totalling Cdn\$128,697 US\$16,595; and Pesos\$28,962. Accounts payable are settled in a timely manner.

Fair Value – As at 31 December 2008 and 2007 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 current year.

## **CAPITAL RESOURCES AND COMMITMENTS**

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, 2008 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 \$84,000 (2007 - \$76,500) to a director in his capacity of chief executive officer.
- b) The Company paid fees of \$46,000 (2007 - \$24,000) to an officer of the Company in the capacity of chief financial officer.
- c) The Company paid fees of \$84,000 (2007 - \$24,000) to a director of the Company in the capacity of Vice President of mining development.
- d) The Company paid fees of \$30,000 (2007 - Nil) to a director for administrative services.
- e) Included in accounts payable is \$73,500 (2007 - \$3,673) owing to directors or officers.
- f) The Company incurred \$17,293 (2007 - \$21,575) of interest on existing notes payable to directors (*Note 7*).

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.

### **CHANGES IN ACCOUNTING POLICIES**

#### **a) Change in Accounting Policy**

For the current fiscal year, the Company changed its accounting policy for resource property exploration costs. In prior years, the Company capitalized the acquisition costs of resource properties and deferred exploration expenditures directly related to specific resource properties, net of recoveries received. Under the new policy, property exploration costs incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred. Exploration costs also include exploration licence and maintenance fees which are paid on a yearly basis.

Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. Management believes that this treatment provides a more accurate depiction of the asset base of the Company prior to establishing the

economic feasibility of its resource base. The Company also wishes to proactively adopt policies which are congruent with the treatment under International Financial Reporting Standards (IFRS), given the CICA's stated goal of IFRS convergence by 2011.

As provided by CICA 1506, the Company has accounted for this change in accounting policy on a retrospective basis with restatement of the opening deficit balance and the mineral property asset disclosed for the prior period presented as if the new accounting policy had always been applied. The impact of this change is as follows:

<b>Consolidated Balance Sheet</b>	31 December 2007		Restatement	31 December 2007	
	As previously reported			As Restated	
Resource properties	\$ 2,199,607	\$	(1,952,193)	\$	247,414
<b>Consolidated Statements of Loss, Comprehensive Loss, Deficit and Accumulated Other Comprehensive Income (Loss)</b>					
General exploration	105,103		(105,103)		-
Write-off of resource property costs	5,914		(5,914)		-
Mineral property expense	-		1,933,127		1,933,127
Loss for the Year	(2,099,845)		(1,266,341)		(3,366,186)
Deficit – Beginning of Year	(1,282,067)		(576,176)		(1,858,243)
Deficit – End of Year	(3,381,912)		(1,842,517)		(5,224,429)
Loss per share – Basic and diluted	(0.08)				(0.13)
Accumulated other Comprehensive Income (Loss) – Beginning of Year	(1,536)		(58,372)		(59,908)
Translation adjustment	314,394		(51,304)		263,090
Accumulated other Comprehensive Income (Loss) – End of Year	\$ 312,858	\$	(109,676)	\$	203,182

Effective 1 January 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants:

**b) 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. Effective for the current period, this new standard has no material effect on the Company's financial statements other than disclosure.

**c) 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 reporting periods beginning 1 January 2008. These new standards had no material effect on the Company's financial statements other than disclosure.

**d) Section 1400 – Assessing Going Concern**

The Canadian Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400 to include requirements to assess and disclose an entity's ability to continue as a going concern. This section applies to financial statements relating to fiscal years beginning on or after 01 January 2008.

## **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, 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, 2008 consolidated financial statements provide a breakdown of the general and administrative expenses for the year under review () and an analysis of the capitalized and expensed exploration and development costs incurred on its mineral properties ().

## **INVESTOR RELATIONS ACTIVITIES**

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

## **MANAGEMENT**

Premium is very dependent upon the personal efforts and commitments of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of Premium could result, and other persons would be required to manage and operate the Company.

## **RISK FACTORS**

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

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

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

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

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