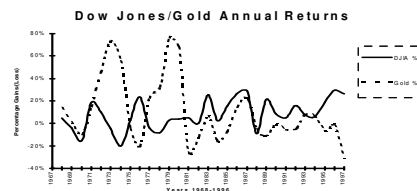




Gold

Energy & Tech Stocks



Weekly Hotline Message

(Now in our 27th Year)

June 5, 2009

Buy Recommendation

Premium Exploration Inc.



Business: Exploration and development of precious metals mining projects in Idaho, Montana, and Mexico

Traded TSX-V:	PEM
Pink Sheets:	PMMEF
Price 6/5/09:	US\$0.165
Shares Outstanding:	46.8 Million
Approx. Current Cash Position:	\$1 Million
Current Market Cap:	\$8 million
NI-43-101 Gold Resource:	531,890 Oz.
Progress Rating:	"C"
Telephone:	604-682-0243
Web Site:	www.premiumexploration.com

Premium was first recommended in these pages at \$0.24 back in July 2008, when it had 35.8 million shares outstanding and a market cap of \$41 million. At its current price of about US\$0.17, it has a market cap of around US\$5 million.

Although the company was focusing much of its efforts last year on some attractive silver and gold exploration targets in Mexico, what has always attracted your editor to this company is its gold property interests in Idaho. When I first added Premium Exploration to my list in July 2008, I said that in my view this stock had "10-bagger potential written all over it for a host of reasons, starting with its most advanced properties in Idaho, namely, the **Buffalo Gulch Property** and the **Petsite/Friday** projects, both of which are advanced-stage projects located in the Idaho Gold Belt. Yet, advanced and promising geologically as they are, the company's primary focus is in Mexico, not Idaho or Montana where Premium holds one of the most promising platinum group metals prospects in the world outside of South Africa."

So why did I sell out at a loss last year if I thought it had "10 bagger potential"? The reason was because following the credit market seize-up last fall, the prospects of Premium getting funding to put this excellent prospect into production was next to zero.

Times do change. Times have changed. That is not to say that we are out of the woods yet with respect to the credit and equity markets. As regular readers of this letter know, I am very worried that we may face another major equity and credit market decline before the end of this year. That said, I have also noted consistently how that kind of environment is the best possible environment for gold mining companies

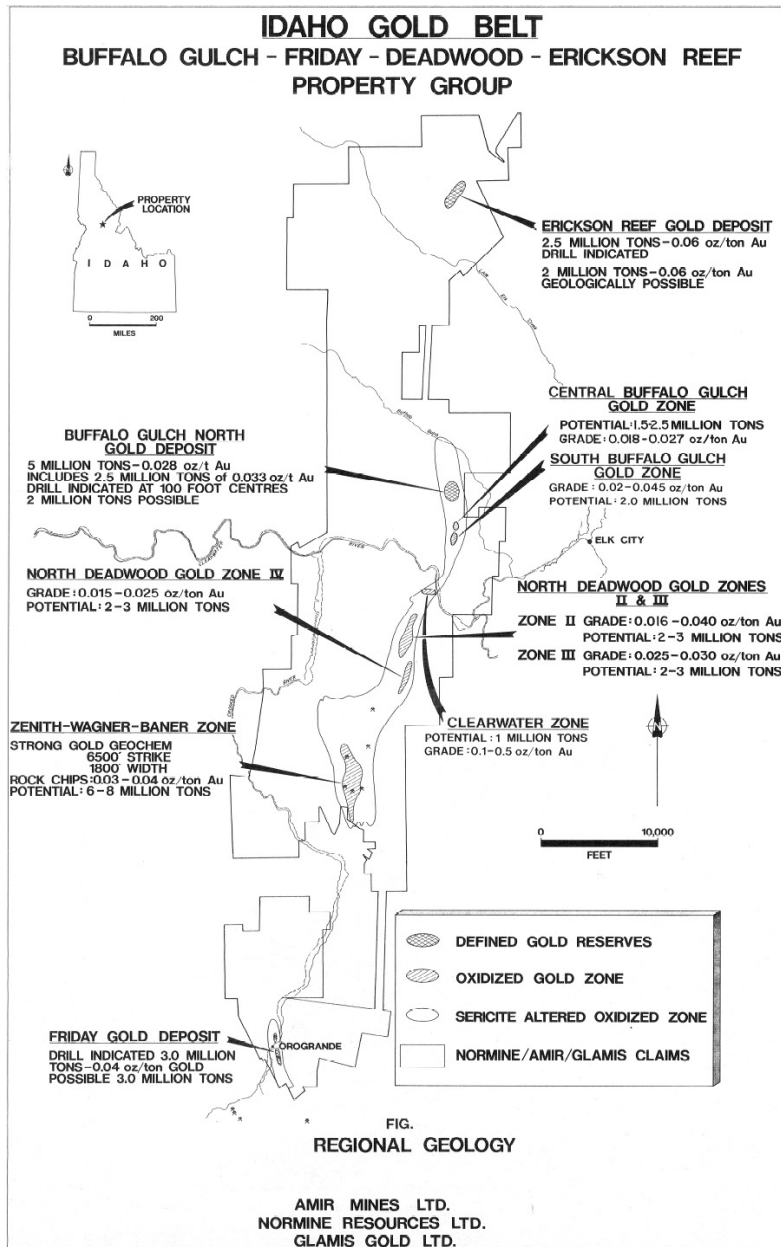
that have viable projects if not producing mines. By all accounts, Premium Exploration has two viable gold properties in its *Buffalo Gulch Property* and *Petsite/Friday* projects with enormous exploration potential between those two advanced-stage gold deposits.

Because of time considerations (your editor is getting ready to visit the Cambridge House investment show in Vancouver), I'm cutting and pasting much of what I wrote last year with respect to the potential of these two Idaho properties. Things are basically the same except it now seems likely that the company is closer to achieving the kind of financing it needs to move its Idaho Project forward.

The *Petsite/Friday* Project has an NI 43-101 inferred resource of 531,890 ounces of gold. There have been 192 drill holes on 100-ft. centers drilled here, so there is already a substantial amount of data backing up those ounces, and it is our understanding that a limited amount of additional drilling is all that would be required to boost that into the Measured and Indicated category. Indeed the potential to boost that

resource with additional drilling to 1 million ounces or more appears reasonably good.

Moving to the north, **Buffalo Gulch** was being readied for production as an open-pit heap-leach project by Bema Gold during the 1980s. There is at present a historical, non 43-101 resource of approximately 100,000 ounces here. Management has talked publicly about fast-tracking this project toward production along the lines previously outlined by Bema Gold. That would include approximately 25,000 to 35,000 ounces of gold per year. Based on prior feasibility work by Bema, it is estimated that current costs of production would now be around \$450 to \$500 per ounce, and capital costs to get the project into production are estimated at \$8 million. We want to warn you that given the rapidity at which prices are rising these days, cost estimates, especially those that have not arisen from a full-fledged feasibility study, should be taken with a grain of salt; but we would also hasten to add that as prices rise, gold will likely not be capped at its current price of \$930 either. The thinking is that production could begin as early as 2010 on this property, though considering our experience in the mining industry, we know it will most likely take longer. That's just the way this business is.



We want to point out that the Petsite/Friday and the Buffalo Gulch projects are both located along what is known as the Orogrande Shear Zone (OSZ) within the Idaho Gold Belt shown on the map above.

Between these two projects are approximately 18 kilometers of strike length. Some 13 old gold mines along this geological structure have operated in the past. However, no one has ever systematically sought to drill out these targets, which are structurally defined as a schist shear zone. Premium intends to drill it out. In fact, on June 5, Premium announced it has staked an additional 110 lode mining claims that cover the area between the Buffalo Gulch joint venture property and the Friday/Petsite Property. Not only are these claims considered lower-grade open-pit oxide gold targets, there is also reason to believe they are prospective for discovering higher-grade underground mineralization. For example, one drill hole put down by prior operators intersected 9.9 grams of gold per tonne over 21.3 meters, which contained a 1.5-meter intersection of 74.85 grams per ton.

It is important to note that Premium has picked up a significant amount of mine project data related to the two advanced-stage gold projects and also a significant amount of exploration data from the likes of Glamis Gold, Bema Gold, Cyprus-Amax Minerals, Camden Capital Corp., and Idaho Consolidated Metals Corp. The historic drill results from past exploration of the southern extension of the OSZ have identified a discrete high-grade gold zone that appears to run alongside, or as part of, the Orogrande Shear Zone. Also, the historic geophysical and geochemical surveys taken on the northern extension of the OSZ indicate the possibility that this discrete high-grade gold zone may extend along the entire length of the OSZ and that the OSZ is a possible mineralizing conduit along its entire 28-kilometer strike length. A map of the historic Idaho Gold Belt may be viewed on-line.

The purpose of Premium's drill plan is to determine if the high-grade gold values encountered in historical drilling at Friday/Petsite persist along the entire 28-kilometer strike length of the OSZ. Management plans to drill test the southern zone of the OSZ at Friday/Petsite. The proposed drilling at this zone includes 15 drill holes totaling approximately 3,700 meters on the Friday Property. This drilling is designed to intersect the OSZ and delineate mineralization down dip and along strike from gold mineralization encountered in past drilling. Needless to say, if significant high-grade intercepts are pulled akin to the 74-gram gold intersection noted above, and if high-grade mineralization is proven to demonstrate good continuity, exploration on the project alone could set this stock surging much, much higher.

We should mention that Premium considers itself an exploration company and not a producer. In fact it is employing the project generator model to a great extent. As such, with respect to its Idaho properties, we anticipate a joint venture with an operating company will be forthcoming soon. That will free up Premium to use its exploration expertise to explore and develop that huge prospective 18 kilometer ground between the Petsite and Buffalo Gulch deposits.

Management

Del Steiner, President, CEO & Director - Mr. Steiner began his career in the junior exploration and mining sector in 1980 as an attorney and consultant. He has an extensive environmental law background relating to the resource sector. Mr. Steiner was formerly President, CEO and Director of Beartooth Platinum Corporation.

Grant T. Smith, C.A., Chief Financial Officer - Mr. Smith's background includes experience in both operating and exploration mining companies throughout North and South America. He brings audit experience from two of Vancouver's highly respected audit and accounting firms and has audit experience in mining companies with reporting for TSX, TSX Venture and AMEX. His management background extends over 20 years and includes a diverse variety of operations and organizations.

Lisa Maxwell, Corporate Secretary - Ms. Maxwell has worked as a Consultant in Corporate Communications and Marketing on an international basis for the past eleven years. Her experience

includes public consultation for large-scale projects, the development and implementation of websites, media and marketing plans for small to mid-size companies.

Barney Green Lee Portillo, VP Mining Development-Mexico & Director - Mr. Portillo is a licensed Mineral Surveyor Consultant and has worked in the Mexican mining industry for 25 years as a Landman and Survey Engineer. He has worked with the Mexican Federal Government (Federal Mining Bureau) and has experience in mining, labour employment and property law with additional expertise in topography and surveying techniques. Mr. Portillo has project management experience and has worked with several major mining companies such as Barrick Gold, Glamis Gold and Kimber Resources.

Outside Directors –

Salvador Huerta - Mr. Huerta has significant international business and financial expertise in joint ventures and mergers and acquisitions. He has been the Controller for Mexican Operations with Aurcana Corporation (TSX-V:AUN) since 2007. He completed his university degree as a Certified Public Accountant in Mexico and has several professional post graduate courses from the Harvard Business School, the University of Hawaii and IPADE (Harvard Business campus in Mexico). Prior to his current position, he was Deputy President and CFO of companies in Mexico such as Timex, HJ Heinz, ALFA Group and Sanluis Rassini.

Robert Komarechka - Mr. Komarechka is a professional geologist and certified gemologist and is currently president of Bedrock Research Corp., a firm which offers consulting services to the mineral exploration industry. Mr. Komarechka has been involved in a wide variety of commodities in his exploration work, including: gold, base metals, platinum group metals, diamonds and industrial minerals. His experience has included property evaluation and selection, supervision of claim staking activities, airborne and ground geophysical programs, geological mapping, geochemical surveys, diamond drill programs, bulk sampling, aboriginal native right studies, mine management, assessment submissions and NI43-101 report submissions.

Advisors

Mr. J. Peter Davies - Mr. J. Peter Davies is currently a minerals consultant based in California and has over 40 years of extensive worldwide experience in precious metals exploration and extraction. In his capacity as a minerals consultant, Mr. Davies has worked with Durango Capital Corp., Andean American Gold Corp., Frontier Pacific Mining Corporation, Eldorado Gold Corporation, the World Bank, the United Nations and the U.S. State Department. Prior to becoming a minerals consultant, he worked as the Manager of Minerals Development for Getty Mining Corporation and Chief Mining Engineer for Bechtel Corporation. Mr. Davies holds a B.Sc. in Mining Engineering from the Royal School of Mines, University of London and is a member of the Canadian Institute of Mining, the American Institute of Mining Engineers and the Professional Engineers Association of British Columbia.

Mr. Robert Coale - Mr. Robert Coale is a consulting metallurgical/processing engineer in Southern California. He is currently president of Patriot Gold Corporation and Giant Oil and Gas Corporation and is a technical advisor to American Goldfields Corporation. Mr. Coale has been an officer, director, and technical advisory to numerous junior exploration companies and mineral production companies including Yuma Copper Corp., Francisco Gold Corporation, and Phelps Dodge. He has also served as Chief Metallurgist with Getty Mining Corporation and Project Metallurgist with AMAX, Inc., A.G. McKee, Inc., Kennecott Copper, Corp., and Bougainville Copper Pty., Ltd. The mineral resource projects he has worked on are in diversified locations worldwide. Mr. Coale holds graduate degrees from the Colorado School of Mines, University of Witwatersrand, and the University of Minnesota. He is a registered professional engineer in California.

SUMMARY & CONCLUSION

We consider Premium Exploration to be priced at a fraction of its value on the basis of its Idaho properties. It also has some attractive properties in Mexico and a platinum group prospect in the U.S. as well. However, management is now focusing its efforts on Idaho, which in my view is highly desirable, given its near-term production prospects and its world-class exploration potential.

In recommending this stock again, we run the risk of another credit market seize-up, which of course is more or less a risk for all junior mining firms. However, those companies that have gold resources in the ground and prospects for mining those profitably should be in a much better position than companies earlier on in the exploration and development process. One major difference we perceive from last year's credit seize-up is that this year, gold mining economics have improved as the real price of gold has gained. In other words, gold mining profit margins have risen even as prospects for most other industries have been in decline. Therefore, it is our view that companies with projects like the Idaho properties discussed above and especially those that have funding lined up, should be in a much stronger position to survive the storm and then ultimately to thrive, much as gold miners did during the Great Depression, when the real price of gold rose dramatically higher.

Our target here is at least a double before the end of the year and our expectation is that, if funding is forthcoming to rev up operations toward production, we should see these shares do much better than that. Keep in mind this is an incredibly low priced company, given the advanced stage of its projects. We realize we are leaving gaps in this story at this time. For example, what kind of joint venture interest might be acceptable to Premium? We should have answers to those questions soon, but based on our discussions with the company and given its current extremely low market cap, we think that is not a major consideration at this time. As always, for the sake of portfolio diversification, we recommend you not allocate more than 5% of your portfolio to this or any other one stock.

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