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Premium adds value to Orogrande

GOLD EXPLORER CONTINUES TO EXPAND NEW DISCOVERY



PHOTO BY IAN BICKIS

Premium Exploration is developing the Friday-Petsite and Buffalo Gulch projects in Idaho's Orogrande shear zone.

SITE VISIT

ELK CITY, IDAHO — Idaho is hardly known for its gold deposits, with neighbours like Nevada to the south shining brighter. But **Premium Exploration** (PEM-V) is looking to bring more of a golden glow to the centre of the potato state, as it develops its 28-km-long Orogrande shear zone.

The company's property is based around the old mining town of Elk City that was a base for numerous dredging and placer gold operations starting in the early 1860s. Now fairly quiet, the town marks the end of Highway



BY IAN BICKIS

14, a narrow and twisty road that traces the path of the South Fork Clearwater River through the valley floor.

Premium has only been exploring in the area since late 2007, but significant work had already been done on two sections of the shear zone: Friday-Petsite and Buffalo Gulch. The Friday-Petsite hosts a resource of 15.2 million inferred tonnes grading 1.09 grams gold per tonne from work done by **Kinross Gold** (K-T, KGC-N) in the late 1990s and later Beartooth Platinum. Buffalo Gulch has a historic, non-compliant resource of 100,000 oz. from Bema Gold's work in the late 1980s.

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Previously, the Orogrande shear zone had fractured ownership, but Premium has put together a land package that incorporates the two targets and much of

the land in between. While the two targets have seen a fair bit of work, the rest remains largely unexplored.

“We’re drilling 4% of this thing,” says

Del Steiner, president and chief executive of Premium. “So you’ve got 96% of this shear zone that none of these holes are touching.”

The established Friday-Petsite resource covers 350 metres of strike length and goes to a depth of 150 metres, sitting largely within eight patented claims. Premium has concentrated its efforts and resources on expanding this resource within its much larger land package.

“What we’re planning on doing right now is bringing it up to at least a million and a half inferred,” says Steiner. “With a few things, I think we can bring that to indicated.”

Deeper gold

The dynamics of the project changed significantly late last year. The company was drilling on the Friday-Petsite and hit a zone of high-grade gold below the existing resource.

Hole 09-10 hit 198.4 metres grading 2.66 grams gold from 173 metres depth, hole 09-11 cut 73.5 metres averaging 2.9 grams gold from 266 metres downhole and hole 09-12 returned 83.4 metres of 1 gram gold from 282 metres.

The company’s stock price went from roughly 25¢ in December 2009 to a high of 67¢ in January, when news of the results came out.

In February, Premium released results from three holes drilled south of the resource. The holes were of lower grade and shorter than those released in January, but still increased the strike length by 120%, hitting gold 425 metres away from the established resource.

The company then initiated a 10,000-metre, phase-three drill program to delineate mineralization under, as well as to the north of, the existing resource.

“Part of this third phase of drilling was to differentiate the upper and lower units,” says Steiner, “because all of the sudden something’s going on there that



Premium Exploration has hit high-grade gold below the existing resource.

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we didn't anticipate with the second program last year."

The first three holes of that program were released in late July. Hole 10-1, drilled vertically, cut 203 metres grading 0.98 gram gold from surface.

Hole 10-2, also vertical, hit 275 metres of 1.84 grams gold from 14.6 metres depth. The hole included a higher-grade intersection in the "lower block," with 76.2 metres of 5.74 grams gold from 213 metres depth.

Hole 10-3 was drilled parallel and 25 metres north of hole 09-10, hitting 157.9 metres of 2.23 grams gold from 221 metres downhole.

"What these first three holes have identified by piercing through into this lower unit," says Steiner, "is that it is a mineralized unit, a separate unit, from the top unit and gives us then a dimension to the potential of a deposit that is substantially larger than we were originally looking at."

Premium recently released assays from holes drilled northward that returned similar lengths but at lower grades. Hole 10-4 hit 150 metres grading 1.5 grams gold from 149 metres depth, including 4.9 metres of 8.3 grams gold from 210 metres. Hole 10-5 returned 267 metres of 0.9 gram gold and hole 10-6 cut 226 metres of 0.5 gram gold from 118 metres.

The elevation rises to the south, making for much more expensive drilling. Steiner explains that the steep valleys and high hills, all covered in dense coniferous forest, along with the size of the shear zone, make it essential that the company plans properly.

"Because of these elevation switches, we've got some very expensive drilling to do; 2,000 to 2,500-ft. holes, as opposed to the 1,200-ft. holes we're drilling now," says Steiner. "The drilling is going to be very structured and systematic, so we know where we are and where we're

going at all times."

Steiner has faith that Premium's vice-president of exploration, Michael Ostenson, can make that structured, efficient drilling happen.

"Mike (Ostenson) has got this down now to where collaring holes and hitting the system is almost a foregone conclusion," says Steiner. "It makes the drilling going forward substantially more valued because we don't anticipate having to do a lot of wildcat holes to find the system."

A loss

Not all has gone to plan for Premium. In early July, it had to come to terms with the sudden death of then-CEO Wilf Struck, after he was hit by a suspected drunk driver while riding his motorcycle.

Struck toured *The Northern Miner* around the property, even showing the log house he built in the area, complete with detailed wood inlay. While only CEO of Premium since early 2009, Struck had moved to Elk City years ago and worked for Beartooth Platinum, Idaho Gold and Bema Industries, developing the same property area he was working on when he died. The company not only lost the institutional knowledge of someone who has worked in the area for over 20 years, but a kind and intelligent man full of energy.

Steiner has since stepped back into the role of CEO on an interim basis as the company looks for a suitable new CEO. Once found, Steiner hopes to step back into an oversight role as president.

"I started the company and ran it up until the geology overpowered the startup complexion of the company," says Steiner. "Now we need a good solid geologist CEO running the company. I literally had Wilf (Struck) in mind when I started Premium because eventually it would be his company. . . these guys know more about the project than anyone alive."

Ostenson is the other guy Steiner was speaking about, and a big part of why the company has continued as smoothly as can be expected. Ostenson worked with Struck for the better part of a decade and knows the project well.

"Mike has worked with him for ten years as kind of his alter ego," says Steiner, noting that the only issue going forth would be on the production side. "Until we get to that point there's nothing Mike can't handle; he's basically done every program that's happened on this property since 2004."

Corporate dealings

Ostenson was promoted from head project geologist to vice-president of exploration in early July, on the same day Colin Jones was appointed as a director. Jones is executive vice-president of Dundee Resources that, as of the latest financing, controls 20.6% of Premium's shares on a diluted basis.

Clearwater Mining was another shareholder of Premium until the two agreed to merge in July. Premium had originally optioned into Clearwater's property in the area, and the merger brings together a fairly complete land package along the shear zone. It has agreed to issue 3 million shares to Clearwater shareholders as well as a 1% net smelter return royalty on the Friday-Petsite project.

Premium completed a \$10-million financing in July, issuing 40 million units at 25¢. Each unit consists of one share and one half warrant, with each full warrant redeemable for a share at 35¢. The company now has 108.5 million shares outstanding, and 159.5 million fully diluted.

Following the release of the first phase-three results, the company's share price jumped 8¢ to 46¢ on 4.3 million shares traded. It since been trading in the 40¢-50¢ range.

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Looking forward

Premium plans to continue drilling north and bring on a second rig to start shoring up the existing resource at Friday-Petsite. To help plan future drilling, it is currently working through extensive airborne geophysical testing of the shear zone.

The company has also started a scoping study on Friday-Petsite, including metallurgical testing of the non-refractory sulphide deposit.

Premium still has some property in Mexico, a holdover from when it initially concentrated efforts there after going

public in 2006, but the company is now firmly focused on Idaho. As to its Chrome Mountain platinum-group-metals project in Montana, Premium is looking how to best maximize shareholder value for it.

It continues to work through permitting on Buffalo Gulch, with the eventual aim of having a partner develop it. Bema Gold was advancing it to production before pulling the plug in the early 1990s. Premium hopes to bring on a partner eventually to develop that section, while it remains a pure exploration company.

As to any sort of future joint venture, Steiner says one has to be open to them, but Premium is currently self-sufficient.

“This game requires us to be open for any suggestions by anybody because as explorers we’ve got to be opportunists,” says Steiner. “But we have no problem dealing with this ourselves for at least two more years. We’ve got the data collection started for prefeasibility like water samples and some of the environmental, so there isn’t any part of this we can’t handle for two to three years.”