

**PREMIUM EXPLORATION INC.**

(Unaudited)  
*Canadian Funds*



**INTERIM MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE PERIOD ENDED 30 JUNE 2011**

**19 AUGUST 2011**

## PREMIUM EXPLORATION INC.

(Unaudited)  
Canadian Funds

### TO OUR SHAREHOLDERS:

This Management Discussion and Analysis (“MD&A”) supplements, but does not form part of, the Interim Consolidated Financial Statements for the quarter ended 30 June 2011. 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 unaudited Interim Consolidated Financial Statements for the quarter ended 30 June 2011, and related notes therein, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied.

Discussion of the Company, its operations and associated risks are 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. Additional information regarding the Company, including copies of the Company’s continuous disclosure materials is available on the Company’s website at [www.premiumexploration.com](http://www.premiumexploration.com) or through the SEDAR website at [www.sedar.com](http://www.sedar.com).

The table below sets forth the significant forward-looking information included in this MD&A:

Forward-Looking Information	Key Assumptions	Most Relevant Risk Factors
The new claims acquired by the Company that reside along the Orogrande Shear Zone are a significant gain for the Company	The properties will contain zones of mineralized content and hold potential for open pit mining	The properties may not contain the amount of mineralization expected by Management and may not ultimately result in a viable resource. The Company has disclosed that this may be difficult and failure to raise these funds will materially impact the Company’s ability to continue as a going concern
Future funding for ongoing operations	The Company will be able to raise these funds	The Company’s ability to meet the future obligations for compliance reporting requirements.
The progress in adoption of International Financial Reporting Standards	Adoption will be successful due to the planning and changeover governing the last 4 quarters.	

#### General

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

Premium’s Idaho Gold Project (formerly called the Idaho Gold Properties) resides along a 30 Km trend, known as the Orogrande Shear Zone (“OSZ”). The Idaho Gold Project consists of six known mineralized zones within the OSZ:

## PREMIUM EXPLORATION INC.

(Unaudited)

Canadian Funds

the Buffalo Gulch Zone; the Deadwood Zone; the Friday Zone; the Project X Zone and the recently discovered Monday and Lucky Strike Zones. These zones have been interpreted to be the result of a high-grade conduit and feeder model.

Premium's Chrome Mountain Property is located within the Stillwater Igneous Complex in South-Central Montana. The property is a 1,473 hectare, PGE target, located approximately 1.5 Km from Stillwater Mining Companies East Boulder Mine. Limited exploration programs in 2007 and 2008, and ~5 Km of soil geochemistry along strike identified an extensive platinum and palladium anomaly. Premium's geologists have concluded that the PGE mineralization on the Chrome Mountain Property may have been formed by a similar type of process that formed the Platreef disseminated PGE-Cu-Ni and UG2 deposits in South Africa.

### Significant Events and Transactions During the Period

During the month of April, Premium granted 100,000 stock options to certain consultants of the Company. The options were granted at a price of \$0.65 and are exercisable for a period of five years.

The Company announced that it had received gross proceeds of \$2,143,500 from the exercise of 7,145,000 warrants. The funds relate to a private placement offering of September 2009 which closed in two tranches. The first tranche closed 23 October 2009 and the second tranche closed 12 November 2009. The exercise of these warrants completed the funding for the \$7,000,000, Phase-Four Exploration Program.

In May, the remaining funds from the second tranche of the September 2009 financing were received and the Company announced that it had received gross proceeds of \$1,912,500 from the exercise of 6,375,000 warrants. The proceeds from the warrant exercise supplement the Company's current working capital position and are being used to fund exploration work on Premium's Idaho Gold Project.

In mid-May, Premium published a press release citing over-limit silver results for PFR2010-22 - a drill hole from the Phase Three program (see press release dated 8 February 2011). PFR2010-22 returned three elevated silver assays grading 153, 100, and 93 g/t Ag in the Monday Zone along the Idaho Gold Project.

Hole ID	Zone	From M	To M	Length M	Au g/t	Ag g/t
PFR2010-22	Monday	332.8	333.8	1.0	0.6	153.0
		608.4	609.3	0.9	0.4	100.0
		623.0	623.9	0.9	0.1	91.0

The high silver values are a unique component of the Monday Zone. The silver along the Monday Zone is a new discovery at the IGP and the Company plans to follow-up with this discovery during the Phase-Four drill program.

## PREMIUM EXPLORATION INC.

(Unaudited)

Canadian Funds

An update on the IGP Phase-Four drill program was provided in late May:

### Buffalo Gulch Zone:

Two drill holes had been completed within 332.5 metres of drilling, and both holes encountered alteration and sulphide mineralization consistent with the OSZ. The target zone at Buffalo Gulch consists of 4 Km of the 12 Km correlating gold-in-soil and airborne geophysical anomalies along the main 30 Km trend. Drilling at Buffalo Gulch is designed to test the same geological model tested at the Friday Zone, 20 Km south along the 30 Km trend.

Drill-hole BG2011-1 intersected oxide mineralization consistent with the historic 111,000 oz indicated resource (4.8 Mt grading 0.8 g/t Au @ 0.4 g/t cut-off) which demonstrates the continued growth potential of the deposit. This hole also intersected 1.3 g/t gold over 4.6 metres within the sulphides

Drill-Hole	Zone	From (m)	To (m)	Interval	Au g/t
BG2011-1	Buffalo Gulch	77.4	103.6	26.2	0.5
		88.1	92.7	4.6	1.3
BG2011-2	Buffalo Gulch	44.5	65.8	21.3	.5

*\*The gold grade calculation is a weighted mean with no top cut, and no bottom cut. The grade calculation includes internal waste and low grade sections.\*True Widths for BG2011-1 are estimated to be 65-75% of the drilled interval from 77.4m to 103.6m and the unknown for the interval from 88.1m to 92.7m. The True width for the drilled interval in BG2011-2 is estimated to be 20-30%.*

Drill-hole BG2011-2 intersected 0.5 g/t gold over 21.3 metres within the oxide portion of the Buffalo Gulch historic resource. Drilling was halted due to inclement weather conditions and the drill hole did not reach the structural target identified by the IP geophysics. Previous operators had defined the historic resource by drilling 0.5 Km of strike along the gold-in-soil trend. They defined the deposit via shallow, vertical RC drilling and did not investigate the potential for high-grade structural mineralization at depth or along strike.

**Disclaimer:** *All estimates of historic gold resources are historical in nature, predate and are noncompliant with NI 43-101. Premium is not treating the historical estimate as current mineral resources or reserves. Premium has not undertaken any independent investigation of the resource estimates nor has it independently analyzed the results of the previous exploration work in order to verify the resources, and therefore the historical estimates should not be relied upon. The historical classes used by Idaho Gold Corporation, a subsidiary of Bema Gold, are different from current CIM classes, however, they might be comparable to the CIM inferred or indicated resource classes. Previous operators defined the historic resource drilling 0.5 Km of the gold-in-soil trend. They defined the deposit via shallow, vertical RC drilling and did not investigate potential high-grade structural mineralization at depth.*

## PREMIUM EXPLORATION INC.

(Unaudited)

Canadian Funds

### Friday Zone:

Seven drill holes had been completed within 2,758.3 metres. The seven holes encountered alteration and sulphide mineralization consistent with the OSZ. Drilling on the Friday Zone is designed to locate and intersect the Friday Fault at depth, along strike to the north and south, and to test 5Km of potential strike length identified by gold-in-soils and geophysics. The first seven holes are located within the current Friday-Petsite resource footprint and the Company intends to continue stepping out along strike, outside of the resource footprint.

Step-out drilling encountered gold mineralization 100 metres south along strike of the Main Zone of the Friday-Petsite resource.

Drill-Hole	Zone	From (m)	To (m)	Interval	Au g/t
PFR2011-1	Friday	21.0	57.6	36.6	1.0
PFR2011-2	Friday	75.9	101.7	25.8	1.0

*\* The gold grade calculation is a weighted mean with no top cut, and no bottom cut. The grade calculation includes internal waste and low grade sections. \*True Widths are estimated to be between 40% and 60% of the drilled interval.*

Drill-holes PFR2011-1 and PFR2011-2 were drilled as a fan to confirm the orientation and depth of mineralization. Both holes were drilled from the same collar to the east with PFR2011-1 at a -60 degree dip and PFR2011-2 at a -80 degree dip. The orientation and depth of mineralization is consistent with the Friday-Petsite resource and is considered to be continuous with the Friday-Petsite resource.

**Disclaimer:** *The Company wishes to state that the potential additional resources are conceptual in nature only, and that there has been insufficient exploration to define an increased mineral resource outside of the current NI 43-101 compliant resource. Furthermore, it is uncertain if further exploration will result in additional mineral resources. Estimates for potential additional resources are reported as exploration targets based on the presence of step-out mineralized drill holes, known mineralized zones open along strike and depth and geophysically anomalous areas from data received by the Company.*

### Deadwood Zone:

A total of 550 gold-in-soil samples of the +10,000 planned sampling program had been taken along the western portion of the Deadwood Zone to further refine drill targets planned for the Phase-Four drill program. The first stage of sampling is focused on the new "Lucky Strike Structure" (see press release dated 28 July 2011). The second stage of the sampling program will be focused to the west and south of the Friday-Petsite resource, following the OSZ south to the X Zone.

## PREMIUM EXPLORATION INC.

(Unaudited)

Canadian Funds

### Corporate Operations:

The British Columbia Securities Commission (“BCSC”) conducted a review of Premium’s website, corporate presentation, IR material and MD&A and identified several compliance issues:

- That the Company reported a current resource but did not disclose the effective date, source & key assumptions of the resource;
- That Premium had links to third party IR material which added inferred mineral resources to other categories; and
- That the Company disclosed potential exploration targets for their Idaho Gold Project, but did not include the required disclosure language.

While Premium dedicates significant internal resources to verify the information contained above, the disclosure to the public through the Company’s website and delivery of certain information in the corporate presentation, investor relations materials and MD&A was not in complete compliance with NI 43-101. As a result of the review, Premium updated its Corporate Presentation, IR material and website; added the required disclosure language; deleted the non-compliant third party link; and disclosed the author, effective date and SEDAR filing date of the current NI 43-101 Technical Report on the Company’s Friday-Petsite Zone.

### Significant Events and Transactions Subsequent to the Period

#### Exploration:

During the months of July and August, Premium released a total of 10 drill holes from the Friday Zone of the Phase Four Drill Program.

Of the three drills turning on the IGP, one is located on the Friday Zone and two are focused on the Deadwood Zone. The Deadwood Zone covers approximately 35Km<sup>2</sup> and is located between the Buffalo Gulch and Friday Zones. Drill results from the Friday Zone have extended the strike length of Friday’s Main Zone by 155 metres (north) and mineralization between the North Zone and the Main Zone are interpreted to be continuous. Premium also reported drill results which extended the Main Zone 265 metres to the south and mineralization between the South Zone and Main Zone are interpreted to be continuous. The Main Zone has now been extended from 800 metres to 1,220 metres – a 53% increase to the strike length of the mineralized zone.

Five separate drill targets within the Deadwood Zone have been identified by geophysics with correlating gold-in-soils.

To date, 3,512 metres of the 25,000 metre drill program have been reported and 7,644 metres have been drilled.

#### Corporate Operations:

On July 25<sup>th</sup>, 2011, Premium Exploration began trading on the OTCQX under the symbol PMMEF. Premium trades on the OTCQX International and investors may now find current financial disclosure and Real-Time Level 2 quotes at [www.otcqx.com](http://www.otcqx.com) and [www.otcm Markets.com](http://www.otcm Markets.com).

# PREMIUM EXPLORATION INC.

(Unaudited)  
Canadian Funds

## Mineral Exploration

### Chrome Mountain, Montana, USA

The Chrome Mountain Project is a PGE target consisting of 182 contiguous claims in 1,473 hectares along 10Km of strike length on the Stillwater Complex in south-central Montana. A limited amount of exploration has been completed on the property which included 5Km long PGE-in-soil anomaly; drilling of 19 holes during 2007 and 2008; surface mapping; and airborne and ground geophysics.

Drilling confirmed potential PGE mineralization along the A-B Chromitite Zone with intervals of up to 1.0 g/t PT+PD over 116.7 m with higher-grade intervals of up to 4.0 g/t PT+PD over 7.3 m. The A-B Chromitite Zone is characterized by high-grade narrow horizons within a broad envelope of disseminated lower-grade mineralization. An exploration program has been designed to follow-up on the A-B Chromitite Zone. A conceptual model has been developed by Premium and is designed to test for lateral continuity along strike. Exploration may include 5Km of PGE-in-soil sampling; 5 Km<sup>2</sup> of surface geological mapping; and 5,000 m of drilling.

### Idaho Gold Project, Orogrande Shear Zone – Idaho, USA

The Orogrande Shear Zone is a trend of gold mineralization +30 Km in strike length and hosts many of the 219 mapped prospects which make up “Elk City Gold Belt”. This includes at least 20 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. The OSZ is believed to be the mineralizing conduit for the entire 30 Km strike length of the geologic structure. A +12,000 metre drill program, covering Phases One, Two and Three was completed in Q4 2010 (see Friday Zone for additional detail).

Premium now controls 2,127 unpatented claims, 5 patented claims, and one State of Idaho Minerals Lease over 12,472 hectares which together comprises a large portion of the +30Km Orogrande Shear Zone trend, and which is composed of the following 6 Zones; Buffalo Gulch, Deadwood, Lucky Strike, Friday, Monday, and Project X.

PHASE FOUR DRILL PROGRAM: MARCH 2011 – CURRENTLY UNDERWAY		
CORE HOLES – 12 HQ TO DATE	DRILL DEPTH – AVG. 300 METRES	FOOTAGE – 7,644 OF +25,000 TO DATE
The Phase Four Exploration Program is a +25,000 metre program of diamond drilling focused on the following objectives:		
<ul style="list-style-type: none"><li>◆ 15,000 metres of the program will be dedicated to discovering new gold zones at the Buffalo Gulch, Deadwood, and “X” Zones by drill testing defined geophysical and geochemical anomalies and expanding and defining the geometry of the Monday Discovery</li><li>◆ 10,000 metres of the program has been earmarked for:<ul style="list-style-type: none"><li>◇ Step-out drilling to expand and define the geometry of the Friday-Petsite deposit</li><li>◇ In-fill drilling for resource expansion and category upgrade</li></ul></li><li>◆ Up to 10,000 soil samples will be gathered to further refine geophysical anomalies</li><li>◆ 100 drill sites have been proposed and permitted along the 30 km for maximum flexibility</li><li>◆ Gradient array IP geophysics to refine drill targets over key areas</li></ul>		

## PREMIUM EXPLORATION INC.

(Unaudited)

Canadian Funds

### Buffalo Gulch Zone - Idaho, USA

Buffalo Gulch is the most northern zone along the 30 Km Idaho Gold Project in North-Central Idaho under Premium's control and hosts an historic 111,000 oz Indicated gold resource in 4.8 Mt @ 0.8 g/t Au (0.4 g/t cutoff)\*

The target zone at Buffalo Gulch consists of 4 Km of the 12 Km correlating gold-in-soil and airborne geophysical anomalies along the main 30 Km trend. The Buffalo Gulch Zone will be further explored in the Phase Four Drill Program with gold-in-soil sampling, geophysics, and drilling. The deposit was once fully permitted for open-pit production in 1991 by Bema Gold Inc. however the deposit did not reach the production stage due to low gold prices.

The existing historic oxide deposit, as delineated by previous operators, is open along strike and depth and is located within 0.5 Km of the 4.0 Km of soil and geophysical anomalies. To date, no drilling at depth beyond 150 metres has been conducted to test high-grade sulphide potential. *\*The historic resources as calculated by the Bema Gold subsidiary "Idaho Gold Corporation" were prepared prior to the introduction of NI43-101, but were carried out in accordance with established practice at that time. Idaho Gold estimated "proven and probable geologic reserves" of oxide material to a depth of 220 feet as 4.839 million short tons at a grade of 0.023 ounce/ton containing 110,759 troy ounces of gold\*.*

*\*The resource estimate was reviewed by Micon International in 2004, and they concluded that the Buffalo Gulch property had historical Mineral Resources of about 5 million tons averaging 0.023 oz/ton Au (4.5 million tonnes at 0.8 g/t Au), comparable to an indicated resource. No cut-off grade was provided.*

*\*Estimates of gold resources/deposits are historical in nature, predate and are noncompliant with NI 43-101. Premium is not treating the historical estimate as current mineral resources or reserves. Premium has not undertaken any independent investigation of the resource estimates nor has it independently analyzed the results of the previous exploration work in order to verify the resources, and therefore the historical estimates should not be relied upon. The historical classes used by Idaho Gold are different from current CIM classes, however, they might be comparable to the CIM inferred or indicated resource classes.*

### Buffalo Gulch Historic Metallurgical Work

Previous operators include Bema Gold, Cyprus-Amax, and Kinross Gold Corp in the 1990's and left the area due to low gold prices (~\$350/oz.). As part of its exploration program on this prospect Bema Gold Corporation conducted bottle-roll and column testing on the resource with the latter showing 75% recovery of the gold in oxide material after 25 days. The bottle-roll tests showed recoveries of both oxidized and sulphide material to be in the range of 75% to 90%.

Successful cyanide bottle roll extraction tests and column tests culminated in two pilot scale heap leach tests in the field and confirmed the favourable leaching parameters for the mineralized material. Based on the positive tests from these results; economic and production analysis were conducted by the Bema Gold subsidiary "Idaho Gold Corporation" in 1990; independent engineering group MRDI in 1991; independent engineering group MRDI in 1996; and independent engineering group Golder and Associates in 2006. The analysis by Idaho Gold and MRDI were prepared prior to the introduction of NI 43-101, but were carried out in accordance with established practice at that time.

The prior economic analyses did not apply current parameters or assumptions, and they should not be relied on. Analyses done subsequent to the introduction of NI 43-101 were not based on a current resource estimate, as required by NI 43-101. The company previously disclosed basic economic parameters for Buffalo Gulch on its website; however, these were premature and should not be relied upon.

## PREMIUM EXPLORATION INC.

(Unaudited)

Canadian Funds

### Deadwood Zone – Idaho, USA

The Deadwood Zone covers approximately 35 km<sup>2</sup>, is located between the Buffalo Gulch and Friday Zones along the Idaho Gold Project, and exhibits intriguing structural complexity.

A 12 km gold-in-soil trend extends along the Buffalo Gulch and Deadwood Zones and correlates with the 30 Km OSZ regional structural target identified by geophysics. There are numerous, additional gold-in-soil anomalies that correlate with multiple cross-cutting structures, historic mines, placer deposits and prospects throughout the 35 km<sup>2</sup> Deadwood Zone.

A limited number of shallow RC drill-holes were drilled by previous operators which identified an historic deposit of Indicated and Inferred ounces of gold:

**38,940 Indicated oz gold in 1.6 Mt at 0.75 g/t Au with 0.4 g/t Au cut-off;**

**18,480 Inferred oz gold in 0.7 Mt at 0.75 g/t Au with 0.4 g/t Au cut-off**

The historic deposit is located along 1.0 Km of the 12 Km gold-in-soil anomaly. The deposit remains open in all directions and has yet to be drilled by Premium utilizing the new geological model. The 2011 Phase-4 drill plan for the Deadwood Zone is an aggressive campaign to discover and delineate numerous mineralized structures. Additional soil sampling and geophysics are also planned

*\*All estimates of gold resources/deposits are historical in nature, predate and are non-compliant with NI 43-101. This historic resource estimate was reviewed by Micon International in 2004. Premium is not treating the historical estimate as current mineral resources or reserves. Premium has not undertaken any independent investigation of the resource estimates nor has it independently analyzed the results of the previous exploration work in order to verify the resources, and therefore the historical estimates should not be relied upon.*

### Lucky Strike Zone – Idaho, USA

Lucky Strike was discovered at the end of the 2010 season when geophysics revealed an 18 km long, potentially mineralized structure. The Lucky Strike Zone is located to the west of and parallel to the Buffalo Gulch and Deadwood Zones. It is the first area of focus for the 2011 soil sampling program. The program is following up on a gold-in-soil discovery along 1.0 Km of the 18 Km interpreted structure. The anomaly peaked at 265 ppb Au.

This zone has not been systematically explored, soil sampled, or drilled, however, a 3.5 km portion of the 18 Km structure was extensively dredged and heavily panned for gold in the late 1800's to early 1990's during the Great Idaho Gold Rush. Previous operators never identified the source of the mineralized system. Pending favourable soil results along the 18 km long zone, Premium anticipates drilling the Lucky Strike in Phase-Four.

## PREMIUM EXPLORATION INC.

(Unaudited)

Canadian Funds

### Friday Zone – Friday-Petsite Deposit - Idaho, USA

The property is located toward the southern extension of the Idaho Gold Project. The Friday-Petsite deposit is located within the Friday Zone. Two past-producing mines locally known as the Orogrande Mine and the Frisco Pit are located within the deposit footprint.

In Q4 of 2010, Premium completed a +12,000 metre drill program, covering Phases One, Two and Three in Q4 of 2010.

A synopsis of the Phase Four Drill Program may be found under the Idaho Gold Project heading.

<b>PHASE ONE DRILL PROGRAM: JUNE 2009 – AUGUST 2009</b>		
<b>CORE HOLES – 7 HQ</b>	<b>DRILL DEPTH – 153 METRES</b>	<b>FOOTAGE – 853.4 METRES</b>
Phase One was designed to delineate the high-grade component of the resource, test the continuity of mineralization of the OSZ along strike to the north and south of the existing resource, and to provide minor in-fill drilling. The geologic model developed by Premium confirmed a steep easterly dip and intersected the OSZ to the north and south of the main zone of mineralization.		

<b>PHASE TWO DRILL PROGRAM: SEPTEMBER 2009 – DECEMBER 2009</b>		
<b>CORE HOLES – 6 HQ</b>	<b>DRILL DEPTH – 275 METRES</b>	<b>FOOTAGE – 1,969.9 METRES</b>
This program further delineated the northern and southern extension of mineralization for additional strike length of 560 metres. The drill holes in this phase encountered similar geology, structures, and mineralization as seen in Phase One, and all holes intercepted mineralization at depth and along strike. The results of the Phase Two program have led to a better understanding of the geologic and structural controls of the mineralized zone. The mineralization encountered in the drill holes consists of high grade core within a broad envelope of lower grade gold mineralization which has been intruded by a post mineral Dacite Dike.		

## PREMIUM EXPLORATION INC.

(Unaudited)

Canadian Funds

PHASE THREE DRILL PROGRAM: APRIL 2010 – DECEMBER 2010		
CORE HOLES – 24 HQ	DRILL DEPTH – AVG. 300 METRES	FOOTAGE – 10,354 METRES
<p>Premium's exploration approach led to a 1.4 Km increase in the strike length of the mineralized footprint between the North, Main and South zones along the Friday Fault, and increased the Lower Block strike length to 500 metres.</p> <p>Phase Three focused on the development of the Lower Block of the Friday-Petsite deposit; the expansion of the current resource, and additional exploration for zones of gold mineralization along the OSZ. Geophysics, soil geochemistry and drilling indicate that the North, Main and South Zones which comprise the current block model are potentially contiguous.</p> <p>Premium announced an updated NI 43-101 report on the Friday-Petsite Zone. The current Friday-Petsite resource resides within 1.4 Km of strike length and is comprised of the following two categories:</p> <p style="text-align: center;"><b><i>343,000 oz Au Indicated Resource hosted in 11.8 Mt at 0.9 g/t Au with a 0.5 g/t Au cut-off</i></b></p> <p style="text-align: center;"><b><i>879,000 oz Au Inferred Resource hosted in 26.4 Mt at 1.04 g/t Au with a 0.5 g/t Au cut-off</i></b></p> <p>The report was prepared for Premium by Mark I. Pfau, MSc. of Tellurian Exploration, Inc. Mr. Pfau is an Independent Qualified Person as defined under NI 43-101. The technical report has an effective date of March 28, 2011 and was filed on SEDAR on May 12, 2011.</p>		

### Monday Zone – Idaho, USA

The Monday Zone was discovered in December 2010 and was the first time Premium utilized its' exploration strategy outside of the Friday Zone. Drilling encountered the "Monday Fault", a west-bounding fault of the OSZ parallel to the east-bounding "Friday Fault".

Premium's geologists believe that the Monday Fault has the potential to host another gold zone 300m west of, and parallel to, the existing gold resources of the Friday-Petsite deposit.

Two holes (PFR2010-19 & PFR2010-22) were drilled 900 metres apart along a structural identified by geophysics demonstrating potential continuity. Gold-in-soil sampling will be used to locate the Monday Zone at surface with future drilling being targeted along strike to the north and south during the Phase Four Drill Program. Structurally controlled mineralization along the parallel Monday and Friday faults correlate with airborne geophysical and gold-in-soil anomalies, which demonstrates the large district potential of the OSZ over 30 Km of strike.

### Aurum – Idaho, USA

The Aurum claims are situated along the OSZ between the Deadwood and Friday Zones. The Aurum claims form a part of the Deadwood Zone.

### Project X Zone – Idaho, USA

Project X is located south of the Monday and Friday Zones and is situated at the southern-most end of the IGP. Airborne geophysics have revealed potentially mineralized structures which will be explored in the Phase Four Program.

## PREMIUM EXPLORATION INC.

(Unaudited)  
Canadian Funds

### Dixie - Idaho, USA

The Dixie property is located south of the X Zone of the IGP. It may be the southerly extension of the OSZ however there is insufficient information to make this assumption. 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.

### Results of Operations

The loss for the three month period ended 30 June 2011 was \$2,510,447 which compares to a loss of \$1,373,821 in same quarter of 2010.

<b>Exploration expenditures</b> (rounded to the nearest '000)	3 months 2011	3 months 2010	6 months 2011	6 months 2010
	\$ 1,800,000	\$ 766,000	\$ 2,118,000	\$ 874,000
Variance increase	\$ 1,034,000		\$ 1,244,000	

Resource property expenditures have increased significantly over the comparative period. This is a direct result of increased exploration and drilling activity on the Idaho Gold property. The Company completed financing late in the second quarter of 2010 and has aggressively been pursuing the planned drilling program. This variance is as expected by management and consistent with all published activities.

<b>Management fees</b> (rounded to the nearest '000)	3 months 2011	3 months 2010	6 months 2011	6 months 2010
	\$ 96,000	\$ 88,000	\$ 230,000	\$ 149,000
Variance increase	\$ 8,000		\$ 81,000	

The increase is a result of increased activity throughout the period, and the requirement for a larger management team resulting from the exploration activity.

<b>Travel</b> (rounded to the nearest '000)	3 months 2011	3 months 2010	6 months 2011	6 months 2010
	\$ 102,000	\$ 76,000	\$ 226,000	\$ 129,000
Variance increase	\$ 26,000		\$ 97,000	

Travel expense has increased over 2010 as a result of growing exploration activity within the Company, calling for key management personnel to travel on location more than they have in the past.

<b>Office and miscellaneous</b> (rounded to the nearest '000)	3 months 2011	3 months 2010	6 months 2011	6 months 2010
	\$ 59,000	\$ 20,000	\$ 124,000	\$ 43,000
Variance increase	\$ 39,000		\$ 81,000	

Office and miscellaneous expenses have increased in response to the growing exploration activity to fill the need of greater support from head office.

## PREMIUM EXPLORATION INC.

(Unaudited)

Canadian Funds

Professional fees (rounded to the nearest '000)	3 months		6 months	
	2011	2010	2011	2010
	\$ 109,000	\$ 74,000	\$ 162,000	\$ 113,000
Variance increase	\$ 35,000		\$ 49,000	

The professional fees in the period have increased over the comparative period as a result of activity on the Company's properties as it relates to US compliance and IFRS adoption.

### Summary of Quarterly Results

#### Financial Data for the Last Eight Quarters

Three Months Ended	IFRS Jun-11	IFRS Mar-11	IFRS Dec-10	IFRS Sep-10	IFRS Jun-10	IFRS Mar-10	GAAP Dec-09	GAAP Sep-09
Total Revenues	-	-	-	-	-	-	-	-
Loss from continuing operations	2,510,447	897,490	2,264,545	2,210,960	1,365,198	491,917	\$1,301,546	\$444,885
Income (loss) for the period	2,510,447	897,490	2,264,545	2,210,960	1,365,198	491,917	\$1,301,546	\$444,885
Loss per share (Basic and diluted)	(0.02)	(0.01)	(0.06)	(0.02)	(0.03)	(0.01)	(0.02)	(0.01)
Total assets	9,912,484	8,433,651	8,466,263	10,520,045	1,503,735	1,579,184	1,211,196	519,231
Working capital	6,112,102	4,733,887	4,868,783	7,048,625	802,728	1,019,378	980,478	(741,213)

The variance between June 2011 and March 2011 is a result of the extreme weather conditions which slowed the progress of the drill program in first quarter of fiscal 2011.

The variance between September 2010 and June 2010 and the preceding arose principally because of increased exploration activity after the completion of the June financing, which allowed the Company to put extra drills on the site.

The quarter ended June 2010 was higher than the preceding quarter because of roll-out of the drill program in spring.

The quarter end December 2009 was higher because of the fall drilling program.

### Outstanding Shares

As at 30 June 2011, the Company had 130,289,519 common shares issued and outstanding versus 108,604,219 common shares issued and outstanding at 30 June 2010. The fully diluted amount of 157,586,019 represents options of 5,932,500 and warrants of 21,364,000.

As at the date of this report, the Company had 130,395,519 common shares issued and outstanding resulting from an additional exercise of 200,000 options and a retroactive adjustment of 94,000 shares to the treasury. The fully diluted amount of 157,492,019 represents options of 5,732,500 and warrants of 21,364,000.

## PREMIUM EXPLORATION INC.

(Unaudited)  
Canadian Funds

### 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 US\$, the majority of which is held in a major Canadian bank. 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 on-going exploration expenditures.

Fair Value – As at 30 June 2011 and 2010, 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 quarter.

### Capital Resources and Commitments

The Company has agreements with the President, the CEO and CFO as laid out below:

The CEO, President and Director has signed a contract for a term of three years, which expires 30 April 2012. Under the terms of the contract, the President receives a monthly payment of \$10,000. This contract may be cancelled upon the Company providing six months advance notice.

The CFO has signed, through a company controlled by the CFO, a contract for a term of three years, which expires 30 April 2012. Under the terms of the contract, the Company receives a monthly payment of \$5,000. This contract may be cancelled upon the Company providing six months advance notice.

The Company has entered into an operating agreement for its corporate head office premises. The annual lease commitments under the lease are as follows:

2011	73,920
2012	18,480
<b>Total</b>	<b>\$ 92,400</b>

### Share capital

The table below presents the Company's common share data as of 30 June 2011.

	Number of common shares
<b>Common shares, issued and outstanding</b>	<b>130,289,519</b>

As at the date of this report, the Company had 5,732,500 options and 21,364,000 warrants outstanding.

## PREMIUM EXPLORATION INC.

(Unaudited)  
Canadian Funds

### Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as at 30 June 2011 and as at the date hereof.

### Related Party Transactions

Related party transactions and balances not disclosed elsewhere in the financial statements are as follows:

Name and Principal Position	Period <sup>(1)</sup>	Remuneration or fees <sup>(2)</sup>	Share-based awards
CEO and President - Del Steiner	2011 2010	\$ 61,929 62,055	\$ 13,300 19,600
Clearline Chartered Accountants, a Company owned or controlled by the CFO, Grant T. Smith	2011 2010	31,911 30,000	- -
CFO – Grant T. Smith	2011 2010	- -	9,200 12,500
Robert Komarechka – Director	2011 2010	- -	8,300 10,700
Colin Jones – Director	2011 2010	- -	8,300 10,000
Patrick Sam Yue – Director	2011 2010	- -	8,300 10,000
Dr. Guojian Xu - Director	2011 2010	- -	8,300 10,000

<sup>(1)</sup> Periods ended 30 June 2011 and 30 June 2010

<sup>(2)</sup> Amounts disclosed were paid or accrued to the related party

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

### Financial Instruments

Fair Value – The carrying values of receivables and accounts payable and accrued liabilities approximate their fair values due to their short term to maturity. Cash is measured on the balance sheet at Level 1 of the fair value hierarchy.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Currency risk – All of the Company's Canadian cash is held in interest bearing accounts at major banks 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 on-going exploration expenditures. At 30 June 2011 the Company held currency totalling Cdn \$5,362,000; US \$1,140,000; and Pesos \$Nil. Accounts payable are settled in a timely manner. It is management's opinion that the Company is not exposed to significant currency risk. The Company does not use derivative instruments to reduce upward and downward risk associated with foreign currency transactions.

Credit risk - Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank

## **PREMIUM EXPLORATION INC.**

(Unaudited)

*Canadian Funds*

accounts. The Company's bank accounts are held with major banks in Canada accordingly the Company believes it not exposed to significant credit risk.

Liquidity risk - Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company has cash available to meet all current obligations.

Market risk - Market risk is the risk that changes in market prices will affect the Company's earnings or the value of its financial instruments. Market risk is comprised of commodity price risk and interest rate risk. The objective of market risk management is to manage and control exposures within acceptable limits, while maximizing returns.

Interest rate risk - Interest rate risk is the risk of losses that arise as a result of changes in contracted interest rates. The Company is not exposed to interest rate.

Price risk - Price risk is the risk that the value of a security will decline in the future. The Company is not exposed to price risk.

### **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 31 December 2010 Consolidated Financial Statements provide a breakdown of the general and administrative expenses for the period 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 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.

## PREMIUM EXPLORATION INC.

(Unaudited)

Canadian Funds

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.

### *DISCLOSURE CONTROLS AND PROCEDURES*

The Chief Executive Officer and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with Canadian GAAP. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased costs of such hiring could threaten the Company's financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

### **Approval**

The Board of Directors of the Company has approved the disclosure contained in this Annual Management Discussion and Analysis.

### *A Cautionary Tale*

*This document contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performance of the Corporation, its subsidiaries and its projects, the future supply, demand, inventory, production and price of minerals, the estimation of reserves and resources, the realization of reserve estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters.*

*Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations*

## PREMIUM EXPLORATION INC.

(Unaudited)

Canadian Funds

*(including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; actual results of reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of resources; possible variations of ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the resource industry; political instability, insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.*

Respectfully submitted

On behalf of the Board of Directors

“Delbert W. Steiner”

Delbert W. Steiner  
President & CEO