

Fundamental

Research Corp.

Investment Analysis for Intelligent Investors

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Premium Exploration Inc (TSXV: PEM) – LOI Signed on Near Term Production Properties in Idaho; Drilling confirms PGE mineralization at Chrome Mt.

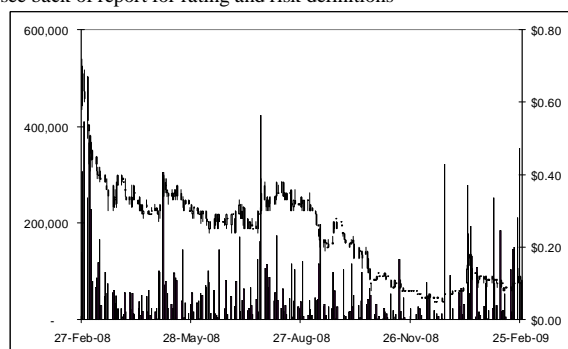
Sector/Industry: Junior Mining

www.premiumexploration.com

Market Data (as of February 27, 2009)

Current Price	C\$0.10
Fair Value	C\$0.36 (↓)
Rating*	BUY
Risk*	5 (Highly Spec)
52 Week Range	C\$0.05 – C\$0.70
Shares O/S	39.47 mm
Market Cap	C\$3.95 mm
Current Yield	N/A
P/E	N/A
P/B	0.89
YoY Return	-84.1%
YoY TSXV	-68.7%

*see back of report for rating and risk definitions



Investment Highlights

- The company has signed letters of intent to acquire near-term production properties in Idaho.
- The Buffalo Gulch deposit in the North Orogrande Shear Zone has a historic resource estimate of 100,000 ounces of gold. This project was significantly advanced with permitting in place in 1991, but never went into production due to low gold prices.
- The South Orogrande Shear Zone's Friday/Petsite deposit has a NI 43-101 compliant resource estimate of 531,890 ounces of gold inferred in a disseminated gold deposit.
- The Chrome Mountain Platinum/Gold property has been joint ventured to Beartooth Platinum (TSXV: BTP). 9 drill holes were completed in 2008, two with identified visible chromite.
- At the end of September 2008, the company had \$0.48 million in cash. We estimate current cash will last for another two to three months.
- We reiterate our BUY rating, but lower our fair value from C\$0.65 to C\$0.36 per share.

(Note - All figures are in US\$ unless specified otherwise)

Key Financial Data (FYE - Dec 31)

(US \$)	2005	2006	2007	2008 (9 mo)
Cash	12,084	439,290	684,203	482,502
Working Capital	(379,313)	162,402	472,806	306,562
Mineral Assets	595,113	826,551	2,199,607	3,856,664
Total Assets	796,302	1,348,169	3,408,729	4,880,611
Net Income	(195,799)	(975,356)	2,099,845	(1,130,685)
Loss per Share	(0.02)	(0.06)	(0.08)	(0.03)

Premium Exploration is a precious metals explorer focused on Mexico and the United States. The company's mission is to become a self financed exploration company by developing near term production projects for cash flow while prospecting quality projects from grass roots to near-term production.

Company Overview Premium Exploration has continued to acquire prospective properties in Mexico, and has diversified in Idaho by signing a letter of intent to joint venture a large land package with several advanced gold deposits. The company has a joint venture on the Chrome Mountain platinum discovery on which the joint venture operator Beartooth Platinum has recently completed a 9 hole drill program. According to a statement from the president and CEO, the company has shifted its focus to completing work on projects with near-term production, in particular the Buffalo Gulch project in Idaho, and the previously held San Pedro Analco project in Jalisco, Mexico. The company intends to be a self financed explorer through its interests in near-term production properties.

IDAHO

Idaho Overview At the current time, the company is involved in a letter of intent to joint venture the North Orogrande Shear Zone, which includes the Buffalo Gulch project. A letter of intent has also been signed to obtain 100% ownership in the South Orogrande Shear Zone, which includes the Friday/Petsite and Dixie properties. The Friday/Petsite property has a 43-101 compliant resource. In 2008, the company staked 110 lode mining claims in the Central Orogrande Shear Zone.

North Orogrande Shear Zone including Buffalo Gulch **Property Overview:** The 7 mile (approximately 11 kilometer) northern extension of the Orogrande Shear Zone includes two gold mineralization prospects, the pre-production Buffalo Gulch gold deposit, and a potential high grade gold shear-zone structure. The company intends to produce 25,000 to 35,000 ounces of gold per year from the Buffalo Gulch open pit located in the North Orogrande Shear Zone.

Ownership: On November 15, 2007, the company announced it had signed a letter of intent to joint venture the project with Clearwater Mining Corporation (“Clearwater”) through a wholly owned subsidiary, Elk City Mining LLC. They can earn 50% interest by fulfilling a number of stipulations:

- By paying Clearwater 500,000 shares upon signing a definitive agreement and 500,000 shares in the second year;
- Funding all costs associated with permitting the Buffalo Gulch deposit, estimated at \$500,000, according to management, 80% of which has already been expended;
 - Includes the cyanidation permits, a process of 5 consecutive 30 day assessment periods. Construction of the mine must begin within 60 days of completing this process
- Funding the various payments to the underlying property vendors of Buffalo Gulch, an amount totaling \$76,000 which management indicates has already been paid;
- Funding the annual claim maintenance fees, \$43,000 annually to the United States Bureau of Land Management of the Idaho Department of Lands.

Premium can increase their interest to 70% by completing a bankable feasibility study. Clearwater will have a back-in right to 70% interest by paying Premium 1.5 times the amount spent by Premium on permitting and exploration costs. To back in, Clearwater will

also fund construction of the proposed 2,000 tonne/day Buffalo Gulch Mine. Management estimates the cost of constructing the mine is \$10.2 million.

Historic Exploration/Production: The Buffalo Gulch project was significantly advanced by Bema Gold Corporation [acquired by Kinross Gold Corporation (TSX: K, NYSE: KGC) in 2007] in 1991. The project was fully permitted but was placed on care and maintenance just prior to mine construction due to low gold prices. Several prefeasibility studies have been completed since that time indicating the potential viability of the target, but they are pre-NI 43-101 and not up to date.

The joint venture possesses the original plan of operations as well as the final Environmental Assessment document. The joint venture is using this documentation as the basis for the current plan of operations.

Accessibility and Infrastructure: The large property is located in central Idaho, U.S. The topography is hilly, but not mountainous. The Buffalo Gulch project is accessed by State Highway 14 from Grangeville. Due to heavy snow at higher elevations, winter access to Buffalo Gulch is controlled by the Idaho Bureau of Land Management.

Geology and Mineralization: Historic exploration has defined extensive disseminated shear zone hosted gold mineralization in both oxide and sulfide ore.

Metallurgy: The oxidized gold ore at Buffalo Gulch has been tested for heap leaching capacity and that is the proposed plan of operation for the project. Two pilot scale heap leach test pads were built and operated in 1987 and 1989. In the second test performed by Mineral Resources Development, Inc. (MRDI), the oxides were agglomerated with Portland cement, resulting in recovery to 95% of the head grades.

Current Status: The joint venture is focused on final permitting of the Buffalo Gulch property and is revising their proposed plan of operations for submittal to the Bureau of Land Management. They have held several stakeholder meetings in the area.

An Environmental Impact Statement (EIS) is being prepared for all Orogrande shear zone claims held, or intended to be held, by the company. Nine water wells in addition to the 17 already in operation need to be drilled and monitored quarterly.

The company has become a signatory with the International Cyanide Management Institute, a voluntary gold mining industry program. This indicates Premium's commitment to the environment as companies that become signatories to the Code must have their operations audited by an independent third party to demonstrate their compliance.

The company is planning a 40,000 ft drill program on the Orogrande Shear Zone. The drilling will begin at Friday/Petsite to audit high-grade results discovered by historic drilling which includes an intercept of 21m of 9 g/t Au. The high grade material was encountered at the shear zone and along the border of the current resource area. The company believes this intercept indicates high-grade ore that is part of a feeder system related to the disseminated

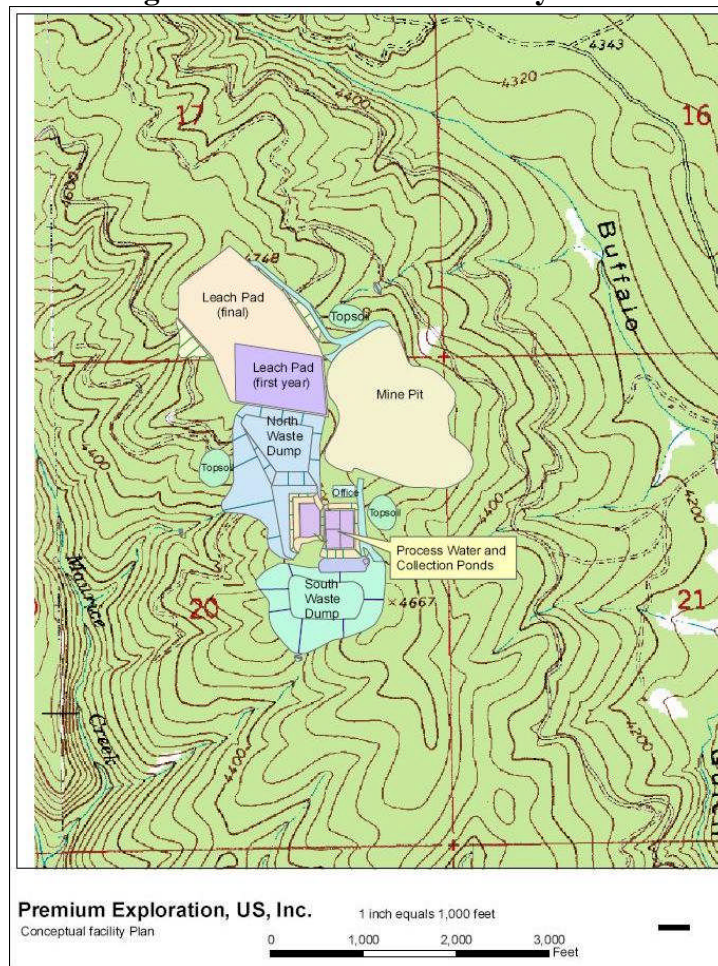
near surface gold mineralization. Defining it through drill testing will increase the resource estimate. At this time, drilling is dependant on funding, but management plans to begin in mid 2009.

The company has accumulated all data from previous exploration work to aid in the creation of a model for the high grade gold they have proposed lies within the 28 km shear zone. While the data is considered historic, an independent geological consultant working with Premium, Wilf Struck, has been involved with Orogrande Shear Zone projects since the discovery and delineation of the Buffalo Gulch gold deposit increasing the companies confidence in the reliability of the data.

Remodeling of the Buffalo Gulch deposit is underway using Gemcom software to bring information up to date. The company believes that this will increase mineable ounces in the ground.

Figure 1 shows the conceptual facility plan for the proposed Buffalo Gulch open pit project. The map indicates that facilities will be located on a relative topographic high between Maurice Creek and Buffalo Gulch.

Figure 1: Buffalo Gulch Facility Plan



Source: Premium Exploration Inc.

Resource Estimates: The previous operators had estimated “mineable reserves” of 4.8 million tons of oxidized ore containing 100,000 ounces of gold. The project is being operated by Elk City Mining LLC (“Elk City”). As Elk is a private company, there is no need to complete a 43-101 compliant resource prior to production, a requirement for publicly traded companies operating out of Canada.

Development Timeline: Management has stated a 20 month timeline from March 1, 2009, in which they hope to complete the EIS and start construction at Buffalo Gulch.

The company expects that due to the simple process of leach pads and near surface nature of the mineralization, production will begin approximately 30 days after construction begins. **It is important to note that should Clearwater Mining choose to back in, capital expenditures for construction of a mine of 2,000 tpd capacity are their responsibility.**

The company is not planning to drill at Buffalo Gulch immediately in order to complete the permitting process. The company has stated that once appropriate permits are in place at Buffalo Gulch, a definitive agreement will be signed by the company.

***The South
Orogrande
Shear Zone***

Property Overview: The company has a letter of intent to acquire this advanced stage exploration property. The South Orogrande Shear Zone is comprised of two properties: the Friday/Petsite Property and the Dixie Property. The property is a historic producer. At least six junior to large mining companies have explored the property over the past 20 years. This property has a NI 43-101 compliant resource estimate.

Ownership: Premium has signed a letter of intent with Clearwater Mining Corporation to acquire a 100% interest in the South Orogrande Shear Zone. This is a non arms length transaction, because the wife of Premium’s president, Del Steiner, holds a minority equity stake in Clearwater Mining Corporation. Under the terms of the letter of intent, Premium will maintain a 1% net smelter return royalty on both the Friday/Petsite and Dixie properties, payable to the previous operators of the property and capped at C\$1 million. Premium will pay the yearly U.S. Bureau of Land Management claim maintenance fees and assume all other obligations regarding third party property vendor agreements.

Under the terms of the agreement, if Premium vends or transfers the property to a third party within one year, Premium shall pay 25% of the cash and stock based compensation received to Clearwater Mining Corporation. If more than one year passes before Premium vends or transfers the property, and Premium has spend C\$0.5 million on exploration, Premium will pay Clearwater C\$0.2 million or grant a 15% net profit interest.

We expect that the company will sign a definitive agreement should the proposed drill plan return positive results.

Historic Exploration/Production: Extensive historic exploration to date has mapped a gold mineralization belt over 26 kilometers with numerous prospects and small historic artisanal mines. Idaho experienced a significant gold rush in the mid 1800s, centered on the South Orogrande area. Placer gold was the focus at that time. Exploration turned to high

grade vein deposits in the late 1800s. In 1934, the United States Geological Service estimated that approximately 2.5 to 3 million ounces of gold were produced in this region from 1857 to 1916.

The property has been explored since the 1980s with the numerous operators having focused on various prospects in the large property package. Kinross is responsible for delineating a NI 43-101 compliant resource on the Friday property.

<u>Year</u>	<u>Past Operator</u>	<u>Drill Type</u>	<u>Number of Holes</u>	<u>Footage</u>
1984-86	Centennial	RC	6	1,610
1985-86	Bema Gold Corp	RC	48	6,645
1996	Cyprus Amax	RC	16	6,175
1997	Cyprus Amax	RC	90	35,475
1997	Cyprus Amax	Core BQ	5	2,115
1997	Cyprus Amax	Core HQ	6	2,035
1998	Kinross Gold Corp	Core HQ	12	7,184
2002	Camden Capital	Core NQ	5	1,278
2004	Beartooth Platinum	Core HQ	4	1,696
Totals			192	64,213

Source: Premium Exploration Inc.

Geology and Mineralization: Small high-grade vein structures and disseminated gold deposits exist on the property. Mineralization is associated with the Orogrande Shear Zone, within hydrothermal zones.

Current Status: Review of historic exploration data is underway, which will guide the proposed 40,000 ft drill program. Premium has identified at least three targets beyond the resource estimate area. Drilling will focus on testing historic high-grade intercepts within the resource area with the aim of increasing resources. Based on a discussion with management, the cost of this program is approximately \$4 million.

Resource Estimates: CV Enterprises Inc's 2008 technical report defines a 43-101 compliant inferred resource. The calculation is based on a historic estimate delineated by Kinross Gold Corp in 1999. The inferred resource at different cut-off grades is reported in the following table. The company believes the 0.015 oz/ton (0.5 g/tonne) cut-off (in bold) is most relevant in today's market.

Cutoff Grade (oz/t Au)	Oxide Inferred Resource			Sulfide & Mixed Inferred Resource			Total Inferred Resource		
	Million Tons	Au (oz/t)	Au oz	Million Tons	Au (oz/t)	Au oz	Million Tons	Au (oz/t)	Au oz
0.000	11.978	0.013	156,280	58.706	0.012	689,060	70.684	0.012	845,340
0.005	7.440	0.020	145,060	36.945	0.017	635,460	44.385	0.018	780,520
0.010	4.606	0.027	124,360	21.291	0.024	520,380	25.897	0.025	644,740
0.015	2.996	0.035	104,430	13.731	0.031	427,460	16.727	0.032	531,890
0.020	2.133	0.042	89,180	9.299	0.038	350,880	11.432	0.039	440,060
0.025	1.602	0.048	77,460	6.196	0.046	281,960	7.798	0.046	359,420

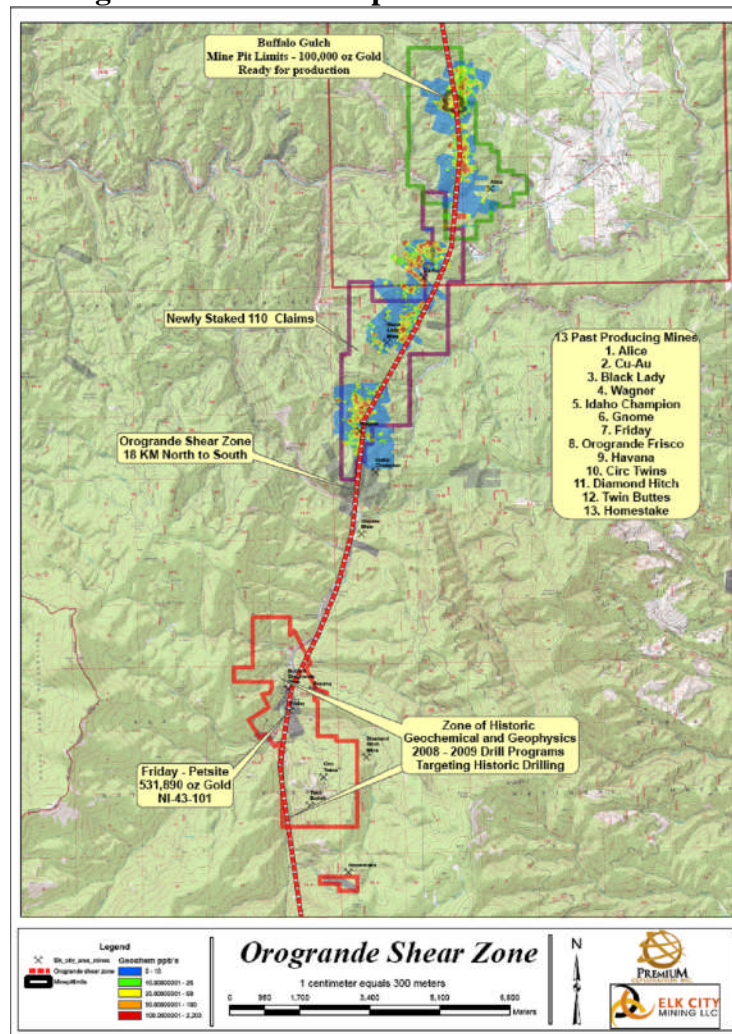
Source: Premium Exploration Inc

Central Orogrande Shear Zone

Property Overview: In June 2008, the company staked 110 quartz lode mining claims in the relatively unexplored Central Orogrande Shear zone. The claims lie south of the company’s North Orogrande Shear zone claims along the north-south trending Orogrande Shear zone. The company has staked these claims as a strategic move to increase their overall holdings in the Orogrande Shear zone. With similar mineralization discovered at both the North Orogrande, and South Orogrande properties, combined with historically proven gold mineralization on the newly acquired properties, we believe the potential for economic gold ore in the Central Orogrande Shear zone exists

Orogrande Shear Zone Claim Locations: Figure 2 depicts the location of Premium’s Idaho claims in relation to the Orogrande Shear zone. The close proximity of the properties will benefit the company in terms of exploration as geological information learned on one property is likely to be applicable to other properties. In addition, mineralization is expected to be similar lending to similar recovery techniques.

Figure 2: Premium Exploration Idaho Claims



Source: Premium Exploration



Source: Premium Exploration Inc.

**San Pedro
Analco Silver-
Gold Property**

Property Overview: The 1,136 hectare San Pedro property is located in the Cinco Minas – San Pedro Analco mining district of Mexico where millions of ounces have already been produced. San Pedro Analco is a former producer and was in production until the late 1980's

Infrastructure: The company has indicated that accessibility to the property has improved since the cessation of historic production as the government has built a bridge over the Rio Santiago allowing vehicle access to the property from major transportation routes.

Current Status: The company is planning a phase II exploration program, dependant on funding, to follow up on reported historic drilling of 86 diamond drill holes. The drill program will also audit an independent engineering report with the intention of delineating a 43-101 compliant resource estimate. The company feels the project has the potential of restarting production within 24 to 48 months, and exhibits a potential for expanding on historic resources through exploration.

**Other
Properties**

La Lupe: The 900 hectare La Lupe claim has been sampled with great success, due to its high grade silver-gold-lead-zinc veins. The project was acquired in March, 2008. Premium can earn 100% interest in the La Lupe property by making cash payments totaling \$1.1 million over two years. The option agreement also includes a payment of \$0.5 million upon

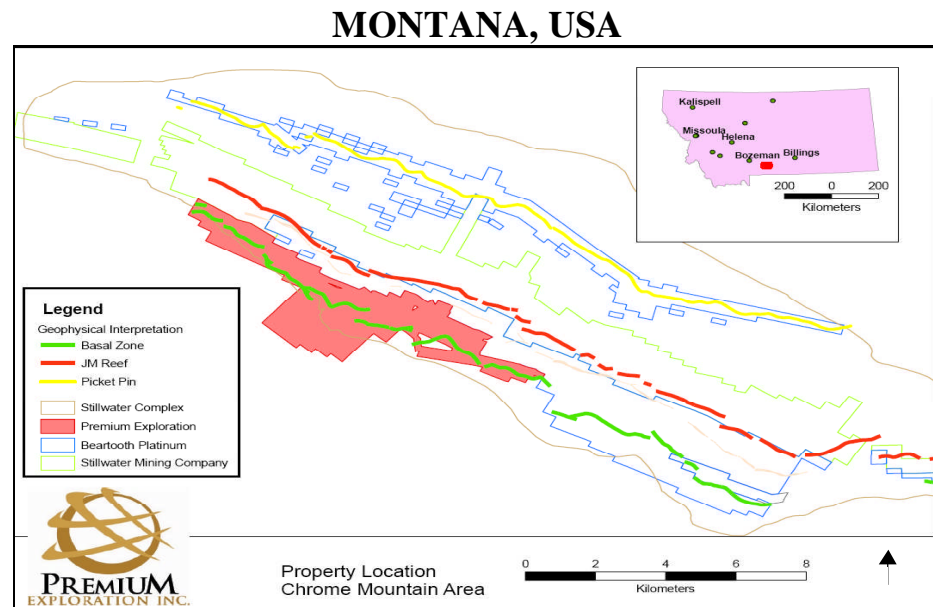
receipt of a bankable feasibility study, and of \$1.0 million upon commencement of commercial production.

Accessibility and Infrastructure: La Lupe is accessible by paved and gravel roads from Culiacan, Sinaloa State. According to management, a paved highway and high tension power line will connect Culiacan and Durango by 2009, very close to the La Lupe claim.

Geology and Mineralization: The company has identified high-grade silver, gold, and polymetallic mineralization within quartz veins and stockwork zones. To date, the dimensions of the mineralized zone are 400 meters by 500 meters.

Current Status: Very high grade samples were taken from two silver-gold-lead-zinc narrow veins in the historic Santo Mino Mine, which is accessible by underground workings. These results include:

- 8.37 g/t gold, 5,337.5 g/t silver, 2.91% lead and 3.92% zinc over 0.90 meters
- 2.58 g/t gold, 102.8 g/t silver, 1.10% lead and 2.29% zinc over 0.90 meters
- 11.79 g/t gold, 35.6 g/t silver, 0.81% lead and 0.09% Zinc over 1.60 meters
- 0.26 g/t gold, 412.8 g/t silver, 0.78% lead and 0.97% zinc over 0.65 meters
- 4.53g/t gold, 47.6 g/t silver, 0.05% lead and 0.01% zinc over 0.75 meters



**Chrome
Mountain
PGE- Gold
Property**

Property Overview: The Chrome Mountain PGE-Gold property has potential to be a new platinum/palladium discovery in North America. Premium Exploration’s property is located in the Stillwater ultramafic intrusive complex, which stretches over 41 kilometers and is up to 8 kilometers wide. Beartooth Platinum Corporation is targeting another reef layer, parallel to the J-M Reef that strikes the length of the Stillwater Complex and crosses Premium’s property. This horizon, known as the “A” and “B” Chromitites, hosts platinum,

palladium, and rhodium mineralization associated with disseminated and bands of chromite, often associated with minor sulfides.

Ownership: The company strengthened its strategic alliance with Beartooth by formalizing a joint venture to advance the PGE portion of the Chrome Mountain Property. Beartooth owns the property adjacent to Premium's, and they can focus exploration on the large contiguous land package. The terms of the joint venture are as follows: Beartooth will reimburse 50% of Premium's previously incurred exploration expenditures, and Beartooth will spend \$3 million on exploration to vest its 50% interest. Premium will maintain a 1% NSR royalty on Chrome Mountain and Beartooth's property. Premium can maintain 50% by paying for its share of exploration expenditures. If not, Beartooth can earn an additional 30% by spending an additional \$2 million. Upon Beartooth earning 80%, Premium will retain a 20% carried interest through production. Beartooth will own 80% participatory interest.

Premium will continue exploration on the gold mineralization identified on the property, and this commodity is not under strategic alliance with Beartooth. The company will also retain interest in its Pine claims zone that was acquired in 2005.

Previous Exploration and Production: Premium Exploration and Beartooth have conducted mapping, surface sampling, a geophysics survey, and a small drill program in 2004. In 2006, Beartooth completed an extensive geochemical survey and collected over 9,000 soil samples on the contiguous Beartooth/Premium property. This work delineated a 4.4 kilometer long by 1.7 kilometer wide anomaly along the A and B Chromitite horizons that increased in grade and size on Premium's property. A stronger anomaly centered on Chrome Mountain is 2,500 meters long and 800 meters wide defined by platinum plus palladium greater than 20 ppb and highs up to 1400 ppb.

2007 Drill Program: Beartooth Platinum completed a seven hole drilling program to target the subsurface A & B horizons. These holes were drilled at 200 meter sections to test an area of 1 kilometer by 4 kilometers. The holes were drilled to 150 meters depth. The results of this program, which lead to the discovery of a new high grade PGE horizon, were released in March 2008. All of the holes intersected anomalous gold-platinum-palladium mineralization and many had good grades. The average result was 118 meters of 0.66 g/t combined PGE+gold, and included intersections of 7.9 g/t, and 11.9 g/t combined Au+Pt+Pd over 0.3m.

Current Status: Trading of Beartooth is currently halted as the company is in the process of merging with a private company Kria Resources Inc. Beartooth intends to acquire all the outstanding shares of Kria in exchange for common shares of Beartooth. Kria will become the project operator should the merger be completed. Obtaining regulatory approvals, court approvals and shareholder approval has been delayed, thus delaying the merger.

In 2008, Beartooth completed 11 core holes totaling 1,623 m (5,324 ft) with an average depth of 148 m (484 ft) testing 5 km of the district scale 15 km PGM soil anomaly. Nine of the holes, totaling 3,629 ft, were completed on Premium/Beartooth joint venture ground.

The program was designed to test what the company believed to be a potential “feeder zone” for the mineralization discovered in 2007 drilling. In anticipation of intersections similar to 2007 results, we found that the 2008 program returned sub-par results; three of nine holes assayed lower than 0.500 g/t combined Au+Pt+Pd while other holes were lower grade than we would have liked to see. The best results came from hole CM2008-07 which intersected 1.6 meters grading 1.944 g/t combined Au+Pt+Pd, and hole CM2008-08 which intersected 17.6 meters grading 1.084 g/t combined Au+Pt+Pd.

We believe a major factor contributing to the end result of the 2008 drill program were the drill hole locations selected by project operator Beartooth. Several holes were collared outside of previously mapped geochemical anomalies while other holes were collared over a kilometer from the successful 2007 holes.

Premium management believes 3 to 5 years of exploration involving approximately 100 drill holes is required to successfully understand and develop their claims.

Management & Board Changes

Since our last report, the company has made several changes and additions to the management team and board of directors. Nancy Reardon, who served as VP Exploration, Chief Operations Officer and Director, resigned. Mr. Barney Portillo, director of the company, was appointed as Vice President of Mining Development – Mexico. Mr. Robert McLeod resigned as a director as well. The company has appointed three new directors, Salvador Huerta, Robert Komarechka, and Vanessa Bachman and a head geologist for Mexico, Matthew Melnyk. Biographies as provided by the company follow.

Mr. Salvador Huerta – Director

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 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.

Mr. Robert Komarechka – Director

Mr. Komarechka, B.Sc., P.Geo., P.Geol., F.C.Gm.A., is a professional geologist and certified gemmologist 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.

Vanessa Bachman – Director

Mrs. Bachman holds a BS in accounting from the University of Idaho and has over 14 years

of accounting, finance and audit experience in the junior exploration, insurance and non-profit sectors. She has significant knowledge of the company, having previously held positions of Corporate Secretary and Chief Financial Officer with Premium. Mrs. Bachman has excellent working knowledge of the Chrome Mountain, Buffalo Gulch and Friday/Petsite properties.

Matthew Melnyk – Head Geologist, Mexico

Mr. Melnyk has over 13 years of experience in mineral exploration in Mexico, South America, Canada, Australia, and Africa for precious, base metal and diamond deposits. He is fluent in Spanish and utilizes his extensive knowledge and diverse experience in the fields of structural and exploration geology and the financial aspects of the market to advance projects to their fullest potential. Mr. Melnyk holds a BA in Geology, and an M.Sc. in Structural Geology.

Outlook on Gold and Silver

We have maintained our long-term gold and silver price forecast at \$600/oz and \$11/oz, respectively.

Financials

At the end of September 2008, the company had cash and working capital of \$0.48 million and \$0.31 million, respectively. The company had a net loss of \$1.13 million (EPS: -\$0.03) in the first 9 months of 2008 (ended September 2008). We estimate the company had a burn rate of \$0.27 million per month in the first 9 months of 2008. The following table summarizes the company's liquidity position as of September 30, 2008.

(US\$)	2005	2006	2007	2008 (9 mo)
Cash	12,084	439,290	684,203	482,502
Working Capital	(379,313)	162,402	472,806	306,562
Debt / Assets	-	1.12%	5.69%	4.59%
Burn Rate (per month)	(18,066)	(83,633)	(260,454)	(265,857)
Cash from financing activities	135,504	1,489,895	3,138,027	2,526,503

Options and Warrants: At the end of September 2008, the company had 4.47 million stock options outstanding with exercise prices ranging from \$0.20 to \$0.66, and maturity periods between March 2011 and May 2013. The company also had 5.02 million outstanding warrants with exercise prices ranging from \$0.50 to \$0.75, and maturity periods between November 2008 and November 2010. None of the company's outstanding options and warrants are currently in the money.

Conclusion: At the end of September 2008, the company had \$0.48 million in cash. Our discussions with management indicated that the company has significantly reduced their burn rate in the past few months. We estimate current cash will last for another two to three months.

Valuation

We have continued to value the company based on our resource estimate at the Nueva Galicia property (discussed in our initiating report), and the book value of the other properties. Our revised valuation on the Nueva Galicia project dropped from \$0.53 to \$0.31 per share primarily because the number of outstanding shares almost doubled since our

previous report from 20.8 million to 39.5 million.

DCF Valuation Summary - Nueva Galicia	
Resource (in tonnes)	2,782,500
Gold Grade (gpt)	1.80
Silver Grade (gpt)	230.00
Recovery - Gold	90.0%
Recovery - Silver	85.0%
Recovered Gold (in troy oz)	144,924
Recovered Silver (in troy oz)	17,489,323
Production Commencement	2014
Mill Processing (tpd)	1,000
Mine Life (in years)	8
Long-term Gold Price (in US\$)	\$600
Long-term Silver Price (in US\$)	\$11
Average Operating Costs (\$/tonne)	\$55.00
Capital Costs - in \$mm	\$50.00
Discount Rate	12.8%
Net Present Value	\$12,046,539
No. of Shares	39,467,219
Value per Share	\$0.31

The table below shows the sensitivity of our valuation to our long-term silver price forecasts.

Silver Price (US\$/oz.)	Valuation
\$6	(\$0.29)
\$9	\$0.07
\$11	\$0.31
\$14	\$0.66
\$17	\$1.02

Adding the book value of the other projects and working capital, we arrived at a fair value of \$0.36 per share (down from \$0.65 per share in our previous report).

Valuation Summary	
Nueva Galicia	\$0.31
Book Value of Other Projects	\$0.05
Working Capital	\$0.00
Valuation	\$0.36

Note that our revised valuation only accounts for the book value of the Idaho properties even though we believe they have potential to be near-term producers. The fact that the company has yet to sign any definitive agreement with respect to these properties (currently they have letter of intent) prompted us to take a very cautious approach in our valuation. However, we have presented a comparables valuation on these properties (based on their known resource estimates) to show the upside potential that Premium could get from these properties. The following table shows a summary of our comparables valuation on the North and South Orogrande shear zones.

Comparables Valuation Model - North and South Orogrande Shear Zones			
Company	SYM	EV/Resources	
1 Midway Gold Corp.	TSXV: MDW	\$68.50	
2 Harvest Gold Corp.	TSXV: HVG	\$44.04	
3 Golden Band Resources Inc.	TSXV: GBN	\$38.37	
4 Skygold Ventures Ltd.	TSXV: SKV	\$23.78	
5 Coral Gold Resources Ltd.	TSXV: CLH	\$12.72	
6 Rye Patch Gold Corp.	TSXV: RPM	\$10.87	
Average EV/Resource		\$33.05	
Fair Value of North and South Orogrande Shear Zones			\$0.23

1. EV was calculated based on the average share price in 2008

2. Resource estimate includes 100% of indicated and measured resources, and 50% of inferred

Assuming a 50% interest in the North Orogrande shear zone, and a 100% interest in the South Orogrande shear zone, we arrived at valuation of \$0.59 per share on PEM (net of all cash and share payments made by the company to acquire an interest in these properties).

Conclusions & Rating

Therefore, based on our revised valuation models and review of the company's progress since our initiating report, we reiterate our BUY rating on the company, and lower our fair value from \$0.65 to \$0.36 per share. Note that definitive agreements with respect to the Idaho properties will give the company additional upside potential as mentioned earlier. We have continued to rate the shares RISK 5 (Highly Speculative).

Risks

The following risks, though not exhaustive, will cause our estimates to differ from actual results:

- Progression of current properties is highly dependant on funding and the ability of the company to focus on sticking with and developing projects.
- The success of drilling, expansion and determination of favorable resource estimates are important long-term success factors for the company.
- The value of the company depends on commodity prices (primarily gold, silver, platinum and palladium)
- Share dilution

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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