



PREMIUM EXPLORATION INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED 31 MARCH 2010
Stated in Canadian Funds

MANAGEMENT COMMENT

These interim consolidated financial statements for the three months ended March 31, 2010 of Premium Exploration Inc. have been prepared by management and have not been subject to review by the Company's auditors.

Consolidated Balance Sheets**(Unaudited)**

Canadian Funds

	As at 31 March 2010	As at 31 December 2009
ASSETS		
Current		
Cash	\$ 1,180,188	\$ 1,123,951
Receivables	35,700	28,222
Prepaid expenses	23,143	59,023
	<u>1,239,031</u>	<u>1,211,196</u>
Resource Properties (Note 4)	249,889	249,889
Equipment (Note 5)	90,264	101,186
	<u>\$ 1,579,184</u>	<u>\$ 1,562,271</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 219,653	\$ 230,718
	<u>219,653</u>	<u>230,718</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	11,054,605	10,468,438
Share Purchase Warrants (Note 6)	1,562,364	1,632,936
Contributed Surplus (Note 6)	1,505,713	1,508,483
Deficit (Statement 2)	<u>(12,763,151)</u>	<u>(12,278,304)</u>
	<u>1,359,531</u>	<u>1,331,553</u>
	<u>\$ 1,579,184</u>	<u>\$ 1,562,271</u>

Going Concern (Note 1)

Commitments (Note 10)

Subsequent Events (Note 11)

ON BEHALF OF THE BOARD:

"Del Steiner" _____, Director

"Robert Komarechka" _____, Director

Consolidated Statements of Loss, Comprehensive Loss and Deficit

Unaudited
Canadian Funds

	Three Months Ended 31 March 2010	Three Months Ended 31 March 2009
Expenses		
Resource property expenditures (Note 4)	\$ 108,230	\$ 63,293
Shareholder relations	90,868	25,922
Management fees	61,039	49,110
Travel	52,226	24,488
Stock-based compensation (Note 6)	43,888	128,781
Professional fees	39,302	54,637
Office rent	23,521	19,286
Office and general	23,295	8,079
Transfer agent and filing fees	16,335	6,925
Foreign exchange loss	10,719	34,303
Amortization	10,922	20,534
Insurance	3,667	1,849
Interest expense	835	6,537
Interest income	-	(480)
Loss and comprehensive loss for the year	(484,847)	(443,264)
Deficit - beginning of year	(12,278,304)	(9,774,779)
Deficit - End of Year	\$ (12,763,151)	\$ (10,218,043)
Loss per Share - Basic and Diluted	\$ (0.01)	\$ (0.02)
Weighted Average Number of Shares Outstanding	64,925,597	25,508,192

Premium Exploration Inc.

Consolidated Statements of Cash Flows

Unaudited

Canadian Funds

Cash Resources Provided By (Used In)	Three Months Ended 31 March 2010	Three Months Ended 31 March 2009
Operating Activities		
Loss for the period	\$ (484,847)	\$ (443,264)
Items not affecting cash:		
Amortization	10,922	20,534
Stock-based compensation	43,888	128,781
	(430,037)	(293,949)
Net Change in non-cash working capital	17,337	508,291
	(412,700)	214,342
Financing Activities		
Issuance of shares	468,937	-
Proceeds from notes payable	-	9,000
	468,937	9,000
Net Increase (Decrease) in Cash	56,237	223,342
Cash position - beginning of period	1,123,951	145,496
Cash Position - End of Period	\$ 1,180,188	\$ 368,838
Schedule of non-cash investing and financing transactions:		
	31 March 2010	31 December 2009
Fair value of options exercised	46,658	-
Fair value of warrants exercised	70,572	-

Notes to the Consolidated Financial Statements

Canadian Funds
Unaudited

FOR THE THREE MONTHS ENDED 31 MARCH 2010

1. Going Concern

The Company was incorporated in the Province of British Columbia, Canada on 27 February 2004. The Company is in the exploration stage and in the process of exploring several mineral properties in the United States and Mexico. The Company has not yet determined whether these properties contain economic reserves. The Company is listed on the TSX Venture Exchange ("TSX-V").

These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going concern, which assumes the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

There are several adverse conditions that cast significant doubt upon the soundness of this assumption. The Company has a current working capital of \$1,019,378 (31 December 2009 - \$980,478) and has incurred losses since inception and has an accumulated deficit of \$12,767,056 (31 December 2009 - \$12,278,304). The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of resource property expenditures is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral properties.

Consistent with other companies in the sector of mineral exploration, the Company has incurred operating losses since inception, has no source of revenue, is unable to self finance operations and has significant cash requirements to meet its overhead and maintain its mineral interests.

For the company to continue to operate as a going concern it must continue to obtain additional financing to maintain operations; although the Company has been successful in the past at raising funds, there can be no assurance that this will continue in the future.

If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary to the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used and such adjustments could be material.

2. Significant Accounting Policies

a) Basis of Presentation

These consolidated financial statements include the accounts of the Company and its significant wholly-owned subsidiaries:

- Premium Exploration U.S.A., Inc. ("Premium USA"), which was incorporated at nominal cost in the State of Nevada, U.S.A.
- Compania Minera Zorro de Plata, S.A. de C.V. ("CMZ"), which was incorporated at nominal cost in the State of Sonora, Mexico.
- Compania Minera Zorro de Rojo, S.A. de C.V. ("CMR"), which was incorporated at nominal cost in the State of Sonora, Mexico.

b) Management's Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's key estimates relate to the value of equipment, the measurement of stock-based compensation, the valuation of warrants, the valuation allowance for future income tax assets and liabilities and foreign currency translation. Actual results may differ from these estimates.

Notes to the Consolidated Financial Statements

Canadian Funds
Unaudited

FOR THE THREE MONTHS ENDED 31 MARCH 2010

2. Significant Accounting Policies - *continued*

c) Loss per Share

Basic earnings (loss) per share are calculated using the weighted-average number of shares outstanding during the period. The Company uses the treasury stock method to calculate diluted earnings per share, which assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The effect on loss per share of the Company's outstanding options and warrants is anti-dilutive and, therefore, basic and diluted loss per share amounts are the same.

d) Resource Properties

Exploration costs incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred.

Exploration costs include license and maintenance fees, which are paid on a regular basis.

All direct costs related to acquisition of resource property interests are capitalized, if, in the opinion of management, they have the nature of property, plant and equipment.

Development expenditures incurred subsequent to a development decision that increase or extend the life of existing production, are capitalized and amortized on the unit-of-production method based upon estimated proven and probable reserves.

e) Equipment

Equipment is recorded at cost. Amortization is recorded at rates sufficient to write-off the cost of the assets over their estimated useful lives. Amortization rates are as follows:

Computer equipment	20% straight line basis
Field equipment	20% straight line basis
Furniture and equipment	20% straight line basis
Website software	50% straight line basis

f) Foreign Currency Translation

The Company's functional currency is the Canadian dollar; accordingly, the accounts of the Company's U.S. and Mexican operations have been translated into Canadian dollars as follows:

- Monetary assets and liabilities at year-end rates;
- All other assets and liabilities at historical rates;
- Revenue and expense and exploration and development items at rates approximating those in effect at the date of the transaction, and;
- Exchange gains and losses arising from these transactions are reflected in income or expense in the period.

g) Change in Reporting Currency to the Canadian dollar

Effective January 1, 2009 the Company changed its reporting currency to the Canadian dollar. The change in the reporting currency is to better reflect the Company's business activities and to improve investor's ability to compare the Company's financial results with other publicly traded businesses in the industry.

Prior to January 1, 2009 the Company reported its annual consolidated financial statements in the U.S. dollar. The related financial statements and corresponding notes prior to January 1, 2009 have been restated in Canadian dollars for comparison to the 2009 financial results.

Premium Exploration Inc.

Notes to the Consolidated Financial Statements

Canadian Funds

Unaudited

FOR THE THREE MONTHS ENDED 31 MARCH 2010

3. Financial Instruments

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. 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 dollars and the Mexican Peso. The cash balances and payables that are denominated in foreign currencies are subject to currency risk due to fluctuations in the exchange rate between the currencies. To manage this risk the Company maintains only the minimum amount of foreign cash required to fund its ongoing exploration expenditures. At 31 March 2010 the Company held currency totalling Cdn\$1,107,000; US\$66,000; and Pesos\$75,000. Accounts payable are settled in a timely manner. It is management's opinion that the Company is not exposed to significant currency risk.

Fair Value – As at 31 March 2010 and 31 December 2009 the carrying values of receivables, accounts payable and accrued liabilities and notes payable approximate their fair values due to their short term to maturity. Cash is measured at fair value using level 1 inputs.

Liquidity risk - Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings, short-term debt and the optioning of its mineral properties to other mining entities to satisfy its capital requirements and will continue to depend heavily upon these financing activities.

There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated it will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options, warrants, the completion of other equity financings and or optioning its mineral properties to other mining entities. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the previously mentioned financing activities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

It is management's opinion that the Company is not exposed to significant credit, interest rate, liquidity or market risks in respect of these financial instruments. The Company's policies and processes of managing all risks associated with its financial instruments have not changed during the current year.

Premium Exploration Inc.

Notes to the Consolidated Financial Statements

Canadian Funds
Unaudited

FOR THE THREE MONTHS ENDED 31 MARCH 2010

4. Resource Properties

- a) Summary of exploration expenditures for the period ended 31 March 2010 and 31 December 2009:

2010	United States		Mexico		Total
Administration	\$	23,420	\$	-	\$ 23,420
Assaying		5,745		-	5,745
Claim fees		15,759		-	15,759
General		5,922		-	5,922
Geological		57,385		-	57,385
	\$	108,231	\$	-	\$ 108,231

2009	United States		Mexico		Total
Administration	\$	148,345	\$	383	\$ 148,728
Assaying		126,434		-	126,434
Claim fees		102,493		45,724	148,217
Drilling		515,616		-	515,616
Field transport		7,145		4,781	11,926
General		196,331		-	196,331
Geological		113,327		-	113,327
Surface access		8,427		-	8,427
	\$	1,218,118	\$	50,888	\$ 1,269,006

- b) Details of exploration expenditures for the period ended 31 March 2010 and 31 December 2009:

2010	United States			Total
	Clearwater	Petsite Friday	Chrome Mountain	
Administration	\$ 3,123	20,298	-	\$ 23,420
Assaying	-	5,745	-	5,745
General	-	5,922	-	5,922
Geological	1,353	43,966	12,066	57,385
Filing and concession	15,759	-	-	15,759
	\$ 20,232	75,931	12,066	\$ 108,231

Year ended 31 December 2009	United States			Total
	Clearwater	Petsite Friday	Chrome Mountain	
Administration	\$ 63,576	\$ 84,769	\$ -	\$ 148,345
Assaying	-	126,434	-	126,434
Claim fees	52,114	31,567	18,812	102,493
Drilling	-	515,616	-	515,616
Field transport	7,145	-	-	7,145
General	122,870	73,461	-	196,331
Geological	50,427	62,900	-	113,327
Surface access	-	8,427	-	8,427
	\$ 296,132	\$ 903,174	\$ 18,812	\$ 1,218,118

Period ended	Mexico			Total
	San Pedro Analco	Other		
31 March 2010	\$ -	\$ -	\$ -	\$ -

Year ended 31 December 2009	Mexico			Total
	San Pedro Analco	Other		
Administration	\$ 383	\$ -	\$ -	\$ 383
Claim fees	33,735	11,989	-	45,724
Field transport	4,781	-	-	4,781
	\$ 38,899	\$ 11,989	\$ -	\$ 50,888

Notes to the Consolidated Financial Statements

Canadian Funds
Unaudited

FOR THE THREE MONTHS ENDED 31 MARCH 2010

4. Resource Properties - *continued*

c) Montana Properties, U.S.A.

As provided by certain agreements and subsequent amendments in prior years, the Company, through its subsidiary Premium USA, purchased certain unpatented mining claims located in Sweetgrass County, Montana. These claims constitute the Chrome Mountain project. In order to complete the acquisition the Company issued 2,100,000 shares (fair value \$223,859) from treasury, paid \$26,030 to one of the vendors and completed the required exploration expenditures on the properties. The Company has staked additional claims, which are contiguous to the original acquired claims.

By an agreement date 1 June 2007 the Company signed a definitive joint venture agreement, with Beartooth Platinum Corp, ("Beartooth") on the Chrome Mountain project for which the Company will receive the following:

- Reimbursement of 50% of its previously incurred exploration expenditures on the Chrome Mountain project.
- A 1% net smelter royalty on both the Company's and Beartooth's properties.
- Beartooth must complete US\$3,000,000 in exploration expenditures to vest its 50% interest, at which time the Company may, at its option, maintain a 50% interest in the project by paying its pro rata share of exploration expenditures. Should the Company decline, Beartooth may earn an additional 30% interest by spending an additional US\$2,000,000.
- Upon completion of the required US\$5,000,000 of cumulative exploration expenditures by 1 January 2011 the Company will maintain a 20% interest.
- Under the terms of the agreement, Beartooth will be the operator and will pay all costs of the exploration activities, except the Company will pay the assaying costs.

d) Clearwater Property, Idaho, U.S.A.

By a letter of intent dated 1 September 2007, the Company entered into an agreement to acquire the South Orogrande shear zone located in the state of Idaho, from Clearwater Mining Company ("Clearwater").

Under the terms and conditions of the letter of intent with Clearwater, the Company will acquire a 100% interest in the South Orogrande shear zone, subject to the following:

- Assumption of an underlying 1.0% net smelter return royalty on the Friday-Petsite property payable jointly to previous operators of the property that is capped at US\$1,000,000.
- Assumption of an underlying 1.0% net smelter return royalty on the Dixie property payable jointly to previous operators of the property that is capped at US\$1,000,000. Including acquisition costs of US\$142,949 paid in 2008.
- Assumption of the yearly Business of Land Management claim maintenance fees on the South Orogrande shear zone.

Notes to the Consolidated Financial Statements

Canadian Funds
Unaudited

FOR THE THREE MONTHS ENDED 31 MARCH 2010

4. Resource Properties - *continued*

- In the event that the Company should vend or transfer all or part of the South Orogrande shear zone to a third party within one year, the Company shall pay Clearwater 50% of all cash and stock-based consideration that it receives in turn for making the transfer to the third party.

e) San Pedro Analco Property, Jalisco, Mexico

By a letter of intent dated 25 August 2006, the Company paid US\$5,000 and was granted the right to enter into an option to explore and acquire certain concessions located in the State of Jalisco, Mexico. On 11 January 2007 the Company entered into a definitive option agreement whereby the Company agreed to issue a total of 225,000 common shares (issued – 65,000) pay US\$750,000 (paid US\$155,000) and incur a total of US\$1,550,000 in exploration costs. The Company did not complete this option agreement and allowed the option agreement to lapse.

The Company and the property holder continue negotiations, but at the date of these financial statements no definitive agreement exists.

5. Equipment

Details are as follows:

31 March 2010	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 28,864	\$ 13,863	\$ 15,001
Furniture and equipment	10,364	7,051	3,313
Field equipment	179,421	116,437	62,984
Website software	20,829	11,863	8,966
	<u>\$ 239,478</u>	<u>\$ 149,214</u>	<u>\$ 90,264</u>
31 December 2009	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 28,864	\$ 12,443	\$ 16,421
Furniture and equipment	10,364	6,633	3,731
Field equipment	179,421	107,594	71,827
Website software	20,829	11,622	9,207
	<u>\$ 239,478</u>	<u>\$ 138,292</u>	<u>\$ 101,186</u>

Premium Exploration Inc.

Notes to the Consolidated Financial Statements

Canadian Funds
Unaudited

FOR THE THREE MONTHS ENDED 31 MARCH 2010

6. Share Capital

a) Authorized: Unlimited common shares without par value.

b) Issued or allotted and fully paid:

	Number of Shares Issued	Shares Amount	Number of Warrants Issued (i)	Warrants Amount
Balance – 31 December 2008	39,442,219	\$ 8,095,867	3,400,166	\$ 402,685
Issuance of shares for property	25,000	7,625		
Issuance of shares on private placements	20,259,000	2,075,324	20,259,000	1,302,576
Issuance of shares exercise of options	250,000	37,500	-	-
Issuance of shares on warrant exercise	250,000	50,000	-	-
Issuance of brokers shares	805,000	161,000	-	-
Fair value transfer on exercise of options	-	20,841		
Fair value transfer on exercise of warrants	-	8,871	(250,000)	(8,871)
Issuance of shares for resource properties and related	719,000	151,320	-	
Share issuance costs	-	(139,910)		(63,454)
Balance – 31 December 2009	61,750,219	10,468,438	23,409,166	\$ 1,632,936
Issuance of shares for property	-	-	-	-
Issuance of shares on private placements	-	-	-	-
Issuance of shares exercise of options	406,250	71,187	-	-
Issuance of shares on warrant exercise	1,963,750	397,750	-	-
Issuance of brokers shares	-	-	-	-
Fair value transfer on exercise of options	-	46,658	-	-
Fair value transfer on exercise of warrants	-	70,572	(1,963,750)	(70,572)
Issuance of shares for resource properties and related	-	-	-	-
Share issuance costs	-	-	-	-
Balance – 31 March 2010	64,120,219	\$ 11,054,605	21,445,416	\$ 1,562,364

(i)The number of warrants is expressed in equivalent number of common shares, which may be issuable upon exercise of the warrants.

Notes to the Consolidated Financial Statements

Canadian Funds

Unaudited

FOR THE THREE MONTHS ENDED 31 MARCH 2010

6. Share Capital – *continued*

b) Issued or allotted and fully paid: - *continued*

On 29 May 2009 the Company issued 6,739,000 units on a private placement at \$0.10 per unit for gross proceeds of \$540,922 and settled certain note payables to related parties of \$132,978. Each unit consisted of one common share and one common share purchase warrant. Each warrant allows the holder to acquire one additional common share for a two year period at an exercise price of \$0.20 in the first year and \$0.50 in the second year. The Company paid commissions of \$28,845.

On 02 September 2009 the Company issued 94,000 shares as part of a drilling contract on the Petsite Friday property, these shares were valued at the exchange price on the day of issuance for \$26,320.

On 23 October 2009 the Company issued 7,145,000 units on a private placement at \$0.20 per unit for gross proceeds of \$1,429,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant allows the holder to acquire one additional common share for an eighteen month period at an exercise price of \$0.30. The Warrants are subject to an acceleration clause which comes into effect once the shares trade above a weighted average price of 200% or more from the exercise price, for any fifteen consecutive trading-day period subsequent to four months from the Closing Date.

In this event, the Company may accelerate the expiry of the Warrants upon providing 60 days notice to the warrant holders. The Company issued 402,500 (valued at \$80,500) shares in finder's fees in relation to this placement of which \$50,419 relates to share issuance costs and \$30,081 relates to warrant issuance costs. The securities issued are subject to a four-month hold period from the date of issuance. The Company paid commissions of \$7,145

On 12 November 2009 the Company issued 6,375,000 units on a private placement at \$0.20 per unit for gross proceeds of \$1,215,817 and settled certain note payables to related parties of \$59,183. Each unit consisted of one common share and one common share purchase warrant. Each warrant allows the holder to acquire one additional common share for an eighteen month period at an exercise price of \$0.30. The Warrants are subject to an acceleration clause which comes into effect once the shares trade above a weighted average price of 200% or more from the exercise price, for any fifteen consecutive trading-day period subsequent to four months from the Closing Date. In this event, the Company may accelerate the expiry of the Warrants upon providing 60 days notice to the Warrant holders. The Company issued 402,500 (valued at \$80,500) shares in finder's fees in relation to this placement of which \$47,127 relates to share issuance costs and \$33,373 relates to warrant issuance costs. The securities issued are subject to a four-month hold period from the date of issuance. The Company paid commissions of \$6,375.

On 10 November 2009 the Company issued 625,000 shares to SNS Silver Corp in settlement of the advance property payment of \$125,000.

Premium Exploration Inc.

Notes to the Consolidated Financial Statements

Canadian Funds
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FOR THE THREE MONTHS ENDED 31 MARCH 2010

6. Share Capital - *continued*

c) Summary of stock option activity

The Company has adopted an incentive stock option plan to grant options to directors, officers and consultants up to a maximum of 20% of the Company's issued and outstanding common shares. The options are for a maximum term of 5 years and vest as to 25% on the date of grant and 25% each 6 months thereafter and the option exercise price shall not be less than the discounted market price as defined by the TSX-V.

Stock option activity during the year is summarized as follows:

	2010	Weighted Average Exercise Price	2009	Weighted Average Exercise Price
Balance - beginning of year	6,905,000	\$0.25	4,205,000	\$0.44
Granted	-	-	3,350,000	0.18
Exercised	(381,250)	0.19	(250,000)	0.15
Expired / Cancelled	-	-	(400,000)	0.33
Balance – end of Year	6,523,750	\$0.25	6,905,000	\$0.25

Details of stock options outstanding as at 31 December are as follows:

Expiry Date	Exercise Price	2010	2009
1 March 2011	\$0.30	450,000	450,000
15 November 2011	0.20	200,000	300,000
5 March 2012	0.23	1,050,000	1,050,000
24 April 2012	0.35	200,000	200,000
24 April 2012	0.40	130,000	130,000
24 October 2012	0.35	875,000	875,000
15 February 2013	0.66	150,000	150,000
7 April 2013	0.33	100,000	150,000
2 May 2013	0.30	500,000	500,000
19 Jan 2014	0.15	1,368,750	1,600,000
5 April 2014	0.15	600,000	600,000
20 Oct 2014	0.25	300,000	300,000
4 Nov 2014	0.25	600,000	600,000
		6,523,750,	6,905,000

The outstanding options have a weighted-average exercise price of \$0.25 (2009-\$0.25) and the weighted-average remaining life of the options is 3.02 (2009-\$3.27) years. As at 31 March 2010, a total of 4,801,275 (2009 – 5,655,000) of these outstanding options had vested.

d) Warrants

	2010	Weighted Average Exercise Price	2009	Weighted Average Exercise Price
Balance - beginning of Year	23,409,166	\$0.30	3,400,166	\$0.50
Issued	-	-	20,259,000	0.27
Exercised	(1,988,750)	0.20	(250,000)	0.20
Balance – end of Period	21,420,416	0.31	23,409,166	0.30

Premium Exploration Inc.

Notes to the Consolidated Financial Statements

Canadian Funds
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FOR THE THREE MONTHS ENDED 31 MARCH 2010

6. Share Capital - continued

d) Warrants - *continued*

A summary of outstanding is as follows:

	Price	Expiry	Number of Warrants (i)
Issued 20 August 2008	0.75	26 August 2010	3,400,166
Issued 29 May 2009	0.20	29 May 2011	4,500,250 i
Issued 23 Oct 2009	0.30	23 April 2011	7,145,000 ii
Issued 12 Nov 2009	0.30	12 May 2011	6,375,000 ii
Balance - 31 December 2010			21,420,416

- i) Exercises at \$0.50 in the second year
- ii) Subject to an acceleration clause (*Note 7b*)

e) Stock-based compensation

For the period ended 31 March 2010, the Company issued stock options to its directors, officers, employees, and consultants and recognized stock-based compensation as follows:

		2010	2009
Total options granted		Nil	3,350,000
Average exercise price (in Cdn\$)	\$	-	\$ 0.18
Estimated fair value of compensation	\$	-	\$ 352,983
Estimated fair value per option	\$	-	\$ 0.10

The fair value of the stock-based compensation to be recognized in the accounts has been estimated using the Black-Scholes Option-Pricing Model with the following weighted-average assumptions:

	2010	2009
Risk-free interest rate	1.84%	1.84%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	91.52%	91.52%
Expected option life in years	5.00	5.00

Stock-based compensation for the options that vested during the period is as follows:

	2010	2009
Number of options vested	612,500	2,131,250
Total compensation recognized	\$ 43,888	\$ 302,077

The Black-Scholes Option Pricing Model was created for use in estimating the fair value of freely tradable, fully transferable options. The Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the highly subjective input assumptions can materially affect the calculated values, management believes that the accepted Black-Scholes model does not necessarily provide a reliable measure of the fair value of the Company's stock option awards.

Premium Exploration Inc.

Notes to the Consolidated Financial Statements

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FOR THE THREE MONTHS ENDED 31 MARCH 2010

6. Share Capital - *continued*

f) Contributed Surplus

Details are as follows:

	2010	2009
Balance - Beginning of Year	\$ 1,734,782	\$ 1,453,546
Stock-based compensation	43,888	302,077
Fair value of stock options exercised	(46,658)	(20,841)
Fair value of warrants expired	-	-
Balance - End of Year	\$ 1,732,012	\$ 1,734,782

7. Related Party Transactions

Transactions and balances with related parties not disclosed elsewhere in the financial statements are as follows:

- a) The Company paid management fees of \$30,000 (2009 - \$21,000) to a director in his capacity of chief executive officer.
- b) The Company paid management fees of \$22,500 (2009 - \$Nil) to a director in his capacity of president.
- c) The Company paid consulting fees of \$15,000 (2009 - \$15,000) to an officer of the Company in the capacity of chief financial officer.
- d) The Company paid management fees of \$Nil (2009 - \$24,000) to a director of the Company in the capacity of Vice President of mining development.

The above transactions, occurring in the normal course of operations are measured at the exchange amount, the amount of consideration established and agreed to by the parties.

8. Segmented Disclosure

	Canada	United States	Total
31 March 2010			
Resource properties	\$ -	249,889	249,889
Equipment	27,280	62,984	90,267
Total	\$ 27,280	312,873	340,156
31 December 2009			
Resource properties	\$ -	249,889	249,889
Equipment	\$ 29,359	71,827	101,186
Total	29,359	321,716	351,075

Notes to the Consolidated Financial Statements

Canadian Funds
Unaudited

FOR THE THREE MONTHS ENDED 31 MARCH 2010

9. Capital Management

The Company's capital consists of shareholders' equity. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing, selling assets, and incurring debt. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future. The Company invests all capital that is surplus to its immediate operational needs in short-term, high liquid, high-grade financial instruments. There were no changes to the Company's approach to capital management during the period. The Company is not subject to externally imposed capital requirements. The Company does not currently have adequate sources of capital to complete its exploration plan, current obligations and ultimately the development of its business, and will need to raise adequate capital by obtaining equity financing, selling assets and incurring debt. The Company may raise additional debt or equity financing in the near future to meet its current obligations.

10. Commitments

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

The 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 US\$7,500. This contract may be cancelled upon the Company providing six months advance notice.

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

CFO has signed a contract for a term of three years which expires 30 April 2012. Under the terms of the contract, the CFO receives a monthly payment of CDN\$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 commitments under the lease are as follows:

2010	\$	30,943
2011		41,258
2012		6,876
Total	\$	79,077

Notes to the Consolidated Financial Statements

Canadian Funds

Unaudited

FOR THE THREE MONTHS ENDED 31 MARCH 2010

11. Subsequent Events

- a) On April 19, 2010, the Company announced that it has engaged Byron Securities Ltd. as lead agent, in a syndicate which also includes Industrial Alliance Securities Inc, for a brokered private placement with the intent of raising \$7,000,000 for ongoing exploration and development activities on the Company's projects. The placement will consist of 23,333,333 units at \$0.30 per Unit. Each Unit will consist of one Common Share and one half of one transferable Share Purchase Warrant. Each whole Warrant will be exercisable at a price of \$0.40 for a period of 18 months from the closing date of the financing. The securities will be subject to a four-month hold period.

The funds raised will include a 7% cash commission and 7% broker's warrants (payable on closing). The private placement is subject to approval from the TSX Venture Exchange.

- b) 381,250 stock options were exercised for gross proceeds of \$72,438 and 1,988,750 warrants were exercised for gross proceeds of \$397,750.

12. Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.