PREMIUM EXPLORATION INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

31 March 2008 and 2007

MANAGEMENT COMMENT

These interim consolidated financial statements for the three months ended March 31, 2008 of Premium Exploration Inc. have been prepared by management and have not been subject to review by the Company's auditors.

Premium Exploration Inc. Statement 1

Interim Consolidated Balance Sheets

U.S. Funds

ASSETS		**As at March 31, 2008 (Unaudited)**		As at March 31, 2007 (Unaudited
Current				
Cash	**$**	**1,269,196**	$	684,203
Receivables		**211,764**		196,545
Other		**35,046**		31,261
		1,516,006		912,009
Resource Properties - *Schedule (Note 5)*		**2,550,195**		2,199,607
Property, Plant and Equipment *(Note 6)*		**263,054**		297,113
	$	**4,329,255**	$	3,408,729

LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**154,824**	$	245,299
Notes payable *(Note 7)*		**190,086**		193,904
		344,910		439,203

SHAREHOLDERS' EQUITY				
Share Capital *(Note 8)*		**6,696,574**		4,734,079
Share Purchase Warrants *(Note 8)*		**205,198**		559,482
Contributed Surplus *(Note 8)*		**869,615**		745,019
Accumulated Other Comprehensive Income (Loss) *(Note 3c)*		**208,001**		312,858
Deficit - *(Statement 2)*		**(3,995,043)**		(3,381,912)
		3,984,345		2,969,526
	$	**4,329,255**	$	3,408,729

Going Concern *(Note 2)*
Subsequent Events *(Note 14)*

ON BEHALF OF THE BOARD:

__*Del Steiner*______, Director

__*Salvador Huerta*__, Director

- See Accompanying Notes -

Premium Exploration Inc. Statement 2

Interim Consolidated Statements of Loss, Comprehensive Loss, Deficit and Accumulated Other Comprehensive Income (Loss)

For the Three Months Ended 31 March

U.S. Funds

		2008 (Unaudited)		2007 (Unaudited)
Expenses				
Stock-based compensation	$	**136,186**	$	121,285
Shareholder relations		**151,947**		39,169
Travel		**57,932**		29,287
Wages, fees and benefits		**62,546**		48,802
Professional fees		**59,963**		8,225
Foreign exchange (gain) loss		**3,106**		(42,260)
Office and general		**27,704**		8,153
General exploration		**69,941**		-
Office rent		**19,806**		13,126
Amortization		**13,783**		8,492
Transfer agent and filing fees		**498**		8,396
Bank charges and interest		**15,328**		3,850
Interest income		**(5,609)**		(7,757)
Loss for the Period		**(613,131)**		(238,768)
Deficit - Beginning of period		**(3,381,912)**		(1,282,067)
Deficit, End of Period		**(3,995,043)**		(1,520,835)
Loss per Share - Basic and Diluted	$	**(0.02)**	$	(0.01)
Weighted Average Number of Shares Outstanding		**32,259,376**		21,508,192
Loss for the period	$	**(613,131)**		(238,768)
Other Comprehensive Income (Loss)				
Translation adjustment		**(104,857)**		(70,817)
Comprehensive Income (loss) for the Period	$	**(717,988)**		309,585
Accumulated Other Comprehensive Income (Loss) Beginning of period (Note 3 c))	$	**312,858**		(1,536)
Translation adjustment		**(104,857)**		(69,281)
Accumulated Other Comprehensive Income end of Period	$	**208,001**		(70,817)

- See Accompanying Notes -

Interim Consolidated Statements of Cash Flows
For the Three Months Ended 31 March
U.S. Funds

		2008 (Unaudited)		2007 (Unaudited)
Operating Activities				
Loss for the year	**$**	**(613,131)**	$	(975,356)
Items not affecting cash				
Amortization		**13,783**		2,514
Write-off resource property costs		**-**		168,410
Unrealized foreign exchange		**(72,321)**		-
Stock-based compensation		**136,186**		318,084
		(535,483)		(486,348)
Net Change in non-cash working capital		**(109,479)**		(20,574)
		(644,962)		(506,922)
Investing Activities				
Property, plant and equipment acquired		**3,296**		(15,622)
Resource property expenditures		**(350,588)**		(481,046)
		(347,292)		(496,668)
Financing Activities				
Shares issued for cash		**1,596,621**		1,451,668
Share purchase warrants issued for cash		**-**		347,487
Unit offering issuance costs		**-**		(275,206)
Repayment of notes payable		**(3,818)**		(34,054)
		1,592,803		1,489,895
Effect of Exchange Rates on Cash		**(15,556)**		(59,099)
Net Increase in Cash		**584,993**		427,206
Cash position – Beginning of period		**684,203**		12,084
Cash Position – End of Period	**$**	**1,269,196**	$	439,290

Supplemental Disclosure of Non-Cash Investing and Financing

Shares issued for mineral property acquisition	$	**35,589**	$	9,440
Fair value transfers on exercise of warrants	$	**354,284**	$	6,365
Fair value transfers on exercise of options	$	**11,590**	$	-

Premium Exploration Inc. <u>Schedule</u>

Interim Consolidated Schedule of Resource Property Costs
For the Three Months Ended 31 March
U.S. Funds

	Acquisition	Deferred Exploration	**2008 Unaudited**	2007 Unaudited
Montana Properties, U.S.A.				
Assaying	$ -	$ -	**$ -**	$ 59,323
Field transportation	-	-	**-**	3,709
General	-	-	**-**	4,760
Unrealized currency adjustment	(8,946)	(7,744)	**(16,690)**	5,669
	(8,946)	(7,744)	**(16,690)**	73,461
Clearwater Property, U.S.A.				
Acquisition	43,596	-	**43,596**	-
Claim fees	-	17,638	**17,638**	-
Unrealized currency adjustment	(6,055)	(465)	**(6,520)**	-
	37,541	17,173	**54,714**	-
Total costs for the year U.S.A. Properties	28,595	9,429	**38,024**	73,461
Cucurpe Property, Sonora, Mexico				
General	-	-	**-**	152
Staking, filing and concession fees	-	3,756	**3,756**	1,821
Unrealized translation adjustment	(1,784)	(1,219)	**(3,003)**	1,462
	(1,784)	2,537	**753**	3,435
Nueva Galicia Property, Nayarit, Mexico				
Acquisition	81,355	-	**81,355**	32,261
Drilling	-	104,498	**104,498**	
Field management	-	16,716	**16,716**	4,729
Field transportation	-	7,824	**7,824**	15,340
General	-	15,641	**15,641**	23,626
Geochemical	-	9,555	**9,555**	3,175
Geological	-	15,382	**15,382**	21,581
Staking, filing and concession fees	-	10,372	**10,372**	13,367
Surface access	-	6,793	**9,555**	-
Unrealized currency adjustment	(5,786)	(16,023)	**(21,809)**	1,408
	75,569	170,758	**246,327**	115,487
Guadalupe Property, Jalisco, Mexico				
Unrealized currency adjustment	-	-	**-**	55
	-	-	**-**	55
Dos Amigos Property, Nayarit, Mexico				
General	-	192	**192**	-
Geological	-	909	**909**	-
Staking, filing and concession fees	-	24	**24**	-
Unrealized currency adjustment	(316)	(1,778)	**(2,094)**	10
	(316)	(653)	969	10
San Pedro Analco Property, Jalisco, Mexico				
Acquisition	62,819	-	**68,219**	-
Field transportation	-	-	**-**	13,768
General	-	-	**-**	58,927
Staking, filing and concession fees	-	749	**749**	-
Unrealized currency adjustment	(3,190)	(703)	**(3,893)**	58
	65,029	46	**65,075**	72,753

Premium Exploration Inc. Schedule

Interim Consolidated Schedule of Resource Property Costs
For the Three Months Ended 31 March
U.S. Funds

Rosamorada				
Acquisition	1,129	-	**1,129**	-
Field transport	-	210	**210**	-
General	-	95	**95**	-
Geological	-	45	**45**	-
Unrealized currency adjustment	(914)	(178)	**(1,092)**	-
	215	172	**387**	-
Bonanza				
General	-	192	**192**	-
Staking, filing and concession fees	-	725	**725**	-
Unrealized currency adjustment	-	(295)	**(295)**	-
	-	622	**622**	-
		-	**-**	-
La Lupe		-	**-**	-
Staking, filing and concession fees	-	2,564	**2,564**	-
Unrealized currency adjustment	(1,969)	(226)	**(2,195)**	-
	(1,969)	2,338	**369**	-
Total Period costs Mexican Properties	136,744	175,820	**312,564**	191,730
Total Costs for the Period	165,339	185,249	**350,588**	265,191
Balance - Beginning of period	948,615	1,250,992	**2,199,607**	826,551
Balance – End of Period	$ 1,113,954	1,436,241	**2,550,195**	$ 1,091,742

1. Nature of Business

The Company was incorporated in the Province of British Columbia, Canada on 27 February 2004. The Company is in the exploration stage and is 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. Effective 1 March 2006, the Company completed an Initial Public Offering ("IPO") to list on the TSX Venture Exchange ("TSX-V").

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 amounts shown for resource properties 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. Also, the Company may have to raise additional funds for future corporate and administrative expenses and to undertake further exploration and development of its mineral properties. There can be no assurance that the Company will be able to raise sufficient funds in the future.

2. Going Concern

These financial statements have been prepared on a going concern basis, which contemplates that the Company will 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. As at 31 March 2008, the Company has an accumulated deficit of $4,030,632 (2007 - $1,772,939), has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. The Company's ability to continue as a going concern is dependent on its ability to raise equity financing and attain profitable operations.

These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities and the reported revenues and expenses should the Company be unable to continue as a going concern.

3. Significant Accounting Policies

These unaudited interim consolidated financial statements and the accompanying notes have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for the preparation of interim financial information. Accordingly, they do not include all of the information and disclosure required by Canadian GAAP for annual consolidated financial statements. The accounting policies used in the preparation of these unaudited interim consolidated financial statements are the same as those described in the audited consolidated financial statements and the accompanying notes for the year ended December 31, 2007. In the opinion of management, all of the adjustments necessary to fairly present the interim financial information set forth herein have been made. These adjustments are of a normal and recurring nature.

Interim operating results for the period ended 31 March 2008 are not necessarily indicative of the results that may be expected for the full year ending 31 December 2008. These unaudited interim consolidated financial statements should be read in conjunction with the audited financial statements and related footnotes for the year ended 31December 2007.

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada, which require management to make estimates and assumptions that affect the reported amounts and other disclosures in these financial statements. Actual results may differ from those estimates.

The Company's significant accounting policies are as follows:

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.

b) Asset Retirement Obligations

The Company applies the recommendations of CICA Handbook Section 3110, *Asset Retirement Obligations*. This section requires recognition of a legal liability for obligations relating to retirement of property, plant, and equipment, and arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement costs must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life. Where a related asset is not easily identifiable with a liability, the change in fair value over the course of the year is expensed. The amount of the liability is subject to re-measurement at each reporting period. The estimates are based principally on legal and regulatory requirements. It is possible that the Company's estimate of its ultimate reclamation liabilities could change as a result of changes in regulations; the extent of environmental remediation required or completed, the means of reclamation or changes in cost estimates. Changes in estimates are accounted for prospectively commencing in the period the estimate is revised.

c) Foreign Currency Translation

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.

The accounts are then translated into the U.S. dollar, being the reporting currency, using the current rate method as follows:

- Assets and liabilities at year-end 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 equity as a cumulative translation adjustment.

4. Resource Properties

a) Details of cumulative expenditures are as follows:

	Acquisition	Exploration	31 March 2008
Mineral Properties			
Montana Properties, U.S.A. *(Notes 5b)*	$ 243,442	210,836	$ 454,278
Clearwater Property, USA *(Note 5c)*	184,338	22,869	207,207
Cucurpe Property, Sonora, Mexico *(Note 5d)*	-	202,107	202,107
Nueva Galicia Property, Nayarit, Mexico *(Note 5e)*	307,441	893,860	1,201,301
Dos Amigos Property, Nayarit, Mexico *(Note 5f)*	21,707	32,162	53,869
San Pedro de Analco Property, Jalisco, Mexico *(Note 5g)*	143,658	47,392	191,050
Rosamorada Property, Nayarit, Mexico *(Note 5h)*	61,477	12,046	73,523
Bonanza Property, Guanajuato, Mexico *(Note 5i)*	58,205	19,154	77,359
La Lupe Property, Durango, Mexico *(Note 5j)*	76,791	12,710	89,501
	$ 1,097,059	1,453,136	2,550,195

	Acquisition	Exploration	31 Dec 2007
Mineral Properties			
Montana Properties, U.S.A. *(Notes 5b)*	$ 252,388	218,580	$ 470,968
Clearwater Property, USA *(Note 5c)*	146,797	5,696	152,493
Cucurpe Property, Sonora, Mexico *(Note 5d)*	-	201,354	201,354
Nueva Galicia Property, Nayarit, Mexico *(Note 5e)*	231,872	723,102	954,974
Dos Amigos Property, Nayarit, Mexico *(Note 5f)*	22,023	32,815	54,838
San Pedro de Analco Property, Jalisco, Mexico *(Note 5g)*	78,629	47,346	125,975
Rosamorada Property, Nayarit, Mexico *(Note 5h)*	61,262	11,874	73,136
Bonanza Property, Guanajuato, Mexico *(Note 5i)*	58,205	18,532	76,737
La Lupe Property, Durango, Mexico *(Note 5j)*	78,757	10,372	89,129
	$ 929,933	1,269,671	2,199,604

b) Montana Properties, U.S.A.

As provided by certain agreements and subsequent amendments, in prior years, the Company, through its subsidiary Premium USA, purchased 137 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 escrow shares (fair value $172,000) from treasury, paid $20,000 to one of the vendors and completed the required exploration expenditures on the properties. The Company has staked an additional 30 claims, which are contiguous to the 137 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 $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 $2,000,000.

- Upon completion of the required $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.

c) 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 ("Orogrande") 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 Orogrande, subject to the following:

- Assumption of an underlying 1.0-per-cent net smelter return royalty on the Friday-Petsite property payable jointly to previous operators of the property that is capped at $1-million.
- Assumption of an underlying 1.0-per-cent net smelter return royalty on the Dixie property payable jointly to previous operators of the property that is capped at $1-million. Including acquisition costs of $142,949 paid in the year.
- Assumption of all other obligations of Clearwater under various agreements with third party property vendors for Orogrande.
- Assumption of the yearly US BLM claim maintenance fees on the South Orogrande shear zone.
- In the event that the Company should vend or transfer all or part of Orogrande to a third party within one year, the Company shall pay Clearwater 25% of all cash and stock-based consideration that it receives in turn for making the transfer to the third party. In the event that the Company spends $500,000 on developing the property and more than one year passes before the Company transfers all or part of the South Orogrande shear zone to a third party, then the Company shall pay to Clearwater $200,000 and grant a 15-per-cent net profits interest in Orogrande to Clearwater.

d) Cucurpe Property, Sonora, Mexico

At 31 December 2007, the Company had staked and directly controlled 12 exploration concessions in the Caliche Hill area, known as the Cucurpe Property.

e) Nueva Galicia Property, Nayarit, Mexico

By an exploration agreement dated 7 July 2006 and amended 30 November 2006, the Company has the right to explore certain concessions located in the State of Nayarit, Mexico. In order to maintain the purchase option in good standing the Company must, at its option:

	Issue Shares			Cash Payments		Complete Exploration Expenditures	
7 July 2006	50,000	(i)		30,000	(paid)	-	
7 January 2007	50,000	(ii)		40,000	(paid)	-	
7 July 2007	50,000	(iii)		50,000	(paid)	150,000	(vi)
7 January 2008	50,000	(iv)		60,000	(paid)	150,000	(vi)
7 July 2008	75,000			70,000		400,000	
7 July 2009	100,000			250,000		500,000	
7 July 2010	125,000			500,000		600,000	
Total	500,000	$		1,000,000	$	1,800,000	

(i) Issued at fair value $9,440
(ii) Issued at fair value $9,758
(iii) Issued at fair value $10,091
(iv) Issued at fair value $27,376
(v) complete

5. Resource Properties – *continued*

e) Nueva Galicia Property, Nayarit, Mexico

The Company has the right to acquire the property for a payment of $1,000,000 and the issuance of 500,000 common shares, less any cash payments or share issuances made to that date. Should the Company complete the acquisition and the property reaches commercial production, the vendor will be entitled to a further payment of up to 500,000 additional common shares, to a maximum value at the date of issuance of $1,000,000.

f) Dos Amigos Property, Nayarit, Mexico

By a letter of intent dated 23 January 2007, the Company paid $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 14 August 2007 the Company entered into a definitive option agreement whereby the Company must complete the following in order to maintain the option in good standing:

		Cash Payments		Complete Exploration Expenditures
On signing of letter of intent	$	5,000	(i)$	-
On signing definitive agreement		20,000	(i)	-
15 August 2008		125,000		50,000
15 August 2009		250,000		250,000
15 August 2010		600,000		700,000
Total	$	1,000,000	$	1,000,000

(i) complete

On entering commercial production the vendors will receive 1.5% net smelter return or $1,500,000.

g) San Pedro Analco Property, Jalisco, Mexico

By a letter of intent dated 25 August 2006, the Company paid $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 must complete the following in order to maintain the option in good standing:

	Issue Shares from Treasury		Cash Payments		Complete Exploration Expenditures	
11 January 2007	10,000	(i)$	25,000	(ii)$	-	
11 July 2007	15,000	(i)	50,000	(ii)	50,000	(iii)
11 January 2008	15,000	(iv)	50,000	(ii)	250,000	
11 July 2008	25,000		125,000		250,000	
11 January 2009	25,000		125,000		250,000	
11 July 2009	80,000		250,000		500,000	
11 January 2010	80,000		250,000		500,000	
Total	250,000	$	875,000	$	1,800,000	

(i) Issued
(ii) Paid
(iii) Complete
(iv) Issued at fair value $8,213

5. Resource Properties - continued

h) Rosamorada Property, Nayarit, Mexico

On 14 August 2007 the Company paid $50,000 and entered into a definitive option agreement on two concessions, in the municipality of Rosamorada, the State of Nayarit, Mexico. The Company must complete the following to maintain the option in good standing:

		Cash Payments		Complete Exploration Expenditures
On the date of execution	$	50,000	(i)$	-
15 August 2008		100,000		100,000
15 August 2009		250,000		200,000
15 August 2010		600,000		500,000
Total	$	1,000,000	$	800,000

(i) Paid

On entering commercial production the vendors will receive 1.5% net smelter return or $1,500,000.

i) Bonanza Property, Guanajuato, Mexico

On 3 December 2007 the Company paid $10,000 and entered into a definitive option agreement to exploration rights on two concessions, in the municipality of Victoria in the State of Guanajuato, Mexico. The Company must complete the following in order to maintain the option in good standing:

		Cash Payments
On the date of execution	$(i)	50,000
3 June, 2008		50,000
3 December 2008		50,000
3 June, 2009		50,000
3 December 2009		100,000
3 June, 2010		100,000
3 December 2010		600,000
Total	$	1,000,000

(i) Paid

On entering commercial production the vendors will receive 1.0% net smelter return or $1,000,000.

j) La Lupe Property, Durango, Mexico

On 03 December 2007 the Company paid $10,000 and entered into a definitive option agreement to exploration rights on two concessions, in the State of Durango, Mexico. The Company must complete the following in order to maintain the option in good standing:

		Cash Payments
3 December 2007	(i)$	70,000
3 June 2008		70,000
3 December 2008		120,000
3 June 2009		210,000
3 December 2009		630,000
Total	$	1,100,000

(i) Paid

On completing a bankable feasibility study the vendors will receive $500,000 and on entering commercial production the vendors will receive $1,000,000.

6. Property, Plant and Equipment

Details are as follows:

31 March 2008		Cost	Accumulated Amortization		Net Book Value
Furniture and equipment	**$**	**114,896**	**29,881**	**$**	**85,015**
Field equipment		**241,291**	**63,252**		**178,039**
	$	**356,187**	**93,133**	**$**	**263,054**

31 December 2007		Cost	Accumulated Amortization		Net Book Value
Furniture and equipment	$	114,896	16,816	$	98,080
Field equipment		244,587	45,554		199,033
	$	359,483	62,370	$	297,113

7. Notes Payable

Details are as follows:

		31 March 2008		31 December 2007
Delbert Steiner, a director, promissory note payable, unsecured, bears interest at 8% per annum, repayable on demand	**$**	**20,000**	$	20,000
Delbert Steiner, a director, promissory note payable, unsecured, bears interest at 8% per annum and repayable at $400 per month blended interest and principal		**16,846**		20,644
Delbert Steiner, a director, promissory note payable, unsecured, bears interest at 8% per annum and repayable on demand		**106,260**		106,260
Barney Green Lee, a director, promissory note payable, unsecured, bears interest at 8% per annum and repayable on demand		**47,000**		47,000
		190,086		193,904
Current portion		**190,086**		193,904
	$	**-**	$	-

8. 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 2006	20,764,303	$	1,727,317	4,670,000	$	378,592
Issuance of shares on private placements	8,354,250		2,220,228	4,058,500		368,273
Issuance of agents warrants	-		-	210,000		25,156
Issuance of shares exercise of options	37,500		7,178	-		-
Issuance of shares on warrant exercise	2,481,540		731,819	-		-
Fair value transfer on exercise of options	-		5,970	-		-
Fair value transfer on exercise of warrants	-		190,875	(2,481,540)		(190,875)
Share issuance costs	-		(187,645)	-		(21,664)
Balance – 31 December 2007	31,762,593	$	4,734,079	6,456,960	$	559,482
Issuance of shares for property	65,000		35,589	-		-
Issuance of shares exercise of options	37,500		13,066	-		-
Issuance of shares on warrant exercise	3,926,960		1,547,966	-		-
Fair value transfer on exercise of options	-		11,590	-		-
Fair value transfer on exercise of warrants	-		354,284	(3,926,960)		(354,284)
Balance – 31 December 2007	35,792,053	$	6,696,573	2,530,000	$	205,198

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

On 12 March 2007, the Company issued 3,300,000 units on two private placements at C$0.25 per unit for gross proceeds of C$825,000. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant allows the holder to acquire one additional common share for one year at C$0.35 per share. The Company paid the agent a commission of C$20,000 and 210,000 common share purchase warrants (fair value $25,156) and a finder fee of C$30,000 was also paid. Each agent's warrant allows the agent to acquire one additional common share for one year at C$0.30 per share.

On 15 June 2007 the Company issued 1,546,750 units of the Company at C$0.40 for total gross proceeds of C$618,700, in a non-brokered private placement. Each unit consisted of one common share of the Company and one-half common share purchase warrant. Each whole common share warrant entitles the holder to purchase one share of the Company at a price of C$0.50 per share before 15 June 2008. The Company paid a finders fee of $20,000 on the private placement.

On 22 July 2007 the Company issued 3,306,250 units of the Company at C$0.40 for total gross proceeds of C$1,322,500, in a non brokered private placement. Each unit consisted of one common share of the Company and one-half common share purchase warrant. Each whole common share warrant entitles the holder to purchase one share of the Company at a price of C$0.50 per share before 23 August 2008. In addition the company paid finders fees of C$32,750 and issued 201,250 (fair value C$80,500) shares in connection with the offering.

8. Share Capital - *continued*

The Company completed an IPO, during fiscal 2006, of 5,000,000 units at C$0.30 per unit for gross proceeds of $1,337,285 (C$1,500,000). Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant allows the holder to acquire one additional common share for two years, to March 1, 2008, from the date of the IPO at C$0.40 per share. The Company received gross proceeds of $1,176,240 (C$1,335,621) on February 27, 2006 after deducting $118,910 (C$135,000) cash commission, the $6,605 (C$7,500) balance of the work fee of $13,210 (C$15,000) and the agent's expenses of the IPO. The Company also paid related legal fees and other costs related to the prospectus of approximately $182,335, including the $167,014 in deferred finance costs at December 31, 2005.

The agent also received 500,000 share purchase warrants *(fair value $99,741)*. Each agent's warrant allows the agent to acquire one additional common share for two years, to March 1, 2008, from the date of the IPO at C$0.30 per share. In addition, the agent received a corporate finance fee totalling 50,000 units *(fair value $13,373)*. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant allows the holder to acquire one additional common share for two years, to March 1, 2008, from the date of the IPO at C$0.40 per share.

The Company completed a private placement on December 14, 2006 of 2,750,000 units at C$0.20 per unit for gross proceeds of $475,080 (C$550,000). Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant allows the holder to acquire one additional common share for one year, to November 9, 2007, at C$0.25 per share. The agent received a cash commission of $37,315 (C$43,200) and 270,000 share purchase warrants *(fair value $24,450)*. Each agent's warrant allows the agent to acquire one additional common share for one year, to November 9, 2007, from the date of the IPO at C$0.25 per share.

For each offering discussed above the Company used the Black-Scholes model to allocate the proceeds of the unit offering between common shares and share purchase warrants and to value the agent's share purchase warrants using an estimated volatility of 100%(2006 – 100% and 152%), an estimated risk-free rate of between 4.19% – 4.25(2006 – 2.9% and 4.9%), an estimated dividend rate of 0.00%(2006 – 0%) and an estimated life of the warrants of 1 year (2006 -1 year and 1 year), respectively.

There were originally 7,280,001 shares, subject to an escrow agreement dated 31 December 2004 and an amendment dated 1 November 2005. Under the terms of the amended escrow agreement 728,001 shares were released from escrow on the date the shares of the Company were listed on the TSX-V and 1,092,000 will be released at the completion of each six-month period after the initial listing date. As at 31 December 2007, there are 2,184,000 shares remaining subject to the amended escrow agreement.

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.

8. Share Capital - *continued*

Stock option activity during the period is summarized as follows:

	2007	Weighted Average Exercise Price
Balance - beginning of year	4,880,000	Cdn$0.28
Granted	300,000	0.33
Exercised	(37,500)	0.30
Expired / Cancelled	(300,000)	0.24
Balance – end of year	4,542,500	Cdn$0.30

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

Expiry Date		Exercise Price	**2007**	2006
1 March 2011	**Cdn$**	$ 0.30	**600,000**	900,000
15 November 2011	**Cdn$**	$ 0.20	**600,000**	600,000
15 November 2011	**Cdn$**	$ 0.20	**150,000**	425,000
5 March 2012	**Cdn$**	$ 0.23	**1,500,000**	-
24 April 2012	**Cdn$**	$ 0.35	**200,000**	-
24 April 2012	**Cdn$**	$ 0.40	**130,000**	-
24 October 2012	**Cdn$**	$0.35	**1,362,500**	
15 February 2013	**Cdn$**	$0.66	**300,000**	-
			4,842,500	1,925,000

The outstanding options have a weighted-average exercise price of Cdn$0.30 and the weighted-average remaining life of the options is 4.26 years. As at 31 March 2008, a total of 3,664,375 (2007 – 1,306,250) of these outstanding options had vested.

The Company used the Black-Scholes model to value the options using an estimated volatility of 59.64% (2006 – 100%), an estimated risk-free rate of 3.64% (2007 – 3.09% - 4.10%), an estimated dividend rate of 0.00 %(2007 – 0.00%) and an estimated life of the options of 5 years (2007 - 5 years).

d) Warrants

	2007
Balance - beginning of period	6,456,960
Expired	(159,000)
Exercised	(3,926,960)
Balance – end of year	2,371,000

A summary of outstanding is as follows:

	Price	Expiry	Number of Warrants (i)
Issued - 3 June 2007	C$0.50	15 June 2008	748,375
Issued - 22 August 2007	C$0.50	22 August 2008	1,622,625
Balance – 31 December 2007			2,371,000

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

8. Share Capital - *continued*

e) Stock-based compensation

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

	2007	2007
Total options granted	**300,000**	1,500,000
Average exercise price (in Cdn$)	**0.66**	0.23
Estimated fair value of compensation	**106,191**	262,722
Estimated fair value per option	**$0.35**	$0.17

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:

	2008	2007
Risk-free interest rate	**3.64%**	3.95%
Expected dividend yield	**0.00%**	0.00%
Expected stock price volatility	**59.64%**	100.00%
Expected option life in years	**5.00**	5.00

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

Details are as follows

	2007	2007
Number of options vested	**375,000**	600,000
Total compensation recognized	**$136,86**	$121,285

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.

f) Contributed Surplus

Details are as follows:

		2007		2006
Balance - beginning of year	$	**745,019**	$	168,410
Stock-based compensation		**136,186**		121,285
Fair value of stock options exercised		**(1,590)**		
Balance - end of year	$	**869,615**	$	284,291

9. 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 $21,000 (2007 - $15,000) to a director in his capacity of chief executive officer.
b) The Company paid salaries of $7,500 (2007 - $5,400) to an officer of the Company in the capacity of chief financial officer.
c) Included in accounts payable is $3,667 (2007 - $30,515) owing to directors.
d) The Company incurred $3,354 (2007 - $3,851) of interest on notes payable to directors (Note 7).

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.

10. Segmented Disclosure

31 March, 2008		**Capital Assets**
Canada		**24,883**
United States		**794,327**
Mexico		**1,958,450**
Total		**2,777,660**

31 December 2007		Capital Assets
Canada	$	25,797
United States		768,433
Mexico		1,702,490
Total	$	2,496,720

11. Financial Instruments

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, due to related parties and notes payable. The fair value of these financial instruments approximates their carrying value, unless otherwise noted. At 31 December 2007 the Company held currency totalling Cdn$571, 917; US$75,958; and Pesos$315,724, which is exposed to currency risk given fluctuations in the prevailing exchange rates between the Canadian, US and Mexican currencies. Unless otherwise noted, it is managements' opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

The Company is exposed to currency risk by incurring certain expenditures and carrying certain cash balances in currencies other than the U.S. dollar. The Company does not use derivative instruments to reduce its currency risk.

12. Subsequent Events

On 07 April 2008, the Company granted 150,000 stock options to a director for 5 years, to 15 April 2013 at $0.33 per share.

On 02 May 2008, the Company granted 500,000 stock options to directors officers and consultants for 5 years, to 02 May 2013 at $0.30 per share.