



**PREMIUM EXPLORATION INC.**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**31 March 2009  
Stated in US Funds**

**MANAGEMENT COMMENT**

**These interim consolidated financial statements for the three months ended March 31, 2009 of Premium Exploration Inc. have been prepared by management and have not been subject to review by the Company's auditors.**

**Interim Consolidated Balance Sheets**

Unaudited

U.S. Funds

	As at 31 March 2009	As at 31 December 2008
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 292,673	\$ 119,452
Receivables	3,414	92,844
Other	22,070	38,978
	<u>318,157</u>	<u>251,274</u>
<b>Resource Properties</b>	<b>195,188</b>	<b>245,791</b>
<b>Property, Plant and Equipment</b> (Note 6)	<b>191,226</b>	<b>214,712</b>
	<u>\$ 704,571</u>	<u>\$ 711,777</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 779,700	\$ 498,076
Notes payable (Note 7)	213,281	213,281
	<u>992,981</u>	<u>711,357</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b> (Note 8)	<b>7,457,637</b>	<b>7,457,637</b>
<b>Share Purchase Warrants</b> (Note 8)	<b>370,833</b>	<b>370,833</b>
<b>Contributed Surplus</b> (Note 8)	<b>1,224,870</b>	<b>1,128,664</b>
<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>(35,633)</b>	<b>10,419</b>
<b>Deficit</b> - (Statement 2)	<b>(9,306,117)</b>	<b>(8,967,133)</b>
	<u>(288,410)</u>	<u>420</u>
	<u>\$ 704,571</u>	<u>\$ 711,777</u>

Going Concern (Note 2)

Subsequent Events (Note 14)

ON BEHALF OF THE BOARD:

"Del Steiner" \_\_\_\_\_, Director

"Salvador Huerta" \_\_\_\_\_, Director

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

For the Three Months Ended 31 March

U.S. Funds

	2009 Unaudited		2008 (Unaudited)
<b>Expenses</b>			
Stock-based compensation	116,206		136,186
Resource property expenditures	\$ 50,824	\$	420,529
Management fees	39,435		62,546
Professional fees	24,951		59,963
Shareholder relations	20,815		151,947
Travel	19,664		57,932
Foreign exchange loss	18,201		3,106
Amortization	16,489		13,783
Office rent	15,487		19,806
Office and general	6,487		27,704
Transfer agent and filing fees	5,561		498
Bank charges	5,249		15,328
Interest income	(385)		(5,609)
<b>Loss for the Period</b>	<b>(338,984)</b>		<b>(963,719)</b>
Deficit - Beginning of Period	(8,967,133)		(5,224,429)
<b>Deficit - End of Period</b>	<b>(9,306,117)</b>		<b>(6,188,148)</b>
<b>Loss per Share - Basic and Diluted</b>	<b>\$ (0.01)</b>	<b>\$</b>	<b>(0.04)</b>
<b>Weighted Average Number of Shares Outstanding</b>	<b>39,442,222</b>		<b>25,508,192</b>
<b>Loss for the Period</b>	<b>\$ (338,984)</b>	<b>\$</b>	<b>(963,719)</b>
<b>Other Comprehensive Loss</b>			
Translation adjustment	(46,052)		(104,857)
<b>Comprehensive Loss for the Period</b>	<b>\$ (385,036)</b>	<b>\$</b>	<b>(1,068,576)</b>
<b>Accumulated Other Comprehensive Income (Loss) Beginning of Period</b>	<b>\$ 10,419</b>	<b>\$</b>	<b>(59,908)</b>
Translation adjustment	(46,052)		(104,857)
<b>Accumulated Other Comprehensive Loss end of Period</b>	<b>\$ (35,633)</b>	<b>\$</b>	<b>(164,765)</b>

**Consolidated Statements of Cash Flows**

For the Three Months Ended 31 March

U.S. Funds

	2009		2008
<b>Operating Activities</b>			
Loss for the year	\$ (338,984)	\$	(1,068,576)
Items not affecting cash:			
Amortization	16,489		13,783
Stock-based compensation	116,206		136,186
Shares issued for resource property expenditures	-		35,589
Unrealized foreign exchange	74,089		3,539
	<b>(132,200)</b>		<b>(879,479)</b>
Net Change in non-cash working capital	<b>396,964</b>		<b>(109,479)</b>
	<b>264,764</b>		<b>(988,958)</b>
<b>Investing Activities</b>			
Property, plant and equipment acquired	-		(3,296)
	-		(3,296)
<b>Financing Activities</b>			
Shares issued for cash	-		1,596,621
Proceeds from notes payable	19,377		(3,818)
	<b>19,377</b>		<b>1,592,803</b>
<b>Effect of Exchange Rates on Cash</b>	<b>(110,920)</b>		<b>(15,556)</b>
<b>Net Increase (Decrease) in Cash</b>	<b>173,221</b>		<b>584,993</b>
Cash position - Beginning of Period	119,452		684,203
<b>Cash Position - End of Period</b>	<b>\$ 292,673</b>	<b>\$</b>	<b>1,269,196</b>

## Notes to Consolidated Financial Statements

U.S. Funds

For the Three Months Ended 31 March 2009

### 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 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").

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. Also, the Company may need 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 2009, the Company has an accumulated deficit of \$9,306,117 (2008 - \$5,224,429), 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. Management continues to actively pursue the necessary capital to meet its funding requirements and has implemented available cost control measures.

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. Changes in Accounting Policies

#### a) Change in Accounting Policy

In the fiscal year ended 31 December 2008 the Company changed its accounting policy for resource property exploration costs. In prior years, the Company capitalized the acquisition costs of resource properties and deferred exploration expenditures directly related to specific resource properties, net of recoveries received. Under the new policy, property 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 also include exploration licence and maintenance fees which are paid on a yearly basis.

Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. Management believes that this treatment provides a more accurate depiction of the asset base of the Company prior to establishing the economic feasibility of its resource base. The Company also wishes to proactively adopt policies which are congruent with the treatment under International Financial Reporting Standards (IFRS), given the CICA's stated goal of IFRS convergence by 2011.

## Notes to Consolidated Financial Statements

U.S. Funds

For the Three Months Ended 31 March 2009

### 4. Significant Accounting Policies

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. The Company's key estimates relate to amortization of property plant and equipment, the tax asset valuation allowance and the measurement of stock based compensation. 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) 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 licence 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.

#### c) Property, Plant and Equipment

Property, plant and equipment are 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 development	50% straight line basis

#### d) Property Option Agreements

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received. The Company does not accrue the estimated costs of maintaining its mineral interests in good standing.

#### e) Stock-Based Compensation

The Company applies the recommendations of CICA Handbook Section 3870, stock-based compensation and other stock-based payments, effective to awards granted by the Company. This established standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services.

All stock-based awards made to employees and non-employees are measured using a fair value based method and recognized over the vesting period of the options.

## Notes to Consolidated Financial Statements

U.S. Funds

For the Three Months Ended 31 March 2009

### 4. Significant Accounting Policies – *continued*

#### f) Loss per Share

Loss per share is computed by dividing the loss available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the loss per share. The dilutive effect of convertible securities would be reflected in diluted loss per share by application of the “if converted” method. The dilutive effect of outstanding options and warrants and their equivalents would be reflected in diluted earnings per share by application of the treasury stock method.

#### g) 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.

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.

#### h) International Financial Reporting Standards

In addition to the above accounting pronouncements the AcSB published, in 2006, a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS) over an expected 5 year transitional period. In February of 2008 the AsCB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The date is for financial statements relating to fiscal years beginning on or after 1 January 2011. The transition date of 1 January 2011 will require restatement for comparative purposes of amounts reported by the Company for the year ended 31 December 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## Notes to Consolidated Financial Statements

U.S. Funds

For the Three Months Ended 31 March 2009

### 5. Resource Properties

#### a)

A summary of exploration expenditures for the three month period ended 31 March 2009 follows:

	United States	Mexico	Total
<b>Administration</b>	<b>12,000</b>	<b>575</b>	<b>12,575</b>
<b>General</b>	-	<b>746</b>	<b>746</b>
<b>Geological</b>	<b>29,503</b>	-	<b>29,503</b>
<b>Reports</b>	<b>8,000</b>	-	<b>8,000</b>
<b>Total</b>	<b>\$ 37,503</b>	<b>\$ 1,321</b>	<b>\$ 50,824</b>

Note: Acquisition costs relate to cash and issuance of shares on the Chrome Mountain project

A summary of exploration expenditures for the year ended 31 December 2008 follows:

	United States	Mexico	Total
Property payments	\$ 41,380	\$ 360,280	\$ 401,660
Administration	43,042	10,242	53,284
Assaying	169,717	27,385	197,102
Field transportation	-	65,945	65,945
Drilling	-	119,485	119,485
General	177,276	57,796	235,072
Geochemical	-	49,812	49,812
Geological	244,155	273,584	517,739
Filing and concession fees	64,957	47,609	112,566
Surface access	-	20,157	20,157
Reports	147,383	12,922	160,305
<b>Total</b>	<b>\$ 887,910</b>	<b>\$ 1,045,217</b>	<b>\$ 1,933,127</b>

#### 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 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 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 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 (\$125,778) 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.
- 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.

## Notes to Consolidated Financial Statements

U.S. Funds

For the Three Months Ended 31 March 2009

### 5. Resource Properties – continued

**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 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-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 the South Orogrande shear zone.
- 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 the South Orogrande shear zone 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 the South Orogrande shear zone to Clearwater.

**d) 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	(i)	50,000	(ii)	250,000	(iii)
11 January 2009	25,000	(iv)	125,000	(iv)	250,000	(iv)
11 July 2009	80,000		250,000		500,000	
11 January 2010	80,000		250,000		500,000	
<b>Total</b>	<b>225,000</b>	<b>\$</b>	<b>750,000</b>	<b>\$</b>	<b>1,550,000</b>	

(i) Issued  
(ii) Paid  
(iii) Complete  
(iv) Currently under renegotiation

Premium Exploration Inc.

**Notes to Consolidated Financial Statements**

*U.S. Funds*

For the Three Months Ended 31 March 2009

**6. Property, Plant and Equipment**

Details are as follows:

31 March 2009	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 32,177	\$ 11,553	\$ 20,624
Furniture and equipment	31,439	12,819	18,620
Field equipment	249,591	101,693	147,898
Computer Software	6,983	2,899	4,084
	<b>\$ 320,190</b>	<b>\$ 128,964</b>	<b>\$ 191,226</b>
31 December 2008	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 33,292	\$ 10,313	\$ 22,979
Furniture and equipment	32,529	11,662	20,867
Field equipment	258,241	92,491	165,750
Computer Software	7,225	2,109	5,116
	<b>\$ 331,287</b>	<b>\$ 116,575</b>	<b>\$ 214,712</b>

**7. Notes Payable**

Details are as follows:

	31 March 2009	31 December 2008
Delbert Steiner, a director, promissory note payable, unsecured, bears interest at 8% per annum, repayable on demand,	\$ 153,504	\$ 153,504
Barney Green Lee, a director, promissory note payable, unsecured, bears interest at 8% per annum and repayable on demand	59,777	59,777
Delbert Steiner, a director, during the year the Company rolled these amounts into the promissory note above	-	-
Delbert Steiner, a director, during the year the Company rolled these amounts into the promissory note above	-	-
	<b>213,281</b>	213,281
Current portion	<b>213,281</b>	213,281
	<b>\$ -</b>	<b>\$ -</b>

Premium Exploration Inc.

**Notes to Consolidated Financial Statements**

U.S. Funds

For the Three Months Ended 31 March 2009

**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 2007	31,762,593	\$ 4,734,079	6,456,960	\$ 559,482
Issuance of shares for property	140,000	59,359	-	-
Issuance of shares on private placements	3,400,166	783,044	3,400,166	178,149
Issuance of shares exercise of options	237,500	52,682	-	-
Issuance of shares on warrant exercise	3,926,960	1,474,945	-	-
Fair value transfer on exercise of options	-	54,252	-	-
Fair value transfer on exercise of warrants	-	354,284	(3,926,960)	(354,284)
Expiration of warrants			(2,530,000)	
Returned to treasury	(25,000)	-		
Share issuance costs	-	(55,008)	-	(12,514)
Balance – 31 December 2008	<u>39,442,219</u>	<u>\$ 7,457,637</u>	<u>3,400,166</u>	<u>\$ 370,833</u>
Balance – 31 March 2009	<u>39,442,219</u>	<u>\$ 7,457,637</u>	<u>3,400,166</u>	<u>\$ 370,833</u>

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

On 20 August 2008, the Company issued 3,400,166 units on a private placement at Cdn\$0.30 per unit for gross proceeds of Cdn\$1,020,050. 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 Cdn\$0.50 in the first year and Cdn\$0.75 in the second year. The Company paid agents commissions of Cdn\$66,600.

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 61%, an estimated risk-free rate of 2.80%, an estimated dividend rate of 0.00% and an estimated life of the warrants of 1 year, respectively.

## Notes to Consolidated Financial Statements

U.S. Funds

For the Three Months Ended 31 March 2009

### 8. *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 period is summarized as follows:

	2009	Weighted Average Exercise Price	2008	Weighted Average Exercise Price
Balance - Beginning of Period	4,205,000	Cdn\$0.31	4,880,000	Cdn\$0.25
Granted	2,650,000	0.15	300,000	0.42
Exercised	-		(37,500)	0.22
Expired / Cancelled	(150,000)	0.35	(300,000)	0.31
Balance – End of Year	6,705,000	Cdn\$0.24	4,842,500	Cdn\$0.31

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

Expiry Date		Exercise Price	2008	2007
1 March 2011	Cdn	\$ 0.30	450,000	600,000
15 November 2011	Cdn	\$ 0.20	150,000	600,000
15 November 2011	Cdn	\$ 0.20	150,000	150,000
5 March 2012	Cdn	\$ 0.23	1,250,000	1,500,000
24 April 2012	Cdn	\$ 0.35	200,000	200,000
24 April 2012	Cdn	\$ 0.40	130,000	130,000
24 April 2012	Cdn	\$ 0.30	-	-
24 October 2012	Cdn	\$ 0.35	875,000	1,362,000
15 February 2013	Cdn	\$ 0.66	200,000	300,000
7 April 2013	Cdn	\$ 0.33	150,000	-
2 May 2013	Cdn	\$ 0.30	500,000	-
19 January 2014	Cdn	\$ 0.15	2,050,000	-
27 March 2014	Cdn	\$ 0.15	600,000	-
			<b>6,705,000</b>	<b>4,842,000</b>

The outstanding options have a weighted-average exercise price of Cdn \$0.24 and the weighted-average remaining life of the options is 3.82 years. As at 31 March 2009, a total of 6,041,308 (31 March 2008 – 3,664,375) of these outstanding options had vested.

The Company used the Black-Scholes model to value the options using an estimated volatility of 77%-84% (2008 – 59%-61%), an estimated risk-free rate of 1.5%-1.6% (2008 - 3.64%), an estimated dividend rate of 0.00 % (2008 – 0.00%) and an estimated life of the options of 5 years (2008 - 5 years).

Premium Exploration Inc.

# Notes to Consolidated Financial Statements

U.S. Funds

For the Three Months Ended 31 March 2009

## 8. Share Capital – continued

### d) Warrants

	2009	Weighted Average Exercise Price	2008	Weighted Average Exercise Price
Balance - Beginning of Period	3,400,166	Cdn \$0.50	6,456,960	Cdn \$0.28
Exercised	-		(3,926,960)	
Expired	-		(159,000)	0.29
Balance – End of Period	3,400,166	Cdn \$0.50	2,371,000	Cdn \$0.28

A summary of outstanding is as follows:

	Price	Expiry	Number of Warrants (i)
Issued - 20 August 2008	Cdn \$0.50	20 August 2010	3,400,166
Balance - 31 March 2009			3,400,166

- (i) The number of warrants is expressed in equivalent number of common shares, which may be issued upon exercise of the warrants. The existing warrants are exercisable at Cdn \$.75 in the second year.

### 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:

	2009	2008
Total options granted	2,650,000	300,000
Average exercise price (in Cdn\$)	\$ 0.15	\$ 0.66
Estimated fair value of compensation	\$ 166,225	\$ 106,191
Estimated fair value per option	\$ \$0.06	\$ 0.35

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:

	2009	2008
Risk-free interest rate	1.58%	3.64%
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	82.00%	60.00%
Expected option life in years	5.00	5.00

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

	2009	2008
Number of options vested	729,167	375,000
Total compensation recognized	\$ 116,206	\$ 136,186

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 Consolidated Financial Statements

U.S. Funds

For the Three Months Ended 31 March 2009

### f) Contributed Surplus

Details are as follows:

	2009	2008
Balance - Beginning of Year	\$ 1,128,664	\$ 745,019
Stock-based compensation	116,206	136,186
Fair value of stock options exercised	-	(1,590)
Balance - End of Year	\$ 1,244,870	\$ 879,615

### 9. Related Party Transactions

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

- a) The Company paid or accrued management fees of \$21,000 (2008 - \$21,000) to a director in his capacity of chief executive officer.
- b) The Company paid or accrued consulting fees of \$15,000 (2008 - \$Nil) to an officer of the Company in the capacity of chief financial officer.
- c) The Company paid management fees of \$24,000 (2008 - \$Nil) to a director of the Company in the capacity of Vice President of mining development.
- d) Included in accounts payable is \$94,000 (2008 - \$3,700) owing to directors or officers.
- e) The Company incurred \$4,300 (2007 - \$3,400) of interest on existing 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

	Capital Assets
31 March 2009	
Canada	\$ 24,762
United States	78,435
Mexico	88,029
Total	\$ 191,226
31 December 2008	
Canada	\$ 28,098
United States	88,415
Mexico	98,199
Total	\$ 214,712

### 11. Capital Disclosures

The Company is in the business of mineral exploration and has no source of operating revenue. The Company's short-term debt is provided by the principle directors and officers, and the Company has no long-term debt. Operations are financed through the issuance of capital stock. Capital raised is held in cash in an interest bearing bank account until such time as it is required to pay operating expenses or resource property costs. The Company is not subject to any externally imposed capital restrictions. Its objectives in managing its capital are to safeguard its cash and its ability to continue as a going concern, and to utilize as much of its available capital as possible for exploration activities. The Company's objectives have not changed during the year.

## Notes to Consolidated Financial Statements

*U.S. Funds*

For the Three Months Ended 31 March 2009

### 12. Financial Instruments

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, and notes payable. The Company has no speculative financial instruments, derivatives, forward contracts or hedges.

**Currency & credit risk** – All of the Company's Canadian cash is held in an interest bearing account at a major bank and such balances earn interest at market rates. The Company also maintains cash in the US\$ and the Mexican Peso. The cash balances and payables that are denominated in foreign currencies are subject to currency risk due to fluctuations in the exchange rate between the currencies. To manage this risk the Company maintains only the minimum amount of foreign cash required to fund its ongoing exploration expenditures. At 31 December 2008 the Company held currency totalling Cdn\$260,500 US\$84,000; and Pesos\$50,000. 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 December 2008 and 2007 the carrying values of receivables, accounts payable and accrued liabilities and notes payable approximate their fair values due to their short term to maturity.

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

### 13. Subsequent Events

On 27 May 2009, the Company announced that it had closed a non-brokered private placement of \$673,900 through the offering of 6,739,000 units (the "Units") at a price of \$0.10 per Unit. Each Unit consists of one common share and one warrant with a two-year term with an exercise price of \$0.20 in the first year, and \$0.50 in the second year. Each warrant entitles the holder to purchase one common share of the Company at the specified exercise price. All of the securities issued pursuant to this private placement have a hold period expiring four months and one day after the closing date. The Company paid finders fees of \$25,475 in respect to the placement, for total net proceeds of \$648,425.