



PREMIUM EXPLORATION INC.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**30 September 2009
Stated in US Funds
(Unaudited)**

MANAGEMENT COMMENT

These interim consolidated financial statements for the nine months ended 30 September 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 30 September 2009	As at 31 December 2008
ASSETS		
Current		
Cash	\$ 62,448	\$ 119,452
Receivables	17,851	92,844
Other	14,728	38,978
	95,027	251,274
Resource Properties	233,071	245,791
Equipment (Note 6)	191,133	214,712
	\$ 519,231	\$ 711,777
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 718,122	\$ 498,076
Notes payable (Note 7)	118,118	213,281
	836,240	711,357
SHAREHOLDERS' EQUITY		
Share Capital (Note 8b)	7,903,361	7,457,637
Share Purchase Warrants (Note 8b)	563,501	370,833
Contributed Surplus (Note 8f)	1,320,812	1,128,664
Accumulated Other Comprehensive Income (Loss) (Note 3)	(98,474)	10,419
Deficit - (Statement 2)	(10,006,209)	(8,967,133)
	(317,009)	420
	\$ 519,231	\$ 711,777

Going Concern (Note 2)

Subsequent Events (Note 13)

ON BEHALF OF THE BOARD:

"Del Steiner", Director

"Salvador Huerta", Director

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

U.S. Funds

	Three Months Ended 30 September		Nine Months Ended 30 September	
	2009	2008	2009	2008
Expenses (Income)				
Resource property expense	\$ 179,826	\$ 678,363	\$ 484,699	\$ 1,597,429
Stock-based compensation	38,973	74,670	208,793	369,223
Management fees	50,300	64,495	137,087	217,424
Shareholder relations	33,246	88,115	98,780	337,081
Professional fees	53,085	40,547	127,657	158,151
Travel	11,713	69,903	58,580	163,938
Amortization	19,878	14,013	54,529	44,916
Office rent	11,429	15,176	45,016	51,874
Transfer agent and filing fees	7,329	40,191	28,775	50,453
Office and general	11,470	44,981	30,817	114,856
Insurance	19,347	-	29,194	-
Bank charges and interest	516	5,407	10,088	18,143
Foreign exchange gain	(44,047)	(511,757)	(274,939)	(712,630)
Loss for the Period	(393,065)	(624,104)	(1,039,076)	(2,410,858)
Deficit - Beginning of period	(9,613,144)	(7,011,183)	(8,967,133)	(5,224,424)
Deficit, End of Period	\$ (10,006,209)	\$ 7,635,287	\$ (10,006,209)	\$ 7,635,282
Loss per Share - Basic and Diluted	\$ (0.01)	\$ (0.02)	\$ (0.02)	\$ (0.08)
Weighted Average Shares Outstanding	48,625,035	24,147,853	43,448,696	21,816,073
Comprehensive Loss				
Loss for the Period	\$ (393,065)	\$ (624,104)	\$ 1,039,076	\$ (2,410,858)
Translation adjustment	(191,571)	(239,702)	(98,474)	(335,490)
Comprehensive Loss for the Period	\$ (584,636)	\$ (863,806)	\$ 940,602	\$ (2,746,348)
Accumulated Other Comprehensive Income (Loss)				
Beginning of period	\$ 82,678	\$ 217,070	\$ (10,420)	\$ 312,858
Translation adjustment	15,797	(239,702)	108,894	(335,490)
End of Period	\$ 98,475	\$ (22,632)	\$ 98,474	\$ (22,632)

- See Accompanying Notes -

Interim Consolidated Statements of Cash Flows (Unaudited)

U.S. Funds

	Three Months Ended 30 September		Nine Months Ended 30 September	
	2009	2008	2009	2008
Operating Activities				
Loss for the year	\$ (393,065)	\$ (624,104)	\$ (1,039,076)	\$ (2,410,858)
Items not affecting cash				
Amortization	19,878	14,013	54,529	44,916
Stock-based compensation	38,973	74,670	208,793	369,223
Unrealized foreign exchange	(33,524)	(85,676)	(11,675)	(146,842)
	(367,738)	(621,097)	(787,429)	(2,143,561)
Net Change in non-cash working capital	40,435	48,488	319,291	(65,344)
	(327,303)	(572,609)	(468,138)	(2,208,905)
Investing Activities				
Equipment acquired	(510)	7,826	(6,556)	(6,833)
Financing Activities				
Shares issued for cash	41,135	729,909	451,279	2,330,556
Share purchase warrants issued for cash	-	166,060	193,275	166,060
Unit offering issuance costs	-	-	(22,807)	-
Repayment of notes payable	-	33,715	(95,163)	29,887
	41,135	929,684	526,584	2,526,503
Effect of Exchange Rates on Cash	(15,798)	(452,537)	(108,894)	(512,466)
Net Increase in Cash	(302,476)	(87,636)	(57,004)	(201,701)
Cash position – Beginning of period	364,924	570,138	119,452	684,203
Cash Position – End of Period	\$ 62,448	\$ 482,502	\$ 62,448	\$ 482,502
Supplemental Disclosure of Non-Cash Investing and Financing				
Fair value transfers on exercise of options	\$ 16,645	\$ -	\$ 16,645	\$ 54,252
Fair value transfers on exercise of warrants	\$ 607	\$ -	\$ 607	\$ -
Shares issued for mineral property	\$ -	\$ 24,039	\$ -	\$ 59,628

Notes to Interim Consolidated Financial Statements

U.S. Funds

For the Nine Months Ended 30 September 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 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 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 30 September 2009, the Company has an accumulated deficit of \$10,006,209 (31 December 2008 - \$8,967,133), 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

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.

4. 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

Notes to Interim Consolidated Financial Statements

U.S. Funds

For the Nine Months Ended 30 September 2009

financial statements and the accompanying notes for the year ended 31 December 2008. 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 30 September 2009 are not necessarily indicative of the results that may be expected for the full year ending 31 December 2009. These unaudited interim consolidated financial statements should be read in conjunction with the audited financial statements and related footnotes for the year ended 31 December 2008.

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) 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) 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 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 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.

Notes to Interim Consolidated Financial Statements

U.S. Funds

For the Nine Months Ended 30 September 2009

d) 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.

5. Resource Properties

a) A summary of exploration expenditures for the nine month period ended 30 September 2009 follows:

	United States		Mexico		Total
Property payments		-		58,052	58,052
Drilling		230,677		-	230,677
Assaying		17,903		-	17,903
Administration	\$	74,625	\$	575	\$ 75,200
General		22,346		746	23,092
Geological		71,775		-	71,775
Reports		8,000		-	8,000
Total	\$	425,326	\$	59,373	\$ 484,699

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
Total	\$	887,910	\$	1,045,217	\$ 1,933,127

b) Chrome Mountain Property, 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.

c) Idaho Gold Properties, 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").

Notes to Interim Consolidated Financial Statements

U.S. Funds

For the Nine Months Ended 30 September 2009

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
- 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) 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, amended subsequently, whereby the Company must complete the following:

	Issue Shares from Treasury		Cash Payments	
11 January 2007	10,000	(i)\$	25,000	(ii)\$
11 July 2007	15,000	(i)	50,000	(ii)
11 January 2008	15,000	(iv)	50,000	(ii)
11 January 2009	-		30,000	(ii)
31 March 2009	25,000		65,000	(ii)
30 September 2009	-		30,000	
30 September 2009	80,000		250,000	
11 July 2010	80,000		250,000	
Total	225,000	\$	750,000	\$
	(i)	Issued		
	(ii)	Paid		
	(iii)	Complete		

The Company has not made the required payments for 30 September 2009 and is currently undergoing negotiations on this option agreement.

Premium Exploration Inc.

Notes to Interim Consolidated Financial Statements

U.S. Funds

For the Nine Months Ended 30 September 2009

6. Equipment

Details are as follows:

30 September 2009	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 37,821	\$ 17,368	\$ 20,453
Furniture and equipment	36,955	18,772	18,183
Field equipment	293,374	148,928	144,446
Computer Software	14,764	6,713	8,051
	<u>\$ 382,914</u>	<u>\$ 191,781</u>	<u>\$ 191,133</u>
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
	<u>\$ 331,287</u>	<u>\$ 116,575</u>	<u>\$ 214,712</u>

7. Notes Payable

Details are as follows:

	30 September 2009	31 December 2008
Delbert Steiner, a director, promissory note payable, unsecured, bears interest at 8% per annum, repayable on demand,	\$ 55,159	\$ 153,504
Barney Green Lee, a director, promissory note payable, unsecured, bears interest at 8% per annum and repayable on demand	<u>62,959</u>	<u>59,777</u>
	<u>118,118</u>	213,281
Current portion	<u>118,118</u>	213,281
	<u>\$ -</u>	<u>\$ -</u>

Premium Exploration Inc.

Notes to Interim Consolidated Financial Statements

U.S. Funds

For the Nine Months Ended 30 September 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 or warrants	-	-	(2,530,000)	-
Returned to treasury	(25,000)	-	-	-
Share issuance costs	-	(55,008)	-	(12,514)
Balance – 31 December 2008	39,442,219	\$ 7,457,637	3,400,166	\$ 370,833
Issuance of shares on private placements	6,739,000	410,144	6,739,000	193,275
Issuance of shares exercise of options	250,000	37,170		
Issuance of shares on warrant exercise	20,000	3,965		
Fair value transfer on exercise of options	-	16,645		
Fair value transfer on exercise of warrants		607	(20,000)	(607)
Share issuance costs		(22,807)		
Balance – 30 September 2009	46,451,219	\$ 7,903,361	10,119,166	\$ 563,501

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

On 29 May 2009, the Company issued 6,739,000 units on a private placement at Cdn\$0.10 per unit for gross proceeds of Cdn\$673,900. 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\$0.20 in the first year and Cdn\$0.50 in the second year. The Company paid agents commissions of Cdn\$10,000 and other costs relating to the placement of Cdn\$27,475.

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 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 these unit offerings between common shares and share purchase warrants and to value the agent's share purchase warrants using an estimated volatility of 61-76%, an estimated risk-free rate of 2.57% - 2.80%, an estimated dividend rate of 0.00% and an estimated life of the warrants of 2 years, respectively.

Notes to Interim Consolidated Financial Statements

U.S. Funds

For the Nine Months Ended 30 September 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\$0.28
Granted	2,650,000	0.15	950,000	0.42
Exercised	(250,000)	0.15	(237,500)	0.22
Expired / Cancelled	(600,000)	0.29	(1,125,000)	0.31
Balance – End of Year	6,005,000	Cdn\$0.25	4,467,500	Cdn\$0.30

Details of stock options outstanding as at 30 September are as follows:

Expiry Date	Exercise Price	2009	2008
01 March 2011	Cdn\$ \$ 0.30	450,000	600,000
15 November 2011	Cdn\$ \$ 0.20	300,000	300,000
05 March 2012	Cdn\$ \$ 0.23	1,050,000	1,250,000
24 April 2012	Cdn\$ \$ 0.35	200,000	200,000
24 April 2012	Cdn\$ \$ 0.40	130,000	130,000
24 October 2012	Cdn\$ \$ 0.35	875,000	1,137,500
15 February 2013	Cdn\$ \$ 0.66	150,000	200,000
07 April 2013	Cdn\$ \$ 0.33	150,000	150,000
02 May 2013	Cdn\$ \$ 0.30	500,000	500,000
19 January 2014	Cdn\$ \$ 0.15	1,600,000	-
27 March 2014	Cdn\$ \$ 0.15	600,000	-
		6,005,000	4,467,500

The outstanding options have a weighted-average exercise price of Cdn\$0.25 and the weighted-average remaining life of the options is 3.28 years. As at 30 September 2009, a total of 4,517,500 (31 December 2008 – 5,312,141) 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 – 64%), an estimated risk-free rate of 1.5%-1.6% (2008 - 3.9%), an estimated dividend rate of 0.00 % (2008 – 0.00%) and an estimated life of the options of 5 years (2008 - 5 years).

Notes to Interim Consolidated Financial Statements

U.S. Funds

For the Nine Months Ended 30 September 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
Granted	6,739,000	Cdn \$0.20	3,400,156	Cdn \$0.50
Exercised	(20,000)	Cdn \$0.20	(3,926,960)	Cdn \$0.28
Expired	-		(907,375)	Cdn \$0.28
Balance - End of Period	<u>10,119,166</u>	<u>Cdn \$0.30</u>	<u>5,022,781</u>	<u>Cdn \$0.43</u>

A summary of outstanding is as follows:

	Price	Expiry	Number of Warrants (i)
Issued - 26 August 2008	C\$0.75	26 August 2010	3,400,166
Issued - 29 May 2009	C\$0.20	29 May 2011	6,719,000
Balance - 30 September 2009			<u>10,119,166</u>

- (i) The number of warrants is expressed in equivalent number of common shares, which may be issued upon exercise of the warrants.
- (ii) The Company extended the 26 August 2008 exercise period for the Cdn\$0.50 from 26 August 2009 to 10 October 2009.

e) Stock-based compensation

For the period ended 30 September, 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	950,000
Average exercise price (in Cdn\$)	\$ 0.15	\$ 0.42
Estimated fair value of compensation	\$ 207,175	\$ 214,448
Estimated fair value per option	\$ 0.08	\$ 0.23

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

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:

	2009	2008
Balance - beginning of year	\$ 1,128,664	\$ 745,019
Stock-based compensation	208,793	369,223
Fair value of stock options exercised	(16,645)	(54,252)
Balance - end of year	<u>\$ 1,320,812</u>	<u>\$ 1,059,990</u>

Notes to Interim Consolidated Financial Statements

U.S. Funds

For the Nine Months Ended 30 September 2009

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 US\$81,000 (2008 - \$42,000) to a director and officer of the Company.
- b) The Company paid or accrued management fees of Cnd\$45,000 (2008 - \$18,000) to an officer of the Company.
- c) The Company incurred \$8,600 (2008 - \$6,000) of interest on notes payable to directors

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

30 September, 2009		Capital Assets
Canada	\$	28,690
United States		75,425
Mexico		87,018
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Total	\$	191,133
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31 December 2008		Capital Assets
Canada	\$	28,098
United States		88,415
Mexico		98,199
<hr/>		
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.

12. 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 30 September 2009 the Company held currency totalling Cdn\$63,000; and Pesos\$52,000, 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.

Notes to Interim Consolidated Financial Statements

U.S. Funds

For the Nine Months Ended 30 September 2009

13. Subsequent Events

On 23 October 2009, the Company issued 7,145,000 units on a private placement at CDN \$0.20 per unit for gross proceeds of CDN \$1,429,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to acquire an additional share at \$0.30 for an eighteen month period. The Company paid agent's commissions of 402,500 shares of Premium.

On 13 November 2009, the Company issued 6,375,000 units on a private placement at CDN \$0.20 per unit for gross proceeds of CDN \$1,275,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to acquire an additional share at \$0.30 for an eighteen month period. The Company paid agent's commissions of 402,500 shares of Premium.

Subsequent to the period the Company granted 500,000 options to the CEO and 100,000 options to a geologist and 300,000 to an investor relations firm.