

SUPREME RESOURCES LTD.
(formerly Universal Energy Corp.)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2008

Chang Lee LLP

Chartered Accountants

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AUDITORS' REPORT

To the Shareholders of Supreme Resources Ltd.

We have audited the consolidated balance sheets of Supreme Resources Ltd. ("the Company") as at June 30, 2008 and 2007 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
August 29, 2008

CHANG LEE LLP
Chartered Accountants

SUPREME RESOURCES LTD.

(formerly Universal Energy Corp.)

Consolidated Balance Sheets

As at June 30

	2008	2007
Assets		
Current assets		
Cash and cash equivalents	\$ 1,498	\$ 19,314
Short term investment	253,481	-
Receivables	1,946	487
Prepaid expenses	8,999	878
	265,924	20,679
Mineral properties and deferred costs (Note 3)	93,803	20,000
Oil and gas properties and deferred costs (Note 4)	-	1
Reclamation bonds (Note 3)	2,500	-
	\$ 362,227	\$ 40,680
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 101,481	\$ 184,530
Loan payable (Note 6)	-	168,015
	101,481	352,545
Shareholders' equity		
Share capital (Note 7)	6,526,913	5,940,075
Contributed surplus (Note 7)	346,493	126,477
Deficit	(6,612,660)	(6,378,417)
	260,746	(311,865)
	\$ 362,227	\$ 40,680

Nature and continuance of operations (Note 1)

Subsequent events (Note 11)

Approved on behalf of the Board:

"Allan Levien"

Allan Levien Director

"John Davies"

John Davies Director

The accompanying notes are an integral part of these consolidated financial statements.

SUPREME RESOURCES LTD.

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Consolidated Statements of Operations and Deficit

For the years ended June 30

	2008	2007
Expenses		
Bad debt	\$ -	\$ 13,412
Consulting fee	28,500	-
Filing, transfer agent and reporting fees	28,595	26,937
Interest and bank charges	10,982	23,066
Management and administration	17,500	34,287
Occupancy cost	8,109	3,886
Office and miscellaneous	34,692	20,869
Project investigation	1,000	-
Professional fees	31,159	71,347
Promotion, advertising, website	7,949	-
Stock-based compensation (Note 7)	229,730	-
Travel and promotion	5,596	11,414
Loss before other item	(403,812)	(205,218)
Other Items		
Currency exchange loss	-	(7,091)
Write-off of oil and gas properties and deferred costs (Note 3)	-	(495,363)
Interest income	4,208	-
Gain on settlement of loan payable	154,308	-
Forgiveness of debts	11,053	-
Net loss and comprehensive loss for the year	(234,243)	(707,672)
Deficit, beginning of year	(6,378,417)	(5,670,745)
Deficit, end of year	\$ (6,612,660)	\$ (6,378,417)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.03)
Weighted average number of common shares outstanding		
- basic and diluted	28,099,588	22,470,945

The accompanying notes are an integral part of these consolidated financial statements.

SUPREME RESOURCES LTD.

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Consolidated Statements of Cash Flows

For the year ended June 30

	2008	2007
Cash flows provided by (used in) operating activities:		
Net loss for the year	\$ (234,243)	\$ (707,672)
Items not affecting cash:		
Write-off of oil and gas properties and deferred costs	-	495,363
Unrealized foreign exchange loss (gain)	-	118
Bad debt	-	13,412
Stock-based compensation	229,730	-
Gain on settlement of loan payable	(154,308)	-
Forgiveness of debts	(11,053)	-
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(1,459)	6,508
Decrease (increase) in prepaid expenses	(8,121)	8,806
Increase (decrease) in accounts payable and accrued liabilities	(40,703)	55,780
Increase (decrease) in loan payable	(45,000)	-
Deferred exploration costs	(21,142)	-
Net cash used in operating activities	(286,299)	(127,685)
Cash flows provided by (used in) financing activities:		
Shares issued for cash	585,624	163,621
Share issue costs	(52,500)	(2,047)
Net cash provided by financing activities	533,124	161,574
Cash flows used in investing activities:		
Acquisition of mineral properties	(8,660)	(20,000)
Reclamation bond	(2,500)	-
Short term investment	(253,481)	-
Net cash used in investing activities	(264,641)	(20,000)
Changes in cash for the year	(17,816)	13,889
Cash and cash equivalents, beginning of year	19,314	5,425
Cash and cash equivalents, end of year	\$ 1,498	\$ 19,314
Cash paid during the years for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 9)

The accompanying notes are an integral part of these consolidated financial statements.

SUPREME RESOURCES LTD.

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Notes to the Consolidated Financial Statements

June 30, 2008

1. Nature of and continuance of operations:

Supreme Resources Ltd. (the "Company") was incorporated under the British Columbia Company Act on June 12, 1979 and is listed on the TSX Venture Exchange ("TSX-V"). On February 9, 2007 the Company changed its name from Universal Energy Corp. Previously, on January 9, 2006, the Company had changed its name from U.S. Platinum Inc. The Company's principal business activities changed from acquiring and developing oil and gas properties in central United States and Canada to acquiring and developing mining properties in Canada. To date the Company has not generated significant revenues from its operations and is considered to be in the exploration stage.

The attached consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and/or generate continued financial support in the form of share issuances. These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada.

The consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

	2008	2007
Working capital (deficiency)	\$ 164,443	\$ (331,866)
Deficit	\$ (6,584,160)	\$ (6,378,417)

2. Significant accounting policies:

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Supreme Resources USA Ltd. ("Supreme USA"), formerly Universal Energy USA Ltd. ("Universal USA"), a company incorporated under the laws of Nevada, USA. Significant inter-company balances and transactions have been eliminated upon consolidation.

Foreign currency translation

Financial statements of the Company's foreign subsidiary are translated into Canadian dollar equivalents using the temporal method whereby all monetary assets and liabilities are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Income and expenses are translated at rates approximating those at the transaction dates. Gains and losses arising from translation of foreign currency monetary assets and liabilities at each year end are recognized in the statement of operations.

SUPREME RESOURCES LTD.

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Notes to the Consolidated Financial Statements

June 30, 2008

2. Significant accounting policies (cont'd)

Oil and gas exploration

The Company follows the full cost method of accounting for its oil and gas exploration whereby all costs related to the acquisition of, exploring for and developing oil and natural gas reserves are capitalized. These costs, together with the estimated future costs to be incurred in developing proved reserves, are depleted or depreciated using the unit-of-production method based on the proved reserves before royalties as estimated by independent petroleum engineers. The costs of undeveloped properties are excluded from the costs subject to depletion, depreciation and amortization until it is determined whether proved reserves are attributable to the properties or impairment occurs.

Reserve estimates can have a significant impact on earnings, as they are a key component in the calculation of depletion, depreciation and amortization. A downward revision to the reserve estimate could result in higher depletion, depreciation and amortization and thus lower net earnings. In addition, estimated reserves are also used in the ceiling test. If the net capitalized costs exceed the calculated ceiling, the excess must be written off as an expense charged against earnings. The ceiling is equal to the estimated undiscounted future net revenue from proved reserves, based on year-end prices, plus the cost (net of impairments) of unproved properties less estimated future capital costs, future site restoration, general and administrative, financing and income tax costs.

Proceeds from the sale of oil and natural gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would result in a change in the depletion rate of 20% or more.

The Company's oil and gas reserves will be evaluated and reported on by an independent petroleum engineer. The estimates of reserves is a subjective process as forecasts are based on engineering data, projected future rates of production, estimated future commodity prices and the timing of future expenditures, which are all subject to uncertainty and interpretation.

Management relies on professional industry consultants to determine whether losses from environmental, legal, and other contingencies are probable, and if so, how much to accrue for each contingency. On an ongoing basis, management evaluates its estimates and assumptions; however, actual amounts could differ from those based on such estimates and assumptions.

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Notes to the Consolidated Financial Statements

June 30, 2008

2. Significant accounting policies (cont'd...)

Mineral properties and deferred costs

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

The Company has taken steps to verify title to the mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, but these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of environmental obligations, impairment of minerals claims and deferred exploration expenditures, rates for depletion and amortization and stock-based compensation. Actual results could differ from those estimates.

Future income taxes

The Company follows the asset and liability method of accounting for income taxes whereby future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is likely to be realized.

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Notes to the Consolidated Financial Statements

June 30, 2008

2. Significant accounting policies (cont'd)

Deferred charges

Professional, consulting and regulatory fees as well as other costs that are directly attributable to financing transactions are deferred until such time as the transactions are completed. Share issue costs are charged to capital stock when the related shares are issued. Costs relating to financing transactions that are not completed are charged to operations.

Loss per share

The Company uses the treasury stock method to calculate diluted loss per share. Diluted loss per share considers the dilutive impact of the exercise of outstanding stock options, warrants and similar instruments as if the events had occurred at the beginning of the period or at time of issuance, if later. For the fiscal years ended June 30, 2008 and 2007, this calculation proved to be anti-dilutive. Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

Stock-based compensation

The Company accounts for stock options using the fair value method. Under the fair value method, options granted to employees and non-employees are charged against income over the period of vesting. The fair value of each option granted is estimated on the date of the grant using the Black-Scholes options pricing model. Any consideration paid upon exercise of stock options is credited to share capital.

Comprehensive Income (CICA Handbook Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, when applicable, the Company's financial statements will include a statement of comprehensive income/loss and a new category, accumulated other comprehensive income/loss, will be added to the shareholders' equity section of the balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale and the effective portion of cash flow hedges, if any. There were no such components to be recognized in comprehensive income for the year ended June 30, 2008.

Financial instruments

The Company's financial instruments consist of cash and cash equivalent, short term investment, accounts payable and accrued liabilities and loan payable. The Company has classified its cash and cash equivalents and short term investment as held for trading, which is measured at fair value. Accounts payable and accrued liabilities and loan payable are classified as other financial liabilities, which are measured at amortized cost. As at June 30, 2008, the carrying and fair value amounts of the Company's financial instruments related to cash and cash equivalents, short term investment, accounts payable and accrued liabilities and loan payable are the same due to their short terms to maturity. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

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June 30, 2008

2. Significant accounting policies (cont'd)

New Accounting Pronouncements

In June 2007, the CICA amended Section 1400 to include requirements to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. The mandatory effective date is for annual and interim financial statements for years beginning on or after January 1, 2008. This new requirement will be adopted by the Company effective July 1, 2008. The adoption of this Section will not have an impact on the financial statements.

The CICA issued a new accounting standard, Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and processes for managing capital. The new section will be effective for the company beginning July 1, 2008. The Company does not expect the impact of the adoption of this new section on the financial statements to be significant.

Two new accounting standards were issued by the CICA, Section 3862, Financial Instruments – Disclosures (“Section 3862”), and Section 3863, Financial Instruments – Presentation (“Section 3863”) which replace CICA, Section 3861, Financial Instruments – Disclosure and Presentation. The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity's financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks. The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These new sections are effective for the Company beginning July 1, 2008. The Company does not expect the impact of the adoption of these new sections on the financial statements to be significant.

In January 2006, the CICA Accounting Standards Board (AcSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards (“IFRS”) by the end of 2011. The impact of the transition to IFRS on the Company's financial statements has not yet been determined.

Comparative figures

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

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June 30, 2008

3. Mineral properties and deferred costs:

Expenditures incurred on mineral properties were as follows:

	June 30 2006	Expenditures (Write off)	June 30 2007	Expenditures	June 30 2008
Ample-Goldmax, Lillooet, BC	-	\$ 20,000	\$ 20,000	\$ 68,803	\$ 88,803
TAS Project, Copper Mountain, BC	-	-	-	5,000	5,000
	-	\$ 20,000	\$ 20,000	\$ 73,803	\$ 93,803

Ample-Goldmax, Lillooet, BC

On May 5, 2007 the Company signed an Option Agreement securing an option on a block of mining claims located southwest of Lillooet, British Columbia. The option is being acquired for an initial payment of \$10,000 and the issuance of 500,000 common shares of the Company, of which 300,000 are issuable upon acceptance of the Agreement by the TSX Venture Exchange and the remaining 200,000 to be issued in the subsequent two years, detailed as follows:

- a) \$10,000 upon Regulatory Approval of the agreement; (Fulfilled)
- b) 300,000 shares upon Regulatory Approval of this agreement; (Fulfilled)
- c) 100,000 shares on or before April 15, 2008; and (Fulfilled)
- d) 100,000 shares on or before April 15, 2009. (Fulfilled)

On June 4, 2008 the final 100,000 shares were issued to the Optionors and the claims were transferred into the name of Supreme Resources Ltd. on June 25, 2008.

TAS Project, Copper Mountain, BC

On June 21, 2008 the Company signed an Option Agreement securing an option on the TAS mineral claim, Tenure #511400, comprising 1,306 hectares (3,227 acres) and located in the Similkameen Mining Division. The TAS Project is in the Copper Mountain Mining Camp, approximately 160kms east of Vancouver and 17kms southeast of the town of Princeton in southern British Columbia. The claim adjoins the Copper Mountain Mining Corporation's property (Similco Mines) on its southeastern boundary.

The option is being acquired for cash payments of \$430,000, the issuance of 850,000 common shares of the Company and the expenditure of \$3,550,000 in exploration over five years. The Optionor received \$5,000 on signing of the agreement and is due to receive another \$25,000 payment and 200,000 shares by August 1, 2008 (subsequently paid and issued). On June 30, 2008 the agreement had been accepted for filing by the TSX Venture Exchange.

Reclamation bonds

The reclamation bond represents term deposits which have been pledged to the Province of British Columbia as security for reclamation obligations pursuant to the Mines Act of British Columbia. The financial institution will hold the security until receives instructions from the applicant to redeem the security for re-investment of the proceeds in a security specified by the applicant and approved in writing by the Province. The bond bears a 2% interest.

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June 30, 2008

4. Oil and gas properties and deferred costs:

Expenditures incurred on oil and gas properties were as follows:

	June 30, 2006	Expenditures	June 30, 2007	Expenditures (Write-offs)	June 30, 2008
Saturn I Property, Montana USA					
Acquisition	\$151,367	\$ (151,366)	\$ 1	\$ -	\$ -
Saturn II Property, Montana USA					
Acquisition	344,115	(344,115)	-	-	-
	\$495,482	\$ 495,481	\$ 1	\$ -	\$ -

Saturn I and Saturn II Properties, Daniels County Montana, USA:

In February 2008, the Company signed a Settlement Agreement with Primary Petroleum whereby Supreme Resources agreed to assign, transfer and convey all of its rights, title and interest in and to the Leases to Primary Petroleum and pay Primary US\$45,000. In turn Primary Petroleum agreed to execute and file a Release of the Mortgage in the records of Daniels County, Montana and file UCC Termination Statements with the Montana Secretary of State's office.

5. Related party transactions:

During the year ended June 30, 2008 the Company entered into the following transactions with related parties:

- Paid or accrued \$17,500 (2007 - \$25,050) for management and administration costs to directors and former directors.
- Paid or accrued \$Nil (2007 - \$6,000) for accounting services provided by a former officer of the Company
- Paid or accrued \$4,676 (2007 - \$21,176) for legal services provided by a former director of the Company.

Included in accounts payable and accrued liabilities is \$54,054 (2007 - \$34,501) owed to companies owned by directors and former directors for services provided.

These transactions were in the normal course of operations and have been recorded at the exchange amount, which is the amount agreed to by the related parties.

6. Loan payable:

In May 2006, the Company borrowed \$168,015 (US\$150,000) bearing interest at 12%, and secured by a promissory note and general security agreement on all of the current assets of the Company. In February 2008 a Settlement Agreement was executed and the loan is now considered paid in full, see note 4.

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Notes to the Consolidated Financial Statements

June 30, 2008

7. Share capital and contributed surplus:

(a) Authorized:

Unlimited common shares without par value

10,000,000 Class "A" preference shares with a par value of \$10 each

10,000,000 Class "B" preference shares with a par value of \$50 each

(b) Common shares issued:

	Number of shares	Share Capital	Contributed Surplus
Balance, June 30, 2006	21,340,503	\$ 5,784,982	\$ 126,477
Issued during year:			
Private placement	2,517,246	163,621	-
Share issue costs	-	(42,528)	-
Issued for settlement of accounts payable	460,000	34,000	-
Balance, June 30, 2007	24,317,749	5,940,075	126,477
Issued during year:			
Private placement	1,652,804	132,224	-
Flow through shares	4,444,443	400,000	-
Share issue costs	-	(52,500)	-
Property option payment	500,000	44,000	-
Exercise of warrants	350,000	42,000	-
Exercise of options	114,000	21,114	(9,714)
Stock-based compensation	-	-	229,730
Balance, June 30, 2008	31,378,996	\$ 6,526,913	\$ 346,493

On July 30, 2007 the Company issued 300,000 common shares at a deemed price of \$0.08 as part of the option agreement on the Ample-Goldmax Property.

In November 2007 the Company completed a private placement consisting of 1,652,804 units at \$0.08 per unit for proceeds of \$132,224 before share issue costs. Each unit consisted of one common share and half a common share purchase warrant. Each full warrant entitles the holder to acquire one common share at a price of \$0.12 for a period of one year. The Company applied the residual approach which allocates the net proceeds to the common shares up to their fair value and the balance to the attached warrants. All of the proceeds from the above private placement have been allocated to the common shares and \$nil was allocated to share purchase warrants.

In December 2007 the Company completed a flow-through shares private placement consisting of 4,444,443 units at \$0.09 per unit for proceeds of \$400,000 before share issue costs. Each unit consisted of one common share and one two-year common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.15 in the first year and at \$0.20 in the second year. The Company applied the residual approach which allocates the net proceeds to the common shares up to their fair value and the balance to the attached warrants. All of the proceeds from the above private placement have been allocated to the common shares and \$nil was allocated to share purchase warrants. A finder's fee of 444,444 warrants was also incurred with this private placement.

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Notes to the Consolidated Financial Statements

June 30, 2008

7. Share capital and contributed surplus (cont'd):

(b) Common shares issued:

On December 14, 2007, 81,090 options were exercised at \$0.10 for net proceeds of \$8,109.

On April 4, 2008 the Company issued 100,000 common shares at a deemed price of \$0.07 per share as part of the option agreement on the Ample-Goldmax Property.

On April 17, 2008, 300,000 warrants were exercised at \$0.12 for net proceeds of \$36,000.

On April 28, 2008, 32,910 options were exercised at \$0.10 for net proceeds of \$3,291.

On May 14, 2008, 50,000 warrants exercised at \$0.12 for net proceeds of \$6,000.

On May 28, 2008 the Company issued 100,000 common shares at a deemed price of \$0.13 per share as part of the option agreement on the Ample-Goldmax Property.

(c) Share purchase warrants:

As at June 30, 2008, the Company had outstanding warrants enabling the holders to acquire common shares as follows:

Number Of Warrants	Exercise Price	Expiry Date
776,402	\$0.12	November 28, 2008
4,888,887	\$0.15/\$0.20	December 21, 2008 / December 21, 2009
5,665,289		

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding as at June 30, 2006	3,377,500	\$ 0.15
Issued	1,758,623	0.11
Expired/cancelled	(3,377,500)	(0.15)
Outstanding as at June 30, 2007	1,758,623	0.11
Issued	5,715,289	0.14
Expired/cancelled	(1,458,623)	(0.11)
Exercised	(350,000)	(0.12)
Outstanding as at June 30, 2008	5,665,289	\$ 0.15

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Notes to the Consolidated Financial Statements

June 30, 2008

7. Share capital and contributed surplus (cont'd):

(d) Stock options:

Option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding as at June 30, 2006	1,100,890	\$ 0.10
Granted	450,000	0.10
Expired/cancelled	(1,550,890)	0.10
Outstanding as at June 30, 2007	-	-
Granted	3,160,698	0.10
Expired/cancelled	-	0.10
Exercised	(114,000)	0.10
Outstanding and exercisable as at June 30, 2008	3,046,698	\$ 0.10

During fiscal 2008, the Company granted 3,160,698 stock options to directors and consultants resulting in a total fair value of \$229,730. These options have a life of five years from the grant date and vest immediately upon grant. The exercise prices of the stock options granted during the year is above market price at the date of grant and the weighted average fair value of stock options granted is \$0.07.

During fiscal 2007, the Company granted 450,000 stock options to directors and consultants of which all of these options have been cancelled subsequent to the year-end. As a result, no fair value was recorded.

The Company has the following options outstanding and exercisable.

Year	Range of exercise prices	Number of options	Weighted average remaining contractual life	Weighted average exercise price
2008	\$0.10	3,046,698	4.73	0.10

The following assumptions were used for the Black-Scholes valuation of stock options granted during fiscal 2008:

	2008
Risk-free interest rate	3.79%
Expected dividend yield	0.00%
Expected stock volatility	127%
Expected option life in years	5 years

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June 30, 2008

7. Share capital and contributed surplus (cont'd):

(e) Flow through shares:

The Company issued flow-through common shares to finance part of its exploration expenditures. The income tax deductions related to the exploration expenditures are claimable only by the investors of the flow-through common shares. As at June 30, 2008, the Company has not renounced the flow-through shares issued.

8. Income taxes:

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2008	2007
Loss before income taxes	\$ (234,243)	\$ (707,672)
Expected income tax recovery	\$ (73,787)	\$ (220,757)
Items not deductible for income tax purposes	72,365	-
Items deducted for income tax purposes	(7,128)	(4,138)
Unrecognized benefit of non-capital losses	-	224,895
Loss used	(8,550)	-
Total income tax recovery	\$ -	\$ -

The significant components of the Company's future income tax assets are as follows:

	2008	2007
Future income tax assets:		
Non-capital loss carry-forwards	\$ 306,000	\$ 345,000
Resource properties	329,000	363,000
Financing costs	21,000	13,000
	656,000	721,000
Valuation allowance	(656,000)	(721,000)
Net future income tax assets	\$ -	\$ -

The Company has approximately \$970,580 of non-capital losses, which may be applied to reduce taxable income in future years. If not utilized, the losses expire through to 2028. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

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June 30, 2008

9. Supplemental disclosure with respect to cash flows:

During fiscal 2008, the significant non-cash transactions included:

- (a) 500,000 common shares were issued for the acquisition of mineral properties at a deemed cost of \$44,000 where 300,000 common shares were issued at a deemed price of \$0.08 per share for a total of \$24,000, 100,000 common shares were issued at a deemed price of \$0.07 per share for a total of \$7,000 and 100,000 common shares were issued at a deemed price of \$0.13 per share for a total of \$13,000.
- (b) Settlement of loan payable due to Primary Petroleum with a gain of \$154,308.
- (c) Forgiveness of debts of \$11,053.

10. Segmented information:

The Company's principal business activities changed from acquiring and developing oil and gas properties in central United States and Canada to acquiring and developing mining properties in Canada. At June 30, 2008, the Company disposed all of its oil and gas properties in central United States, therefore, there are no assets and liabilities in U.S. subsidiary at year end.

11. Subsequent events:

On August 1, 2008, the Company paid \$25,000 and issued 200,000 common shares, at a deemed price of \$0.125 per share, as part of the Option Agreement to acquire the TAS Project, Copper Mountain, BC.