

SUPREME RESOURCES LTD.
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2010

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, 2010 and 2009 and the consolidated statements of operations, comprehensive loss 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, 2010 and 2009 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
October 19, 2010

CHANG LEE LLP
Chartered Accountants

SUPREME RESOURCES LTD.

Consolidated Balance Sheets

As at June 30,

	2010	2009
Assets		
Current assets		
Cash and cash equivalents	\$ 20,411	\$ 443
Receivables	1,089	5,981
Prepaid expenses	13,069	2,500
	<u>34,569</u>	<u>8,924</u>
Mineral properties and deferred costs (Note 3)	656,222	406,225
Reclamation bonds (Note 3)	22,500	7,500
	<u>\$ 713,291</u>	<u>\$ 422,649</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 106,453	\$ 225,630
Due to a related party (Note 4)	9,902	-
	<u>116,355</u>	<u>225,630</u>
Shareholders' equity		
Share capital (Note 5b)	6,910,831	6,550,913
Share subscription received (Note 10)	40,000	-
Contributed surplus (Note 5b)	366,699	346,493
Deficit	(6,720,594)	(6,700,387)
	<u>596,936</u>	<u>197,019</u>
	<u>\$ 713,291</u>	<u>\$ 422,649</u>

Nature and continuance of operations (Note 1)
Subsequent events and commitments (Note 10)

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.

Consolidated Statements of Operations, Comprehensive Loss and Deficit
For the years ended June 30,

	2010	2009
Expenses		
Consulting fee	\$ 56,013	\$ 21,499
Filing, transfer agent and reporting fees	23,703	14,068
Interest and bank charges	3,015	4,306
Occupancy cost	-	5,850
Office and miscellaneous	14,495	25,305
Project investigation	-	1,000
Professional fees	28,357	15,100
Promotion, advertising, website	-	1,146
Stock based compensation	20,206	-
Travel and meals	11,053	5,912
Loss before other item	(156,842)	(94,186)
Other Items		
Interest income	63	2,393
Forgiveness of debts	-	4,066
Loss before taxes	(156,779)	(87,727)
Future income tax recovery	136,572	-
Net loss and comprehensive loss for the year	(20,207)	(87,727)
Deficit, beginning of year	(6,700,387)	(6,612,660)
Deficit, end of year	\$ (6,720,594)	\$ (6,700,387)
Basic and diluted loss per common share	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding - basic and diluted	35,071,768	31,565,297

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

SUPREME RESOURCES LTD.

Consolidated Statements of Cash Flows
For the year ended June 30,

	2010	2009
Cash flows provided by (used in) operating activities:		
Net loss for the year	\$ (20,207)	\$ (87,727)
Items not affecting cash:		
Forgiveness of debts	-	(4,066)
Future income tax recovery	(136,572)	-
Stock based compensation	20,206	-
Changes in non-cash working capital items:		
Decrease (increase) in receivables	4,892	(4,035)
Decrease (increase) in prepaid expenses	(10,569)	6,499
Increase (decrease) in accounts payable and accrued liabilities	(23,911)	11,073
Net cash (used in) operating activities	(166,161)	(78,256)
Cash flows provided by financing activities:		
Shares issued for cash	479,200	-
Share issue costs	(22,710)	-
Share subscription received	40,000	-
Dues to related party	9,902	-
Net cash provided by financing activities	506,392	-
Cash flows provided by (used in) investing activities:		
Acquisition and exploration of mineral properties	(305,263)	(171,280)
Reclamation bond	(15,000)	(5,000)
Short term investment	-	253,481
Net cash provide by (used in) investing activities	(320,263)	77,201
Changes in cash for the year	19,968	(1,055)
Cash and cash equivalents, beginning of year	443	1,498
Cash and cash equivalents, end of year	\$ 20,411	\$ 443
Cash paid during the years for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 7)

The accompanying notes are an integral part of these consolidated financial statement

SUPREME RESOURCES LTD.

Notes to the Consolidated Financial Statements
June 30, 2010

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 January 9, 2006, the Company had changed its name from U.S. Platinum Inc. to Universal Energy Corporation. On February 9, 2007, the Company changed its name to Supreme Resources Ltd. 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 yet generated revenues from its operations and is considered to be in the exploration stage.

The 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 using the going concern basis is dependent upon, among other things, continuing financial support of related parties, obtaining additional debt or equity financing, or its ability to attract and access additional outside risk capital. Specifically, the recovery of the Company's investment in resource properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop the properties and establish future profitable production from the properties, or from the proceeds of their disposition. The Company has not earned any operating revenues to date and is considered to be in the exploration stage. These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern.

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. Management of the Company is of the option that it will be in position to raise ongoing financing, however, there is no assurance that the Company will be able to obtain additional financing. The net carrying value of its assets may be materially less than the carrying amount stated in the consolidated balance sheets and its liabilities extinguished at values different than those stated in the consolidated balance sheets.

	2010	2009
Working capital (deficiency)	\$ (81,786)	\$ (216,706)
Deficit	\$ (6,720,594)	\$ (6,700,387)

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") a company incorporated under the laws of Nevada, USA. Significant inter-company balances and transactions have been eliminated upon consolidation.

SUPREME RESOURCES LTD.

Notes to the Consolidated Financial Statements
June 30, 2010

2. Significant accounting policies (cont'd):

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.

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would include obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company currently does not have any significant asset retirement obligations.

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.

SUPREME RESOURCES LTD.

Notes to the Consolidated Financial Statements
June 30, 2010

2. Significant accounting policies (cont'd):

Estimates and measurement uncertainty

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 but not limited to, the determining of mineral resources, fair values for purposes of impairment analysis, reclamation obligations, stock-based compensation and warrants, valuation allowances for future income tax assets, and future income tax liabilities. Actual results could differ from those estimates.

Impairment of long-lived assets

The Company follows the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3063, "Impairment of Long-Lived Assets". Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is an impairment, the impairment amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

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.

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.

SUPREME RESOURCES LTD.

Notes to the Consolidated Financial Statements
June 30, 2010

2. Significant accounting policies (cont'd):

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, 2010 and 2009, 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

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, 2010.

Financial instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

SUPREME RESOURCES LTD.

Notes to the Consolidated Financial Statements
June 30, 2010

2. Significant accounting policies (cont'd):

The Company's financial instruments consist of cash and cash equivalents, reclamation bonds, accounts payable and accrued liabilities and due to a related party. The Company has classified its cash and cash equivalents as held for trading, which is measured at fair value. Reclamation bonds are classified as held to maturity, which is measured at amortized cost. Accounts payable and accrued liabilities and due to a related party are classified as other financial liabilities, which are measured at amortized cost. As at June 30, 2010, the carrying and fair value amounts of the Company's financial instruments related to cash and cash equivalents, accounts payable and accrued liabilities and due to a related party are the same due to their short terms to maturity. The carrying values of reclamation bonds approximate their fair values. 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.

Capital disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures in Note 8 to these financial statements.

Newly adopted accounting policies

On July 1, 2009, the Company adopted CICA amended Handbook Section 1506, *Accounting Changes*, to exclude from its scope changes in accounting policies upon the complete replacement of an entity's primary basis of accounting. The adoption of these amendments did not have a material effect on the Company's consolidated financial statements.

On July 1, 2009, the Company adopted CICA amended Handbook Section 3862, *Financial Instruments—Disclosures*, to include additional disclosure requirements about fair value measurements of financial instruments and to enhance liquidity risk disclosure requirements for publicly accountable enterprises. See Note 9 for relevant disclosures.

On March 27, 2009, the Emerging Issues Committee of the CICA issued EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular and on impairment of long-lived assets in general. The Company has applied this new abstract for the year ended June 30, 2010. There was no impact on the consolidated financial statements of the Company.

SUPREME RESOURCES LTD.

Notes to the Consolidated Financial Statements
June 30, 2010

2. Significant accounting policies (cont'd):

New Accounting Pronouncements

In 2006, the AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of July 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended June 30, 2011. While the Company has begun assessing the adoption of IFRS, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. Prospective application of the standard is effective January 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with International Financial Reporting Standards ("IFRS"). The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination.

The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-Controlling Interests" which replace Section 1600 "Consolidated Financial Statements. Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination. These standards are effective January 1, 2011, unless they are early adopted at the same time as Section 1582 "Business Combinations".

In January 2009, the CICA issued EIC Abstract 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The EIC requires the Company to take into account the Company's own credit risk and the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities, including derivative instruments. The abstract applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2010. The Company is currently assessing the impact of the new standard on its financial statements.

Comparative figures

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

SUPREME RESOURCES LTD.

Notes to the Consolidated Financial Statements
June 30, 2010

3. Mineral properties and deferred exploration costs:

	Ample- Goldmax	TAS	Similkameen	South Princeton	Total
	\$	\$			\$
Mineral acquisition costs					
Opening balance, June 30, 2009	67,660	54,000	-	-	121,660
Cash payment	-	40,000	25,000	-	65,000
Shares issued for mineral property	-	20,000	10,000	10,000	40,000
Staking and other fees	-	2,132	-	120	2,252
Ending balance, June 30, 2010	67,660	116,132	35,000	10,120	228,912
Deferred exploration costs					
Opening balance, June 30, 2009	168,443	116,122	-	-	284,565
Assays and reports	-	5,236	-	-	5,236
Drilling	-	59,636	-	-	59,636
Field costs	12,232	65,641	-	-	77,873
Ending balance, June 30, 2010	180,675	246,635	-	-	427,310
Total cost as at June 30, 2010	248,335	362,767	35,000	10,120	656,222

	Ample- Goldmax	TAS	Total
Mineral acquisition and staking costs			
Opening balance, June 30, 2008	67,660	5,000	72,660
Cash payment	-	25,000	25,000
Shares issued for mineral property	-	24,000	24,000
Ending balance, June 30, 2009	67,660	54,000	121,660
Deferred exploration costs			
Opening balance, June 30, 2008	21,143	-	21,143
Assays and reports	5,359	-	5,359
Drilling	46,567	-	46,567
Field costs	95,374	116,122	211,496
Ending balance, June 30, 2009	168,443	116,122	284,565
Total cost as at June 30, 2009	236,103	170,122	406,225

Ample-Goldmax, Lillooet, BC

On May 5, 2007 the Company signed an Option Agreement securing an option to acquire 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, all of which has been paid and issued. During the year ended June 30, 2010, title to the 25 claims of the property has been transferred to the Company. Claim #529926 was re-staked and replaced by #569211.

SUPREME RESOURCES LTD.

Notes to the Consolidated Financial Statements
June 30, 2010

3. Mineral properties and deferred costs (cont'd):

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. On July 27, 2010, the option agreement was amended.

The option is being acquired for the following consideration and commitments:

- a) Upon signing, \$5,000 (fulfilled)
- b) Pay a further \$25,000 and issue 200,000 common shares on August 1, 2008 (fulfilled, shares issued at \$0.12 per share)
- c) Incurred exploration expenditures of \$150,000 by July 31, 2009 (fulfilled)
- d) Pay a further \$40,000 and issue 200,000 common shares on August 1, 2009 (fulfilled and shares issued at \$0.10 per share)
- e) Incurred exploration expenditures of \$400,000 by July 31, 2010 (subsequently fulfilled)
- f) Pay a further \$30,000 and issue 200,000 common shares on August 1, 2010 (subsequently fulfilled)
- g) Pay a further \$30,000 on October 31, 2010 (subsequently fulfilled)
- h) Incurred exploration expenditures of \$750,000 by July 31, 2011
- i) Pay a further \$100,000 and issue 150,000 common shares on August 1, 2011
- j) Incurred exploration expenditures of \$1,000,000 by July 31, 2012
- k) Pay a further \$200,000 and issue 100,000 common shares on August 1, 2012
- l) Incurred exploration expenditures of \$1,250,000 by July 31, 2013.

During the year ended June 30, 2010, the Company has self-staked 13 new claims within the TAS property area. These new self-staked claims are not related to any of the existing mineral option agreements. The purpose of these new claims is to expand the Company's mineral property in the TAS mining area.

Similkameen Mining Division, BC

On October 26, 2009, the Company entered into an option agreement to acquire a 100% undivided interests of three mineral claims in the Similkameen Mining Division of B.C., Tenure #310302, #313054, #565599, #565600, #565603, #565604, and #602624). The option is being acquired for the following consideration and commitments:

- a) Upon signing, \$5,000 (fulfilled);
- b) Pay a further \$20,000 and issue 60,000 common shares on December 1, 2009 (cash payment fulfilled and shares issued at \$0.10 per share)
- c) Pay a further \$25,000 and issue 70,000 common shares before October 26, 2010.

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Notes to the Consolidated Financial Statements
June 30, 2010

3. Mineral properties and deferred costs (cont'd):

In addition, on February 17, 2010, the Company acquired a 100% undivided interests of three mineral claims in the Similkameen Mining Division of BC (Tenure #570114; #325851; #325850) by issuing 50,000 common shares of the Company (issued on March 2, 2010). There is no royalty payable and this transaction is within arm's length.

South Princeton, BC

On February 28, 2010, the Company acquired a 100% undivided interests of six mineral claims situated in South Princeton, BC (Tenure # 606944 - 606949) by issuing an aggregate of 125,000 common shares of the Company (issued on April 19, 2010). There is no royalty payable and this transaction is in arm's length.

Reclamation bonds

The reclamation bonds represent 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 it 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.

As at June 30, 2010, total reclamation bonds of \$22,500 represent 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 were deposited. These deposits bear annual interest rates that ranged from 0.20% to prime rate less 2.05% with maturity dates from April 11, 2011 to September 8, 2011.

4. Related party transactions:

During the year ended June 30, 2010 the Company entered into the following transactions with related parties:

\$9,902 (2009 - \$nil) owed to a director as bridge loan at 1.99% interest annually and due on demand. The amount plus interest was repaid in July 2010.

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.

5. 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

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Notes to the Consolidated Financial Statements
June 30, 2010

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

(b) Common shares issued:

	Number of shares	Share Capital	Contributed Surplus
Balance, June 30, 2008	31,378,996	\$ 6,526,913	\$ 346,493
Issued during year:			
Property option payment	200,000	24,000	-
Balance, June 30, 2009	31,578,996	6,550,913	346,493
Issued during year:			
Property option payments	435,000	40,000	-
Flow through private placement	4,792,000	479,200	-
Private placement finders' fee	239,600	23,960	-
Share issue costs	-	(46,670)	-
Tax effect on flow-through renunciations	-	(136,572)	-
Stock-based compensation	-	-	20,206
Balance, June 30, 2010	37,045,596	\$ 6,910,831	\$ 366,699

On July 25, 2008, the Company issued 200,000 common shares at a fair value of \$0.12 per share pursuant to the acquisition of the option agreement on the TAS Project located in the Copper Mountain Mining Camp, British Columbia.

On July 24, 2009, the Company issued 200,000 common shares at a fair value of \$0.10 per share pursuant to the acquisition of the option agreement on the TAS Project located in the Copper Mountain Mining Camp, British Columbia.

During the year ended June 30, 2010, the Company completed a flow-through brokered private placement of 4,792,000 units at a price of \$0.10 per unit. Each unit consists of one common flow-through share and one-half of a non transferable share purchase warrant. One warrant is required to purchase one further common share of the Company, exercisable for a period of one year from completion of offering at a price of \$0.20 per share. In addition, the Company issued 239,600 units as finders fee.

On November 3, 2009, the Company issued 60,000 common shares at a fair value of \$0.10 per share pursuant to the acquisition of the option agreement on the TAS Project located in the Copper Mountain Mining Camp, British Columbia.

On February 23, 2010, the Company issued 50,000 common shares at a fair value of \$0.08 per share pursuant to the acquisition of the option agreement on the TAS Project located in the Copper Mountain Mining Camp, British Columbia.

SUPREME RESOURCES LTD.

Notes to the Consolidated Financial Statements
June 30, 2010

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

On April 8, 2010, the Company issued 125,000 common shares at a fair value of \$0.08 per share pursuant to the acquisition of the option agreement on the TAS Project located in the Copper Mountain Mining Camp, British Columbia.

(c) Share purchase warrants:

As at June 30, 2010, the Company had outstanding warrants enabling the holders to acquire common shares as follows:

Number Of Warrants	Exercise Price	Expiry Date
500,000	\$ 0.20	September 29, 2010 *
1,896,000	0.20	November 12, 2010 *
2,396,000	\$ 0.20	

* Subsequent to the year ended June 30, 2010, the expiry dates for the warrants were extended to June 30, 2011.

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding as at June 30, 2008	5,665,289	\$ 0.15
Expired/cancelled	(776,402)	(0.12)
Outstanding as at June 30, 2009	4,888,887	0.20
Expired/cancelled	(4,888,887)	(0.20)
Granted	2,396,000	0.20
Outstanding as at June 30, 2010	2,396,000	\$ 0.20

SUPREME RESOURCES LTD.

Notes to the Consolidated Financial Statements
June 30, 2010

5. 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, 2008	3,046,698	\$ 0.10
Expired/cancelled	(98,000)	0.10
Outstanding as at June 30, 2009	2,948,698	0.10
Granted	350,000	0.12
Outstanding and exercisable as at June 30, 2010	3,298,698	\$ 0.11

On March 31, 2010, the Company granted incentive stock options for 150,000 and 200,000 common shares at a price of \$0.15 and \$0.10 per share exercisable up to March 30, 2012 to two third party consultants, respectively. All the stock options vested immediately. 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 \$0.06.

During the year ended June 30, 2010, stock based compensation expense of \$20,206 was recognized for the third-party consultants' options granted using the Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	1.73%
Expected life of options in years	2 years
Expected volatility	169%
Dividend per share	\$0.00

The following table summarizes information about stock options outstanding at June 30, 2010 and 2009:

Year	Range of exercise prices	Number of options	Weighted average remaining contractual life	Weighted average exercise price
2010	\$ 0.10 - \$ 0.15	3,298,698	2.65	\$ 0.11
2009	\$ 0.10	2,948,698	3.76	\$ 0.10

As at June 30, 2010, the Company had outstanding stock options as follows:

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

Number Of Options	Exercise Price	Expiry Date
255,000	\$ 0.10	November 16, 2012
2,693,698	0.10	April 11, 2013
150,000	0.15	March 30, 2012
200,000	0.10	March 30, 2012
3,298,698	\$ 0.11	

(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, 2010, the Company has renounced all of the flow-through shares issued.

6. Income taxes:

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

	2010	2009
Loss before income taxes	\$ 156,779	\$ 87,727
Expected income tax recovery at 28.5% (2009 – 30%)	\$ 44,682	\$ 26,318
Items not deductible for income tax purposes	(6,620)	(65)
Items deducted for income tax purposes	7,744	6,789
Change in valuation allowance	90,766	(33,041)
Total income tax recovery recognized	\$ 136,572	\$ -

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

	2010	2009
Future income tax assets:		
Non-capital loss carry forwards	\$ 291,832	\$ 296,000
Resource properties	18,587	159,000
Financing costs	10,488	13,000
	320,907	468,000
Valuation allowance	(320,907)	(468,000)
Net future income tax assets	\$ -	\$ -

The Company has approximately \$1,101,254 of non-capital losses, which may be applied to reduce taxable income in future years. If not utilized, the losses expire through from 2010 to 2030 as follows:

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6. Income taxes (cont'd):

2010	\$	123,614
2014		77,435
2015		120,711
2026		278,023
2027		203,939
2028		26,563
2029		110,247
2030		<u>160,722</u>
	\$	<u>1,101,254</u>

As at June 30, 2010, the Company has cumulative Canadian Exploration Expenses of \$459,000 (2009 – \$688,000) which are deductible at a rate of 100% each year against future years' resource property income and have no expiry date. As at June 30, 2010, the Company has cumulative Canadian Development Expenses of \$111,000 (2009 - \$111,000), which is deductible at a rate of 30% each year against future years' resource property income and have no expiry date. As at June 30, 2010, the Company has cumulative Foreign Exploration and Development Expenses of \$157,000 (2009 - \$157,000), which is deductible at a rate of 10% each year against future years' resource property income and have no expiry date.

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.

7. Supplemental disclosure with respect to cash flows:

During fiscal 2009, the significant non-cash transactions included:

- (a) 200,000 common shares were issued for the acquisition of mineral properties at a fair value of \$24,000.
- (b) Forgiveness of debts of \$4,066.

During fiscal 2010, the significant non-cash transactions included:

- (a) 435,000 common shares were issued for the acquisition of mineral properties at a fair value of \$40,000.
- (b) 239,600 common shares were issued as finders' fees at \$0.10 per share totalling to \$23,960.

8. Capital disclosure:

The Company's objective when managing capital is to safeguard its accumulated capital in order to provide adequate return to shareholders by maintaining a sufficient level of funds, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

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8. Capital disclosure (cont'd):

The Company is dependent on external financing to fund its activities. In order to carry out property acquisitions and exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential, and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

9. Financial instruments

The Company classifies its fair value measurements within a fair value hierarchy, which reflects the significance of the inputs used in making the measurements as defined in CICA Handbook section 3862 – Financial Instruments – Disclosures:

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs which are supported by little or no market activity.

All of the Company's cash and cash equivalents and reclamation bonds are assessed to be in Level 1.

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity, foreign exchange, interest rate and price risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of its operations would warrant such hedging activities.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and interest risk.

Credit risk

Credit risk is the risk of an unexpected loss if a party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to cash and cash equivalents held by high credit quality banking institutions in Canada. The Company has no significant concentration of credit risk arising from operations as the Company has no business operations.

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9. Financial instruments (cont'd):

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has in place a planning process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there is sufficient working capital to fund near term planned operating expenditures. At June 30, 2010, the Company had working capital deficiency of \$81,786 (2009 – \$216,706).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to short-term interest rates through the interest earned on cash balances. The Company has cash balances and interest-bearing debt. The Company's current policy is to invest excess cash in short-term deposits with its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Fluctuations in interest rates affect the fair value of cash equivalents.

10. Subsequent events and commitments:

On July 19, 2010 the Company announced that it had closed a non-brokered private placement financing by issuing 2,250,000 units (the "Units") at a purchase price of \$0.10 per Unit for gross proceeds of \$225,000. Each Unit consists of one flow-through common share and one non-transferable share purchase warrant, each warrant entitling the holder to purchase one additional non-flow-through common share in the capital of the Company on or before July 14, 2011 at a purchase price of \$0.15 per share. \$40,000 of the funds were received prior to June 30, 2010.

In connection with certain subscriptions of the private placement, the Company paid finder's fees consisting of an aggregate of \$11,750 in cash and issued an aggregate of 107,500 common shares.

On September 15, 2010, the Company announces that terms of an aggregate of 2,396,000 share purchase warrants issued pursuant to a private placement financing have been amended to extend the expiry date from September 29, 2010 (500,000 warrants) and November 19, 2010 (1,896,000 warrants) to June 30, 2011. All other terms and conditions remain constant.

On October 20, 2010, the Company closed a non-brokered private placement financing by issuing 4,714,500 units for gross proceeds of \$431,000.00. The private placement is consisted of the following:

- \$161,800 was raised through issuance of 2,022,500 non flow-through units (NFT units) at \$0.08 per NFT unit. Each NFT unit is consisted of one non-flow through common share and one-half of a transferrable share purchase warrant (NFT warrant). Each whole NFT warrant entitles the holder to purchase one additional non-flow through common share in the capital of the company on or before October 13, 2011 at \$0.15 per share.

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10. Subsequent events and commitments (cont'd):

- \$269,200 through issuance of 2,269,200 units of flow-through units at a price of \$0.10 per unit. Each unit is consisted of one flow-through common share and one-half of a transferrable share purchase warrant. Each whole warrant will entitle holder to purchase one additional non-flow through common share at \$0.15 per share of the Company on or before October 13, 2011.

In connection with certain subscriptions of the private placement, the Company paid an aggregate of \$25,500 in cash finder's fee and issued 190,100 common shares. The finder's fees represent 10% of the gross proceeds raised through the private placement.

On March 3, 2010, the Company has entered into an one-year consulting contract with a third party consulting firm at a gross rate of \$12,000 over a 12 months period. The Company has paid all \$12,000 up front and recorded the balance in prepaid expense. As of June 30, 2010, there is approximately \$8,000 remaining balance in prepaid expense. This prepaid balance will amortize at a rate of \$1,000 per month until March 2, 2011.

Also see Notes 3, 4 and 5c.