

PRIZE MINING CORPORATION

**CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)**

**NINE MONTH PERIOD ENDED
MAY 31, 2008**

UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended May 31, 2008.

PRIZE MINING CORPORATION
CONSOLIDATED BALANCE SHEETS
(Unaudited – Prepared by Management)

	May 31, 2008	August 31, 2007 (Audited)
ASSETS		
Current		
Cash	\$ 188,854	\$ 29,986
Receivables	35,751	203,624
Prepaid expenses and deposits	<u>10,892</u>	<u>74,250</u>
	235,497	307,860
Equipment (Note 3)	1,455,014	1,421,540
Mineral properties and deferred exploration costs (Note 4)	24,425,195	23,054,287
Deferred financing costs (Note 5)	29,437	42,862
Security deposit and reclamation bond	<u>94,925</u>	<u>94,925</u>
	<u>\$ 26,240,068</u>	<u>\$ 24,921,474</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 139,967	\$ 1,347,098
Accounts payable to related parties	<u>15,606</u>	<u>37,245</u>
	<u>155,573</u>	<u>1,384,343</u>
Convertible debenture (Note 6)	1,086,960	1,058,210
Future income taxes	<u>1,176,246</u>	<u>1,176,246</u>
	<u>2,263,206</u>	<u>2,234,456</u>
Shareholders' equity		
Capital stock (Note 7)	32,105,846	28,881,592
Equity component of convertible debenture	191,667	191,667
Contributed surplus (Note 7)	1,454,704	1,366,860
Deficit	<u>(9,930,928)</u>	<u>(9,137,444)</u>
	<u>23,821,289</u>	<u>21,302,675</u>
	<u>\$ 26,240,068</u>	<u>\$ 24,921,474</u>
Basis of Presentation (Note 1)		
Contingency (Note 10)		
Subsequent events (Note 13)		

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

PRIZE MINING CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)

	Three Month Period Ended May 31, 2008	Three Month Period Ended May 31, 2007	Nine Month Period Ended May 31, 2008	Nine Month Period Ended May 31, 2007
EXPENSES				
Administrative	\$ 8,760	\$ 7,500	\$ 26,055	\$ 20,570
Amortization of deferred financing costs	4,475	4,475	13,425	13,425
Amortization of equipment	76,353	9,372	227,628	12,467
Consulting fees	-	7,625	8,700	11,815
Interest and bank charges	9,795	9,956	29,401	38,032
Management fees	45,000	45,000	135,000	137,000
Office and miscellaneous	14,773	14,787	46,792	85,920
Professional fees	54,552	48,290	154,652	120,355
Rent	2,000	5,250	7,667	14,183
Shareholder communications	29,744	22,323	59,245	64,330
Stock-based compensation	-	44,036	-	312,680
Transfer agent and regulatory fees	5,444	14,810	44,869	35,128
Travel and related costs	4,256	10,785	37,827	62,220
Loss before other items	<u>(255,152)</u>	<u>(244,209)</u>	<u>(791,261)</u>	<u>(928,125)</u>
OTHER ITEMS				
Interest income	158	8,184	1,522	16,312
Write-down of receivable	-	-	(3,745)	-
	<u>158</u>	<u>8,184</u>	<u>(2,223)</u>	<u>16,312</u>
Loss for the period	(254,994)	(236,025)	(793,484)	(911,813)
Deficit, beginning of period	<u>(9,675,934)</u>	<u>(8,747,201)</u>	<u>(9,137,444)</u>	<u>(8,071,413)</u>
Deficit, end of period	<u>\$ (9,930,928)</u>	<u>\$ (8,983,226)</u>	<u>\$ (9,930,928)</u>	<u>\$ (8,983,226)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>
Weighted average number of common shares outstanding	66,798,845	40,183,967	60,337,467	35,125,211

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

PRIZE MINING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	Three Month Period Ended May 31, 2008	Three Month Period Ended May 31, 2007	Nine Month Period Ended May 31, 2008	Nine Month Period Ended May 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (254,994)	\$ (236,025)	\$ (793,484)	\$ (911,813)
Items not affecting cash:				
Amortization	76,353	9,372	227,628	12,467
Amortization of deferred financing costs	4,475	4,475	13,425	13,425
Stock-based compensation	-	44,036	-	312,680
Accretion of liability component of convertible debt	9,583	9,584	28,750	28,750
Write-down of receivable	-	-	3,745	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	105,538	(59,709)	164,128	102,488
Decrease in prepaid expenses and deposits	14,556	13,086	63,358	17,612
(Increase) decrease in due from related parties	11,167	7,672	-	(5,118)
Increase (decrease) in accounts payable and accrued liabilities	(9,923)	1,037,450	(1,241,807)	1,066,146
Increase (decrease) in accounts payable to related parties	<u>15,606</u>	<u>53,655</u>	<u>(21,639)</u>	<u>(19,076)</u>
Net cash provided by (used in) operating activities	<u>(27,639)</u>	<u>883,596</u>	<u>(1,555,896)</u>	<u>617,561</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Share subscriptions received in advance	-	495,000	-	495,000
Proceeds from issuance of capital stock	-	1,558,750	3,525,561	3,987,586
Capital stock issuance costs	<u>-</u>	<u>(121,924)</u>	<u>(273,463)</u>	<u>(311,050)</u>
Net cash provided by financing activities	<u>-</u>	<u>1,931,826</u>	<u>3,252,098</u>	<u>4,171,536</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of equipment	(159,797)	(1,313,000)	(261,103)	(1,313,000)
Acquisition of property	-	(50,000)	(710,000)	(275,000)
Deferred exploration costs	(70,811)	(543,396)	(707,134)	(1,650,226)
Recovery of costs	-	68,948	140,903	369,865
Security and reclamation bonds	<u>-</u>	<u>(14,500)</u>	<u>-</u>	<u>(14,500)</u>
Net cash used in investing activities	<u>(230,608)</u>	<u>(1,851,948)</u>	<u>(1,537,334)</u>	<u>(2,882,861)</u>
Increase (decrease) in cash during the period	(258,247)	963,474	158,868	1,906,236
Cash, beginning of period	<u>447,101</u>	<u>1,618,178</u>	<u>29,986</u>	<u>675,416</u>
Cash, end of period	<u>\$ 188,854</u>	<u>\$ 2,581,652</u>	<u>\$ 188,854</u>	<u>\$ 2,581,652</u>

Supplemental disclosure with respect to cash flows (Note 9)

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

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
NINE MONTH PERIOD ENDED MAY 31, 2008

1. BASIS OF PRESENTATION

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Muskox Holdings Ltd. and 1202877 Alberta Ltd. All significant inter-company balances and transactions have been eliminated upon consolidation.

The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual consolidated financial statements for the year ended August 31, 2007. Certain information and footnote disclosure normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited consolidated financial statements and the accompanying notes for the year ended August 31, 2007. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

Certain reclassifications have been made to the prior period financial statements to conform to the current period presentation.

2. NATURE OF OPERATIONS

Prize Mining Corporation (the “Company”) was incorporated under the Business Corporations Act (Alberta) on August 16, 1996 and is in the process of exploring its resource properties in Canada.

During fiscal year 2005, the Company changed its name from Muskox Minerals Corp. to Prize Mining Corporation and consolidated its outstanding common shares on the basis of five old shares for one new share. All references to number of common shares and per common share amounts were retroactively restated to reflect consolidation, unless otherwise noted.

The Company is in the process of exploring and developing its Canadian resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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3. EQUIPMENT

Equipment is recorded at cost less accumulated amortization. Amortization is recorded using the declining balance method at the following annual rates:

Computer equipment	30%
Crushing unit	20%
Furniture and equipment	20%
Geological equipment	20%
Gravity processing plant	20%
Semi-autogenous mill	20%
Scale equipment	20%
Truck and equipment	20%

	May 31, 2008			August 31, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 31,142	\$ 24,606	\$ 6,536	\$ 31,142	\$ 22,709	\$ 8,433
Computer software	863	863	-	863	863	-
Furniture and equipment	2,491	997	1,494	2,491	733	1,758
Geological equipment	6,370	2,038	4,332	6,370	1,274	5,096
Crushing unit	180,000	40,917	139,083	180,000	16,373	163,627
Scale equipment	15,785	937	14,848	-	-	-
Semi-autogenous mill	159,797	-	159,797	-	-	-
Truck and equipment	33,000	6,994	26,006	33,000	2,405	30,595
Gravity processing plant	<u>1,297,551</u>	<u>194,633</u>	<u>1,102,918</u>	<u>1,212,031</u>	<u>-</u>	<u>1,212,031</u>
	\$ 1,726,999	\$ 271,985	\$ 1,455,014	\$ 1,465,897	\$ 44,357	\$ 1,421,540

On May 6, 2008, the Company paid a \$159,797 deposit for the acquisition and installation of a semi-autogenous mill (“SAG”). The Company has not recorded any amortization on the SAG as it is not fully assembled.

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

Title to mining properties involves certain inherent risk due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mining properties. The Company has diligently investigated rights of ownership of all of the mineral licences in which it has an interest and, to the best of its knowledge, all agreements relating to such ownership rights are in good standing. However, this should not be construed as a guarantee of title. These mineral licences may be subject to prior claims, agreements or transfers and rights of ownership may be affected by undetected defects.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
NINE MONTH PERIOD ENDED MAY 31, 2008

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd...)

Nunavut Claims

The Company holds a 100% interest in certain mineral claims in Nunavut, Canada. The claims are subject to a 2.5% gross overriding royalty. In 1998, the Company granted an option to acquire a 10% interest in the mineral claims to a former related party as consideration to postpone payment of a loan then outstanding and the advance of additional funds. The option is exercisable upon the optionee paying \$300,000 to the Company at the earlier of the claims being put into commercial production or December 31, 2020. If the option is exercised, the 10% interest will be converted into a 3% net smelter returns royalty in favour of the optionee upon the claims being put into commercial production.

The Company obtained call agreements with the holders of the royalties in certain mineral claims to purchase the royalties in consideration for a payment of \$2,000,000, to be paid by December 31, 2008.

During the fiscal year 2006, the Company entered into an Earn-In Agreement with Silvermet Corporation (“Silvermet”) on its mineral claims in Nunavut. Silvermet may earn up to 70% interest in the mineral claims by funding and incurring exploration expenditures on the mineral claims of not less than \$10,000,000 by December 7, 2010. Of this amount \$4,000,000 must be expended by June 30, 2008. Within 30 days of Silvermet acquiring the 70% interest in the mineral claims, the Company will have the option, to transfer its remaining 30% interest to Silvermet in consideration for a 10% net profits interest (“NPI”). Silvermet will have the option to acquire 50% of the NPI from the Company for \$5,000,000. Silvermet has paid \$418,948 toward costs incurred on the mineral claims which has been recorded as a recovery.

Atlin Claims

During fiscal 2004, the Company obtained an option to acquire a 100% interest in certain mineral claims in the Atlin District of British Columbia. To date, the Company has made option payments totaling \$1,390,000 and the remaining terms of the option agreement are as follows:

- a) \$200,000 by January 15, 2007 (paid);
- b) \$200,000 by June 15, 2007 (paid) and
- c) \$200,000 by January 15, 2008 (paid), and each year thereafter to January 15, 2011 until total cash payments of \$2,590,000 have been paid.

The optionor will retain a 1.5% net smelter returns royalty.

The Company has received \$527,413 from the government for the British Columbia Mining Exploration tax credit. This amount was recorded as a recovery.

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NINE MONTH PERIOD ENDED MAY 31, 2008

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd...)

Atlin Claims (cont'd...)

During fiscal 2006, the Company acquired an option to purchase a 100% interest in several additional mineral claims located in the Atlin mining district of British Columbia. To acquire this interest, the Company issued 2,000,000 common shares with a value of \$400,000 and 2,000,000 share purchase warrants. Each warrant entitled the holder to purchase one common share of the Company at a price of \$0.35 until May 3, 2007 (expired unexercised). To earn its option, the Company is required to make option payments as follows:

- a) \$110,000 by October 31, 2007 (paid);
- b) \$160,000 by October 31, 2008 and
- c) \$250,000 by October 31, 2009.

The optionors will retain a 3% net smelter returns royalty. The Company has the option to purchase 2% of the royalty at any time for \$2,000,000.

On October 10, 2006, the Company announced that it entered into an option agreement with Kotcho Lake Logging Ltd. ("Kotcho") pursuant to which it was granted the right to acquire from Kotcho a 100% interest in certain mineral claims located in the Atlin mining district of British Columbia.

To exercise this option, the Company was to pay a total of \$450,000 and issue 1,200,000 common shares to Kotcho on or before December 15, 2006. Of this consideration, \$25,000 and 200,000 common shares valued at \$52,000 were issued on October 18, 2006. The option expired without further consideration being paid.

On April 27, 2007, the Company announced that it entered into a new option agreement with Kotcho pursuant to which it was granted the right to acquire from Kotcho a 100% interest in the claims previously optioned plus additional mineral claims. To exercise this option, the Company paid a total of \$450,000 and issued 1,200,000 common shares to Kotcho valued at \$240,000.

On September 10, 2007, the Company announced that it shipped its first batch of gold concentrate from the Atlin Gold Project. The Gold is being refined by Technic Inc. of Vancouver, British Columbia. The Company's first shipment returned a settlement weight of 206.90 ounces of gold, recovered from a very clean batch of gold concentrate of total weight 218.04 ounces. The Company received \$119,948 from the sale of its first gold bar which has been recorded as a recovery on the Atlin Claims. On December 19, 2007, the Company recovered an additional \$20,955 from the sale of 26.42 ounces of gold and 5.94 ounces of silver.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NINE MONTH PERIOD ENDED MAY 31, 2008

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd...)

Primrose Claims

On October 12, 2007, the Company entered into an option agreement to acquire a 100% interest in the Primrose molybdenum project located in the mining district of Atlin, British Columbia.

To date, the Company has paid \$20,000 cash in acquisition costs related to the Primrose property.

Terms of the option agreement are as follows:

- a) payment of \$50,000, issuing 100,000 common shares (50,000 issued at a value of \$10,000) of the Company and mining expenditures of \$30,000 by December 31, 2008;
- b) payment of \$100,000, issuing 150,000 common shares of the Company and mining expenditures of \$100,000 by December 31, 2009 and
- c) payment of \$200,000, issuing 250,000 common shares of the Company and mining expenditures of \$250,000 by December 31, 2010.

The optionors retain a 3% Net Smelter Return Royalty (“NSR”) over the properties. The Company has an option to purchase 50% of the NSR for \$2,000,000.

Red Ridge Claims

On October 12, 2007, the Company entered into an option agreement to acquire a 100% interest in the Red Ridge project located in the mining district of Atlin, British Columbia.

To date, the Company has issued 200,000 common shares valued at \$50,000 pursuant to the option agreement terms as follows.

- a) payment of \$50,000, issuing 100,000 common shares of the Company and mining expenditures of \$30,000 by December 31, 2008;
- b) payment of \$100,000, issuing 150,000 common shares of the Company and mining expenditures of \$100,000 by December 31, 2009 and
- c) payment of \$200,000, issuing 250,000 common shares of the Company and mining expenditures of \$250,000 by December 31, 2010.

The optionors retain a 3% Net Smelter Return Royalty (“NSR”) over the properties. The Company has an option to purchase 50% of the NSR for \$2,000,000.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NINE MONTH PERIOD ENDED MAY 31, 2008

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd...)

	Nunavut Claims	Atlin Claims	Primrose Claims	Red Ridge Claims	Total
Acquisition costs, beginning balance	\$ 2,816,158	\$ 2,627,000	\$ 20,000	\$ -	\$ 5,463,158
Additions during the period	<u>-</u>	<u>710,000</u>	<u>10,000</u>	<u>50,000</u>	<u>770,000</u>
Acquisition costs, ending balance	<u>2,816,158</u>	<u>3,337,000</u>	<u>30,000</u>	<u>50,000</u>	<u>6,233,158</u>
Deferred exploration costs, beginning balance	<u>10,482,592</u>	<u>7,104,409</u>	<u>4,128</u>	<u>-</u>	<u>17,591,129</u>
Additions during the period					
Camp maintenance	-	48,896	15	32	48,943
Consulting	-	48,064	-	-	48,064
Equipment rental	-	261,719	-	-	261,719
Expediting and freight	-	3,961	-	-	3,961
Field personnel	-	174,326	16,866	-	191,192
Geological and geochemical	-	72,654	147	3,618	76,419
Geophysics	-	20,701	-	-	20,701
Insurance	-	12,800	-	-	12,800
Sampling	-	14,827	37	-	14,864
Site access	-	665	-	-	665
Storage	-	30,838	-	-	30,838
Telecommunications	-	1,514	-	-	1,514
Tenure and licenses	-	7,262	-	-	7,262
Travel and accommodation	-	18,723	3,796	350	22,869
	<u>-</u>	<u>716,950</u>	<u>20,861</u>	<u>4,000</u>	<u>741,811</u>
Costs recovered	<u>-</u>	<u>(140,903)</u>	<u>-</u>	<u>-</u>	<u>(140,903)</u>
Deferred exploration costs, ending balance	<u>10,482,592</u>	<u>7,680,456</u>	<u>24,989</u>	<u>4,000</u>	<u>18,192,037</u>
Total mineral properties and deferred exploration costs	\$ 13,298,750	\$ 11,017,456	\$ 54,989	\$ 54,000	\$ 24,425,195

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. DEFERRED FINANCING COSTS

Deferred financing costs consist of the finders' fees of \$89,500 paid to obtain the convertible debenture financing.

	May 31, 2008	August 31, 2007
Finders' fees	\$ 89,500	\$ 89,500
Amortization	<u>(60,063)</u>	<u>(46,638)</u>
	<u>\$ 29,437</u>	<u>\$ 42,862</u>

6. CONVERTIBLE DEBENTURE

	May 31, 2008	August 31, 2007
The Company issued an unsecured, non-interest bearing convertible debenture in the amount of \$1,150,000. The principal amount of the debenture is due and payable on January 22, 2010. At any time prior to the maturity date, the holder may convert the principal amount, in whole or in part, into units of the Company. Each unit consists of one common share of the Company and one common share purchase warrant. The units are convertible at \$0.66 of principal outstanding until January 22, 2008 (expired unexercised), at \$0.715 of principal outstanding until January 22, 2009, and \$0.786 of principal outstanding until January 22, 2010. Each warrant will entitle the holder to purchase one common share at an exercise price equal to the conversion price of the convertible debenture. The warrants will expire on the earlier of one year from the date of issue of the warrants or January 22, 2010. On issuance, the relative fair value of \$191,667 attributed to the equity component of the debenture was classified as shareholders' equity on the balance sheet. The debt component will be accreted to its face value over the term of the debenture by recording interest expense.	\$ 1,150,000	\$ 1,150,000
Balance to be accreted	<u>(63,040)</u>	<u>(91,790)</u>
	<u>\$ 1,086,960</u>	<u>\$ 1,058,210</u>

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NINE MONTH PERIOD ENDED MAY 31, 2008

7. CAPITAL STOCK

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited number of voting common shares without par value			
Unlimited number of preferred shares, issuable in series			
Common shares issued			
Balance at August 31, 2007	47,257,880	\$ 28,881,592	\$ 1,366,860
Private placements	19,290,965	3,525,561	-
Share issuances re: property options	250,000	60,000	-
Share issuance costs	-	(273,463)	-
Issuance costs for finders' warrants	-	(87,844)	87,844
Balance, at May 31, 2008	66,798,845	\$ 32,105,846	\$ 1,454,704

Private placement of 9,390,965 flow-through shares

On September 11, 2007, the Company completed the first tranche of a private placement. The private placement was comprised of 2,593,000 flow-through shares issued at a price of \$0.27 per share for gross proceeds of \$700,110.

The Company issued 181,510 finders' fees warrants which entitle the holders to purchase additional common shares at \$0.27 per share until September 11, 2009. The fair value of finders' fees warrants of \$14,523 was allocated to share issue costs and contributed surplus.

The Company also paid \$49,008 cash for finder's fees on this tranche of the private placement.

On September 21, 2007, the Company completed the second tranche of a private placement. The private placement was comprised of 3,682,003 flow-through shares issued at a price of \$0.27 per share for gross proceeds of \$994,141.

The Company issued 257,740 finders' fees warrants which entitle the holders to purchase additional common shares at \$0.27 per share until September 21, 2009. The fair value of finders' fees warrants of \$21,283 was allocated to share issue costs and contributed surplus.

The Company also paid \$69,889 cash for finder's fees on this tranche of the private placement.

PRIZE MINING CORPORATION
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7. CAPITAL STOCK (cont'd...)

On October 9, 2007, the Company completed the third tranche of a private placement. The private placement was comprised of 2,004,852 flow-through shares issued at a price of \$0.27 per share for gross proceeds of \$541,310.

The Company issued 132,080 finders' fees warrants which entitle the holders to purchase additional common shares at \$0.27 per share until October 9, 2009. The fair value of the finders' fees warrants of \$11,296 was allocated to share issue costs and contributed surplus.

The Company also paid \$35,662 cash for finder's fees on this tranche of the private placement.

On October 18, 2007, the Company completed the fourth and final tranche of a private placement. The private placement was comprised of 1,111,110 flow-through shares issued at a price of \$0.27 per share for gross proceeds of \$300,000.

The Company issued 77,777 finders' fees warrants which entitle the holders to purchase additional common shares at \$0.27 per share until October 18, 2009. The fair value of the finders' fees warrants of \$6,159 was allocated to share issue costs and contributed surplus.

The Company also paid \$21,000 cash for finder's fees on this tranche of the private placement.

An additional \$20,704 in legal costs directly related to the private placement was recorded as share issue costs.

Primrose Property Acquisition

On October 17, 2007, the Company issued 50,000 common shares at a deemed price of \$0.20 per share for total value of \$10,000 pursuant to the Primrose property option agreement.

Red Ridge Property Acquisition

On October 17, 2007, the Company issued 200,000 common shares at a deemed price of \$0.25 per share for total value of \$50,000 pursuant to the Red Ridge property option agreement.

Private Placement of 5,500,000 Units

On January 9, 2008, the Company completed a private placement. The private placement was comprised of 5,500,000 units at a price of \$0.10 per unit for gross proceeds of \$550,000. Each unit is comprised of one common share and one half common share purchase warrant. Each full warrant is exercisable at \$0.20 per common share until January 9, 2009.

The Company paid finders' fees of \$43,200 and issued 432,000 finders' fee warrants which entitle the holders to purchase an additional common share at \$0.135 per share until January 9, 2009. The fair value of the finders' fees warrants of \$21,408 was allocated to share issue costs and contributed surplus.

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7. CAPITAL STOCK (cont'd...)

Private Placement of 4,400,000 Units

On February 29, 2008, the Company completed a private placement. The private placement was comprised of 4,400,000 units at a price of \$0.10 per unit for gross proceeds of \$440,000. Each unit is comprised of one common share and one half common share purchase warrant. Each full warrant is exercisable at \$0.20 per common share until March 1, 2009.

The Company paid finders' fees of \$34,000 and issued 340,000 finders' fee warrants which entitle the holders to purchase an additional common share at \$0.135 per share until March 1, 2009. The fair value of the finders' fees warrants of \$13,175 was allocated to share issue costs and contributed surplus.

Warrants

Warrant Expiry Dates Extended

On December 6, 2007, the Company extended the term of 1,035,409 warrants issued pursuant to its private placement offering of units which closed in three tranches on December 7, 2006, December 14, 2006 and December 28, 2006, respectively. The warrants were set to expire one year from the date of issuance. The term of each warrant was extended to June 30, 2008. The exercise price of \$0.35 per share will remain unchanged.

The following warrants to acquire common shares were outstanding at May 31, 2008:

Number of Shares	Exercise Price	Expiry Date
614,500	\$ 0.35	June 30, 2008
280,000	0.35	June 30, 2008
140,909	0.35	June 30, 2008
2,750,000	0.20	January 9, 2009
2,200,000	0.20	March 1, 2009
6,235,000	0.35	May 3, 2009
<u>1,980,000</u>	0.35	June 14, 2009
14,200,409		

On March 30, 2008, 126,167 warrants exercisable at \$0.45 per share and 1,743,333 warrants exercisable at \$0.65 per share expired unexercised.

On May 4, 2008, 51,094 warrants exercisable at \$0.45 per share and 2,849,110 warrants exercisable at \$0.65 per share expired unexercised.

On May 12, 2008, 228,000 warrants exercisable at \$0.65 per share expired unexercised.

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7. CAPITAL STOCK (cont'd...)

Warrants (cont'd...)

The following finders' warrants were outstanding at May 31, 2008:

Number of Shares	Exercise Price	Expiry Date
432,000	0.135	January 9, 2009
340,000	0.135	March 1, 2009
511,550	0.25	May 3, 2009
107,800	0.25	June 14, 2009
181,510	0.27	September 11, 2009
257,740	0.27	September 21, 2009
132,080	0.27	October 9, 2009
<u>77,777</u>	0.27	October 18, 2009
<u>2,040,457</u>		

On December 7, 2007, 485,361 finders' warrants exercisable at \$0.22 per share expired unexercised.

On December 14, 2007, 159,215 finders' warrants exercisable at \$0.22 per share expired unexercised.

On December 28, 2007, 64,044 finders' warrants exercisable at \$0.22 per share expired unexercised.

The following weighted average assumptions were used for the Black-Scholes valuation of finders' warrants granted:

	May 31, 2008
Risk-free interest rate	3.68
Expected life	1.7 years
Annualized volatility	68.36%
Dividend rate	0.00%

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7. CAPITAL STOCK (cont'd...)

Stock options

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option shall not be less than the market price of the Company's stock as calculated immediately preceding the day of the grant. The options can be granted for a maximum term of 5 years and are subject to vesting provisions determined by the board of directors.

The following stock options were outstanding at May 31, 2008:

Number of Shares	Exercise Price	Expiry Date
130,000	\$0.70	July 24, 2008
149,000	0.70	August 17, 2008
70,000	0.70	September 24, 2009
70,000	0.70	October 15, 2009
226,000	0.70	January 17, 2010
770,000	0.25	October 24, 2010
30,000	0.25	October 27, 2010
250,000	0.55	June 16, 2011
286,500	0.40	September 1, 2011
<u>1,500,000</u>	0.25	January 2, 2012
3,481,500		

8. RELATED PARTY TRANSACTIONS

Accounts payable to related parties at May 31, 2008 and 2007 are to a director and companies controlled by directors.

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$135,000 (2007 - \$137,000) in management fees to companies controlled by common directors.
- b) Paid or accrued legal fees of \$17,663 (2007 - \$41,524) to a firm in which a director of the Company is a partner.
- c) Paid or accrued share issue costs of \$20,704 (2007 - \$Nil) to a firm in which a director of the Company is a partner.
- d) Paid or accrued \$28,186 (2007 - \$124,634) in various fees to a company controlled by a director which are allocated to deferred exploration costs.

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8. RELATED PARTY TRANSACTIONS (cont'd...)

- e) Paid or accrued \$26,055 (2007 - \$17,500) in administration fees to a company controlled by a director.
- f) Paid or accrued \$31,500 (2007 - \$34,500) in accounting fees to a former officer and a company controlled by a director.

These transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2008	2007
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	-	-

The significant non-cash transactions during the period ended May 31, 2008 were as follows:

- a) The Company issued 1,421,107 finders' fees warrants which entitle the holders to purchase an additional 1,421,107 common shares. The fair value of the finders' fees warrants of \$87,844 was allocated to share issue costs and contributed surplus.
- b) On October 17, 2007, the Company issued 50,000 common shares valued at \$10,000 pursuant to the Primrose property option agreement. (see Note 4)
- c) On October 17, 2007, the Company issued 200,000 common shares valued at \$50,000 pursuant to the Red Ridge property option agreement. (see Note 4)
- d) Included in accounts payable is \$34,676 which relates to deferred exploration costs.

The significant non-cash transactions during the period ended May 31, 2007 were as follows:

- a) On October 18, 2006, the Company issued 200,000 common shares valued at \$52,000 as part of the Atlin property option agreement with Kotcho Lake Logging Ltd.
- b) Accounts payable included \$1,079,303 which was related to deferred exploration costs.
- c) In December 2006, the Company issued a total of 708,620 finders' warrants valued at \$76,737 in connection with the completed private placements.
- d) On April 24, 2007, the Company issued 1,200,000 common shares valued at \$240,000 as part of the new Atlin property option agreement with Kotcho Lake Logging Ltd.
- e) On May 3, 2007, the Company issued 511,550 finders' warrants valued at \$42,847 in connection with the 6,235,000 unit private placement.

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10. CONTINGENCY

Exploration advances

	May 31, 2008
Canamera Geoscience Corp.	\$ 387,566
Titan Drilling Ltd.	<u>107,148</u>
	494,714
Allowance for doubtful recovery	<u>(494,714)</u>
	<u>\$ -</u>

During fiscal 2005, these companies failed to account for exploration costs associated with the above advances and they did not return the advanced amounts as requested by the Company. The Company is continuing in its legal action for full repayment of its advances. However, during the fiscal year ended August 31, 2006, management provided for a 100% allowance for recovery of the advances.

There is a counterclaim for an alleged breach of a multi-year sublease agreement. The management of the Company is of the opinion that the counterclaim is without merit and is defending the claim.

11. SEGMENT INFORMATION

The Company currently conducts substantially all of its operations in Canada in one business segment being the exploration and development of resource properties.

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, security deposit and reclamation bond, accounts payable and accrued liabilities, accounts payable to related parties and a convertible debenture. In management's opinion, the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

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13. SUBSEQUENT EVENTS

Expired Warrants

On June 30, 2008, 1,035,409 warrants exercisable at \$0.35 per share expired unexercised.

Expired Stock Options

On July 24, 2008, 130,000 stock options exercisable at \$0.70 per share expired unexercised.