

PRIZE MINING CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2009

AUDITORS' REPORT

To the Shareholders of
Prize Mining Corporation

We have audited the consolidated balance sheets of Prize Mining Corporation as at August 31, 2009 and 2008 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 audits 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 August 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Accountants

December 11, 2009



PRIZE MINING CORPORATION
CONSOLIDATED BALANCE SHEETS
AS AT AUGUST 31

	2009	2008
ASSETS		
Current		
Cash	\$ 63,882	\$ 34,124
Receivables	30,956	63,304
Due from related party (Note 9)	14,868	-
Prepaid expenses and deposits	<u>19,007</u>	<u>3,118</u>
	128,713	100,546
Equipment (Note 3)	642,868	1,606,969
Mineral properties and deferred exploration costs (Note 5)	4,717,779	24,745,155
Security deposit and reclamation bond	<u>116,571</u>	<u>97,925</u>
	<u>\$ 5,605,931</u>	<u>\$ 26,550,595</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 613,245	\$ 976,243
Accounts payable to related parties (Note 9)	50,307	112,350
Convertible debenture (Note 6)	<u>1,127,815</u>	<u>-</u>
	1,791,367	1,088,593
Convertible debenture (Note 6)	-	1,071,582
Future income taxes (Note 7)	<u>-</u>	<u>1,628,643</u>
	<u>1,791,367</u>	<u>3,788,818</u>
Shareholders' equity		
Capital stock (Note 8)	32,406,256	31,493,753
Equity component of convertible debenture (Note 6)	191,667	191,667
Share subscriptions received in advance	-	200,500
Contributed surplus (Note 8)	1,484,185	1,454,869
Deficit	<u>(30,267,544)</u>	<u>(10,579,012)</u>
	<u>3,814,564</u>	<u>22,761,777</u>
	<u>\$ 5,605,931</u>	<u>\$ 26,550,595</u>

Nature and continuance of operations (Note 1)

Contingency (Note 13)

Subsequent events (Note 15)

On behalf of the Board:

“James Glass”

Director

“Feisal Somji”

Director

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

PRIZE MINING CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
YEAR ENDED AUGUST 31

	2009	2008
EXPENSES		
Administrative	\$ 73,560	\$ 37,975
Amortization of deferred financing costs	17,900	17,900
Amortization of equipment	192,099	305,321
Consulting fees	4,460	8,700
Interest and bank charges	128,819	106,161
Management fees	180,000	180,000
Office and miscellaneous	183,926	60,792
Professional fees	260,854	268,210
Property investigation	23,970	-
Rent	19,641	9,333
Shareholder communications	110,772	80,012
Transfer agent and regulatory fees	42,369	48,154
Travel and related costs	13,904	38,157
Wages	5,337	-
Loss before other items	<u>(1,257,611)</u>	<u>(1,160,715)</u>
OTHER ITEMS		
Extinguishment of account payable	23,906	-
Interest income	135	1,679
Loss on dilution	(896,445)	-
Loss on sale of equipment	(890)	-
Loss on sale of mineral property	(3,590,123)	-
Write-off of equipment	(120,739)	-
Write-down of receivable	-	(3,745)
Impairment provision	(15,390,275)	(643,018)
	<u>(19,974,431)</u>	<u>(645,084)</u>
Loss before income taxes	(21,232,042)	(1,805,799)
Future income tax recovery (Note 7)	<u>1,543,510</u>	<u>364,231</u>
Loss and comprehensive loss for the year	(19,688,532)	(1,441,568)
Deficit, beginning of year	<u>(10,579,012)</u>	<u>(9,137,444)</u>
Deficit, end of year	<u>\$ (30,267,544)</u>	<u>\$ (10,579,012)</u>
Basic and diluted loss per common share	<u>\$ (0.26)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding	<u>74,713,527</u>	<u>62,034,630</u>

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

PRIZE MINING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED AUGUST 31

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$(19,688,532)	\$ (1,441,568)
Items not affecting cash:		
Amortization	192,099	305,321
Amortization of deferred financing costs	17,900	17,900
Future income tax recovery	(1,543,510)	(364,231)
Accretion of liability component of convertible debt	38,333	38,334
Impairment provision	15,390,275	643,018
Write-off of equipment	120,739	-
Extinguishment of accounts payable	(23,906)	-
Loss on sale of equipment	890	-
Loss on sale of mineral property	3,590,123	-
Loss on dilution	896,445	-
Changes in non-cash working capital items:		
Decrease in receivables	26,727	140,320
(Increase) decrease in prepaid expenses and deposits	(20,488)	71,132
Increase in due from related party	(11,362)	-
Increase in accounts payable and accrued liabilities	422,956	25,537
Increase (decrease) in accounts payable to related parties	(62,043)	75,105
Increase in future income taxes payable	<u>4,215</u>	<u>-</u>
Net cash used in operating activities	<u>(649,139)</u>	<u>(489,132)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	710,400	3,731,061
Capital stock issuance costs	(71,229)	(273,463)
Share subscriptions received in advance	<u>-</u>	<u>200,500</u>
Net cash provided by financing activities	<u>639,171</u>	<u>3,658,098</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property payments	(200,000)	(710,000)
Acquisition of equipment	(195,601)	(490,750)
Deferred exploration costs	(2,266,193)	(2,181,981)
Recovery of costs	1,098,682	220,903
Increase in security deposit and reclamation bond	(37,162)	(3,000)
Proceeds on sale of assets to joint venture	<u>1,640,000</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>39,726</u>	<u>(3,164,828)</u>
Increase in cash during the year	29,758	4,138
Cash, beginning of year	<u>34,124</u>	<u>29,986</u>
Cash, end of year	<u>\$ 63,882</u>	<u>\$ 34,124</u>

Supplemental disclosure with respect to cash flows (Note 12)

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

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2009

1. NATURE AND CONTINUANCE 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.

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.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing on reasonable terms and to commence profitable operations in the future. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company’s operations and exploration programs. To the extent financing is not available, lease payments, work commitments, rental payments and option payments may not be satisfied and could result in a loss of property ownership or earning opportunities for the Company. Management is closely monitoring commodity prices of precious metals, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. The consolidated financial statements do not include any adjustments to the recoverability and classification of reduced asset amounts and classification of liabilities that might be necessary should the Company be unable to continue operations.

	2009	2008
Working capital (deficiency)	\$ (1,662,654)	\$ (988,047)
Deficit	(30,267,544)	(10,579,012)

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries and, on a proportionate basis, the accounts of its joint venture. All significant inter-company balances and transactions with subsidiaries and the Company’s proportionate share of inter-company balances and transactions with its joint venture are eliminated upon consolidation.

Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 year. Significant estimates include mineral properties, accrued liabilities, stock-based compensation, fair value of agent’s warrants and valuation allowance on future taxes. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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%
Computer software	30%
Furniture and equipment	20%
Geological equipment	20%
Ore processing equipment	30%
Plant equipment	20%
Tailing/dewatering pipeline	6%
Truck and equipment	30%

Mineral properties and deferred exploration costs

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition and exploration of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to the probable and proven reserves available on the related property following commencement of production. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The recorded cost of mineral exploration interests is based on cash paid, the assigned value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependant on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Asset retirement obligations

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.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability for an asset retirement obligation and the related asset retirement cost capitalized as part of the carrying amount of the related long-lived asset. The Company does not have any significant asset retirement obligations.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Deferred financing costs

Costs incurred to obtain long-term debt are deferred and amortized on a basis consistent with the repayment terms of the underlying debt.

Pursuant to the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, deferred finance costs are applied against the convertible debenture and are measured at amortized cost using the effective interest method.

Future income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

Flow-through common shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences. When flow-through expenditures are renounced, a portion of future income tax assets not recognized in previous years, due to the recording of a valuation allowance will be recognized as a recovery of income taxes in the statement of operations.

Investment tax credits

Investment tax credits are recorded as either a reduction of the cost of applicable assets or credited in the statement of operations depending on the nature of the expenditures which gave rise to the credits. Claims for tax credits are accrued upon the Company attaining reasonable assurance of collections from the Canada Revenue Agency.

Stock-based compensation

The fair value of stock options granted is determined using the Black-Scholes option pricing model and recorded as stock-based compensation expense over the vesting period of the related options.

Revenue

Revenue from the sale of gold and silver prior to commercial production is recorded in mineral properties and deferred exploration costs as costs recovered. Revenue is recognized upon payment from the refinery who processed the metal concentrate.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year and does not include outstanding options and warrants. Diluted loss per share is not presented separately from loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Comparative figures

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

Financial instruments – recognition and measurement

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. Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current year net earnings (loss).

The Company classified its cash as held-for-trading which is measured at fair value. Receivables and due from related party are classified as loans and receivables and security deposit and reclamation bond are classified as held to maturity. Accounts payable and accrued liabilities, accounts payable due to related parties and convertible debenture are classified as other liabilities, all of which are measured at amortized cost.

Comprehensive income

Comprehensive income is the change in the Company's shareholders' equity that results from transactions and other events from other than the Company's shareholders and includes items that would not normally be included in net earnings, such as unrealized gains and losses on available-for-sale investments. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Comprehensive income (cont'd...)

This standard requires the presentation of comprehensive income and its components in a separate financial statement that is displayed with the same prominence as the other financial statements. Accumulated other comprehensive income is presented as a new category in shareholders' equity. The presentation of "accumulated other comprehensive loss" in the shareholders' equity section of the balance sheet is not required because the opening and closing balances are \$Nil.

Adoption of new accounting standards

Effective September 1, 2008, the Company adopted the provisions of new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") relating to capital disclosures and financial instruments disclosure and presentation.

Going-concern (Section 1400)

This section requires management to make an assessment of a company's ability to continue as a going-concern. When financial statements are not prepared on a going-concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going-concern. The adoption of this accounting standard resulted in the disclosures in Note 1.

Capital disclosures (Section 1535)

The CICA issued a new accounting standard, "Capital Disclosures", which establishes standards for disclosing information about an entity's capital and how it is managed. The entity's disclosure should include information about its objectives, policies and procedures for managing capital and disclose whether it has complied with any capital requirements to which it is subject and the consequences of non-compliance. The adoption of this accounting standard resulted in the disclosure in Note 10 – Capital Management.

Financial instruments - disclosure (Section 3862) and presentation (Section 3863)

Sections 3862 – Financial instruments - disclosures and 3863 – Financial instruments - presentation replaced Section 3861 – Financial instruments – disclosure and presentation. Section 3862 requires the disclosure of additional qualitative and quantitative information to allow users of the financial statements to evaluate the significance of financial instruments on an entity's financial position and performance and the nature and extent of risks arising from financial instruments to which the entity is exposed during the reporting period and at the balance sheet date and how the entity manages those risks. Section 3863 establishes standards for the presentation of financial instruments and non-financial derivatives. It provides guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, and the classification of related interest, dividends, losses and gains and it sets out the circumstances in which financial assets and financial liabilities may be offset. Disclosures required by these standards are included in Note 11 – Financial Instruments.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New accounting pronouncements

Goodwill and intangible assets (Section 3064)

In February 2008, the CICA replaced Section 3062 – Goodwill and other intangible assets with Section 3064 – Goodwill and intangible assets. This section provides the definition and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. Accounting for goodwill and intangible assets following a business combination remains unchanged. Section 3064 also provides guidance for accounting for internally generated intangible assets. This section applies to interim and annual financial statements commencing September 1, 2009. Application of these standards is not expected to have a material affect on the Company's financial statements.

Business combinations (Section 1582); consolidated financial statements (Section 1601); and non-controlling interests (Section 1602)

The CICA issued three new accounting standards in January 2009: Section 1582 – Business combinations, Section 1601 – Consolidated financial statements and Section 1602 – Non-controlling interests. These standards will be effective for fiscal years beginning after January 1, 2011 (the Company's 2012 fiscal year). Early adoption of these standards is permitted. The Company is in the process of evaluating the potential effects of the requirements of these new standards.

Section 1582 replaces Section 1581 and establishes standards for the accounting for a business combination and essentially provides the Canadian equivalent of International Financial Reporting Standards IFRS 3 – Business Combinations.

Sections 1601 and 1602 together replace Section 1600 – Consolidated financial statements. Section 1601 establishes the standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary within consolidated financial statements subsequent to a business combination and is substantially equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27 – Consolidated and separate financial statements.

Credit risk and the fair value of financial assets and liabilities – EIC-173

In January 2009, the EIC issued EIC-173, Credit risk and the fair value of financial assets and financial liabilities, which provides that an entity's own credit risk and the credit risk of the counterparty should be taken into consideration in determining the fair value of financial assets and financial liabilities, including derivative financial instruments. This new standard is effective for the Company's interim and annual consolidated financial statements commencing September 1, 2009. The Company does not expect EIC-173 to have a material impact on the consolidated financial statements.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2009

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

New accounting pronouncements (cont'd...)

International financial reporting standards (“IFRS”)

In 2006, the Accounting Standards Board (“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 September 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended August 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. EQUIPMENT

	2009			2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 31,142	\$ 27,010	\$ 4,132	\$ 31,142	\$ 25,239	\$ 5,903
Computer software	863	863	-	863	863	-
Furniture and equipment	2,491	1,366	1,125	2,491	1,085	1,406
Geological equipment	19,979	1,169	18,810	6,370	2,293	4,077
Ore processing equipment	545,262	67,163	478,099	1,882,781	311,674	1,571,107
Truck and equipment	101,051	6,872	94,179	33,000	8,524	24,476
Tailing/dewatering pipeline	16,614	-	16,614	-	-	-
Plant equipment	30,711	802	29,909	-	-	-
	<u>\$ 748,113</u>	<u>\$ 105,245</u>	<u>\$ 642,868</u>	<u>\$ 1,956,647</u>	<u>\$ 349,678</u>	<u>\$ 1,606,969</u>

4. JOINT VENTURE

On March 27, 2009, the Company entered into a purchase and joint venture agreement with Eagle Plains Resources Ltd. (“Eagle”). Pursuant to the agreement the Company sold 40% of its interest in its Atlin mining equipment and property option agreement to Eagle for \$1,640,000. The Company recognized an \$890 loss on sale of equipment with a \$575,000 fair value. An additional \$3,590,123 loss was realized on the sale of the mineral property option agreement which had a fair value of \$1,065,000.

Eagle also has the option of increasing its working interest by making the following payments:

- i) Pay \$500,000 to acquire an additional 5% interest by March 27, 2012;
- ii) Pay \$500,000 to acquire an additional 5% interest by March 27, 2013;
- iii) Pay \$500,000 to acquire an additional 5% interest by March 27, 2014; and
- iv) Pay \$500,000 to acquire an additional 5% interest by March 27, 2015.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2009

4. JOINT VENTURE (cont'd...)

On July 31, 2009, the Company was unable to meet a cash call obligation for the joint venture. Eagle and the Company agreed that the Company's interest in the joint venture would be diluted from 60% to 47.656%.

As a result of the dilution of ownership the Company realized a gain of \$10,575 due to not having to consolidate 60% of the joint venture's net losses, however, the Company realized a loss of \$907,020 as their percentage loss of assets and liabilities.

Eagle will receive 60% of all net proceeds of production up to \$2,000,000 at which time it will revert to a 52.344% working interest. On July 10, 2009, the joint venture received a small mines permit to process up to 75,000 tons of ore per year.

The following details the Company's share of the balance sheet, statement of operations and cash flows in the Yellowjacket joint venture which has been proportionately consolidated:

	August 31, 2009
<i>Proportionate Joint Venture Balance Sheet</i>	
Current Assets	\$ 39,458
Long-term assets	<u>1,976,877</u>
Total assets	<u>\$ 2,016,335</u>
Current liabilities	384,599
Contributions to joint venture	2,695,900
Net loss for the year	<u>(1,064,164)</u>
Total liabilities and equity	<u>\$ 2,016,335</u>

	August 31, 2009
<i>Proportionate Joint Venture Statement of Operations</i>	
Administration	\$ (26,449)
Insurance	(5,080)
Interest and bank charges	(3,589)
Interest income	30
Office	(17,663)
Wages	(6,616)
Write-off of equipment	(120,739)
Impairment provision on mineral properties	(894,633)
Dilution gain	<u>10,575</u>
Net loss	<u>\$ (1,064,164)</u>

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2009

4. JOINT VENTURE (cont'd...)

	August 31, 2009
<i>Proportionate Joint Venture Statement of Cash Flows</i>	
Net cash provided by operating activities	\$ 492,760
Net cash used in financing activities	-
Net cash used in investing activities	<u>(492,760)</u>
Increase in cash during the year	\$ -
Cash, beginning of year	<u>-</u>
Cash, end of year	<u>\$ -</u>

5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

Title to mining properties involves certain inherent risks 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.

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 \$2,190,000. The remaining terms of the option agreement are to pay \$200,000 each year to January 15, 2011 until total cash payments of \$2,590,000 have been paid. The last two payments will be paid by the joint venture, consequently the Company will be required to pay 47.656% of the payments due.

The Company paid a finders fee of \$60,000 by a payment of \$30,000 and an issue of 200,000 common shares for a value of \$30,000 and incurred acquisition costs of \$10,000.

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

On January 15, 2009, the Company had entered into an option amending agreement for the Atlin property. The new agreement provided the Company with an extension to make the \$200,000 payment otherwise due on January 15, 2009, until March 16, 2009. In consideration for the extension, the Company issued 200,000 common shares at a price of \$0.04 per share for a total value of \$8,000 on January 22, 2009. In addition to the original extension, the Company elected to further extend the option payment date from March 16, 2009, to April 15, 2009, by issuing an additional 100,000 common shares at a price of \$0.04 per share for a total value of \$4,000 on March 12, 2009. On April 9, 2009, the Company paid the \$200,000 Atlin property option payment.

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

Atlin Claims (cont'd...)

The Company has received \$908,293 (\$413,842 in the current fiscal year) to date from the government for the British Columbia Mining Exploration tax credit. This amount was recorded as costs recovered on the Atlin property.

During the year ended August 31, 2008, the Company acquired from Kotcho Lake Logging Ltd. ("Kotcho") a 100% interest in certain mineral claims located in the Atlin mining district of British Columbia. To acquire this interest, the Company paid \$475,000 and issued 1,400,000 common shares valued at \$292,000 to Kotcho.

On July 17, 2008, the Company received a non-refundable deposit of \$80,000 from Sikhot Resources ("Sikhot"). The payment was part of a placer agreement with Sikhot entered into with the Company but Sikhot was unable to satisfy all of their obligations. The \$80,000 payment was recorded as costs recovered on the Atlin property.

Prior to the joint venture with Eagle (Note 4), the Company received \$407,250 from the sale of gold and silver which was recorded as costs recovered.

On March 27, 2009, the Company sold 40% of its interest in the Atlin property to its joint venture partner, Eagle Plains Resources Ltd. (Note 4).

At August 31, 2009, management concluded that it was inappropriate to carry forward the total amount of carrying costs on the deferred exploration costs and accordingly, recorded an impairment provision against such costs.

Pine Creek Placer Claims

On January 28, 2009, the Company entered into a lease with an arm's-length party pursuant to which the lessor was granted a 10 year lease on the western portion of the Atlin placer property for consideration of \$450,000. In February 2009, the Company received \$250,000 with the remaining \$200,000 to be paid as follows:

- i) \$100,000 on or before July 15, 2009 (not paid); and
- ii) \$100,000 on or before August 15, 2009 (not paid).

Subsequent to year end the Company agreed to amend the Lease to extend the date for the payment of the \$100,000 originally due on July 15, 2009 and extend the payment of the \$100,000 originally due on August 15, 2009 as follows:

The \$200,000 ("Principal Amount") shall be paid in 20 monthly instalments of \$10,000 on the first day of every month effective September 1, 2009 and ending on June 1, 2011. The payment of the \$10,000 due on September 1, 2009 shall be paid concurrently upon execution of this Agreement. Interest will accrue on the outstanding Principal Balance at a rate of 10% per annum, calculated in advance and compounded monthly. The optionee may pre-pay, in whole or in part, any of the Principal Amount at any time. The accrued interest will be paid when the final payment of the Principal Amount is paid.

As at the audit report date the Company had received \$40,000 of the \$200,000.

The Company has received \$60,552 (\$27,590 in the current fiscal year) to date from the government for the British Columbia Mining Exploration tax credit. This amount was recorded as a recovery of deferred exploration costs on the Pine Creek Placer Claims property.

5. 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. The Company did not have sufficient funds to acquire the royalties 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 a 70% interest in the mineral claims by funding and incurring exploration expenditures on the mineral claims of not less than \$10,000,000 (incurred \$5,363,868) by December 7, 2010. 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 decided at December 31, 2008, to record an impairment on its option, due to its inability to raise equity funds to support on-going work on the Nunavut property. Silvermet has not abandoned its option agreement with the Company. The Company concluded that it was inappropriate to carry forward the carrying amount presently recorded on the Nunavut property and recorded an impairment provision against the carrying value.

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 and issued 50,000 common shares at a value of \$10,000 in acquisition costs and was to issue 500,000 common shares, pay \$350,000 in option payments and incur \$380,000 in exploration expenditures. At August 31, 2008, due to the economic conditions, it was decided by management not to proceed with these claims and all associated costs were written-off.

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 Whitehorse, Yukon.

To date, the Company has issued 200,000 common shares valued at \$50,000 in acquisition costs and was to issue 500,000 common shares, pay \$350,000 in option payments and incur \$380,000 in exploration expenditures.

At August 31, 2008, due to economic conditions, it was decided by management not to proceed with these claims and all associated costs were written-off.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd...)

2009	Nunavut Claims	Pine Creek Placer Claims	Atlin Claims	Total
Acquisition costs, beginning balance	\$ 2,816,158	\$ 255,664	\$ 2,571,336	\$ 5,643,158
Additions during the year	-	-	212,000	212,000
Mineral property sale	-	-	(1,113,334)	(1,113,334)
Impairment provision	(2,816,157)	-	-	(2,816,157)
Dilution loss	-	-	(326,414)	(326,414)
Acquisition costs, ending balance	<u>1</u>	<u>255,664</u>	<u>1,343,588</u>	<u>1,599,253</u>
Deferred exploration costs, beginning balance	<u>10,482,592</u>	<u>500,338</u>	<u>8,119,067</u>	<u>19,101,997</u>
Additions during the year				
Amortization on capital assets	-	-	93,254	93,254
Camp maintenance	-	8,512	182,033	190,545
Consulting	-	803	286,440	287,243
Drilling	-	-	9,679	9,679
Environment	-	-	62,593	62,593
Equipment rental	-	19,368	470,846	490,214
Expediting and freight	-	817	25,021	25,838
Field personnel	-	14,180	274,854	289,034
Geological and geochemical	-	6,245	93,677	99,922
Geophysics	-	34	506	540
Insurance	-	1,476	22,134	23,610
Legal	-	-	31,512	31,512
Repairs and maintenance	-	-	86,710	86,710
Sampling	-	53	15,020	15,073
Storage	-	1,678	25,168	26,846
Telecommunications	-	111	1,661	1,772
Tenure and licenses	27,779	31	469	28,279
Travel and accommodation	-	588	21,487	22,075
	<u>27,779</u>	<u>53,896</u>	<u>1,703,064</u>	<u>1,784,739</u>
Costs recovered	-	(277,590)	(821,092)	(1,098,682)
Dilution loss	-	-	(553,621)	(553,621)
Impairment provision	(10,510,371)	-	(2,063,747)	(12,574,118)
Mineral property sale	-	-	(3,541,789)	(3,541,789)
Deferred exploration costs, ending balance	<u>-</u>	<u>276,644</u>	<u>2,841,882</u>	<u>3,118,526</u>
Total mineral properties and deferred exploration costs	<u>\$ 1</u>	<u>\$ 532,308</u>	<u>\$ 4,185,470</u>	<u>\$ 4,717,779</u>

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (cont'd...)

2008	Nunavut Claims	Pine Creek Placer Claims	Atlin Claims	Primrose Claims	Red Ridge Claims	Total
Acquisition costs, beginning balance	\$ 2,816,158	\$ 255,664	\$ 2,371,336	\$ 20,000	\$ -	\$ 5,463,158
Additions during the year	-	-	710,000	10,000	50,000	770,000
Written-off during the year	-	-	(510,000)	(30,000)	(50,000)	(590,000)
Acquisition costs, ending balance	<u>2,816,158</u>	<u>255,664</u>	<u>2,571,336</u>	<u>-</u>	<u>-</u>	<u>5,643,158</u>
Deferred exploration costs, beginning balance	<u>10,482,592</u>	<u>384,327</u>	<u>6,720,082</u>	<u>4,128</u>	<u>-</u>	<u>17,591,129</u>
Additions during the year						
Camp maintenance	-	16,748	251,218	15	32	268,013
Consulting	-	7,623	114,341	-	-	121,964
Equipment rental	-	45,073	579,856	-	-	624,929
Expediting and freight	-	381	5,719	-	-	6,100
Field personnel	-	25,007	375,109	16,865	-	416,981
Geological and geochemical	-	8,670	130,046	147	3,618	142,481
Geophysics	-	1,585	23,774	-	-	25,359
Insurance	-	1,072	16,079	-	-	17,151
Sampling	-	3,957	59,348	37	-	63,342
Site access	-	42	623	-	-	665
Storage	-	2,819	42,291	-	-	45,110
Telecommunications	-	141	2,119	-	-	2,260
Tenure and licenses	-	266	3,996	-	-	4,262
Travel and accommodation	-	2,627	39,400	3,796	350	46,173
	<u>-</u>	<u>116,011</u>	<u>1,643,919</u>	<u>20,860</u>	<u>4,000</u>	<u>1,784,790</u>
Costs recovered	-	-	(220,903)	-	-	(220,903)
Deferred exploration costs written-off	-	-	(24,031)	(24,988)	(4,000)	(53,019)
Deferred exploration costs, ending balance	<u>10,482,592</u>	<u>500,338</u>	<u>8,119,067</u>	<u>-</u>	<u>-</u>	<u>19,101,997</u>
Total mineral properties and deferred exploration costs	\$ 13,298,750	\$ 756,002	\$ 10,690,403	\$ -	\$ -	\$ 24,745,155

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2009

6. CONVERTIBLE DEBENTURE

	2009	2008
<p>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, however right before Maturity time, the amount outstanding shall be deemed converted at the conversion price. 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 a conversion price of \$0.66 of principal outstanding until January 22, 2008 (not converted), at \$0.715 of principal outstanding until January 22, 2009 (not converted), 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.</p> <p>The convertible debenture, nor the warrants issuable upon conversion of this convertible debenture, shall be converted or exercised by the holder, in whole or in part, if after giving effect to such conversions or exercise the holder, together with any person or corporation acting jointly or in concert with the holder (the "Joint Actors"), would in the aggregate beneficially own or exercise control or direction over that number of common shares of the Company which is 20% or greater than the total issued and outstanding common shares of the Company immediately after giving effect to such exercise.</p>		
	\$ 1,150,000	\$ 1,150,000
Balance to be accreted	(15,123)	(53,456)
Deferred financing costs	1,134,877	1,096,544
	(7,062)	(24,962)
	\$ 1,127,815	\$ 1,071,582

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. FUTURE INCOME TAXES

a) A reconciliation of income taxes at statutory rates is as follows:

	2009	2008
Loss before income taxes	\$(21,232,042)	\$ (1,805,799)
Expected income tax (recovery)	\$ (6,342,223)	\$ (581,594)
Non-deductible expenses	4,438,774	323,826
Deductible expenses	(57,600)	(97,723)
Change in future tax rates	54,205	68,511
Unrecognized (recognized) benefits of non-capital losses	363,334	(77,251)
Total future income tax (recovery)	\$ (1,543,510)	\$ (364,231)

b) Details of future income tax assets and liabilities are as follows:

	2009	2008
Future income tax assets		
Equipment	\$ 190,303	\$ 90,917
Share issue costs	95,274	128,865
Non-capital losses carried forward	1,629,348	1,119,565
Allowable capital loss	61,839	-
Mineral properties	1,713,693	324,000
Future income tax assets	3,690,457	1,663,347
Less: valuation allowance	(3,690,457)	(345,000)
Net future income tax assets	-	1,318,347
Future income tax liabilities		
Mineral properties	-	(2,946,990)
Net future income tax liability	\$ -	\$ (1,628,643)

The Company and its subsidiaries have non-capital losses of approximately \$6,430,000 which may be applied to reduce taxable income in future years. If not utilized, these losses expire through to 2029. The tax benefits of these non-capital losses and other tax assets have not been recognized in these consolidated financial statements except to the extent that they can be used to offset future income tax liabilities that existed at the fiscal year end.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. FUTURE INCOME TAXES (cont'd...)

During the year ended August 31, 2009, the Company issued 4,900,000 common shares on a flow-through basis for gross proceeds of \$490,000. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through participants. During the year ended August 31, 2009, the Company renounced exploration expenditures of \$385,500 resulting in a charge to capital stock of \$96,375 with a related increase in future income tax liability.

As at August 31, 2009, the Company is committed to incurring approximately \$156,000 in qualifying exploration expenditures in Canada by December 31, 2009. If the Company does not spend these funds in compliance with the government of Canada flow-through regulations, it will be subject to penalties and interest.

During the year ended August 31, 2009, as a result of the amendment of tax benefits renounced to flow-through share subscribers, an increase to share capital of \$185,723 (2008 - \$Nil) occurred and a charge to future income tax recovery of the same amount.

8. 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	21,345,965	3,731,061	-
Share issuances re: property options	250,000	60,000	-
Future income taxes on exploration expenditures renounced to shareholders	-	(816,628)	-
Share issuance costs	-	(274,263)	-
Issuance costs for finders' warrants	-	(88,009)	88,009
Balance, at August 31, 2008	68,853,845	31,493,753	1,454,869
Private placements	10,035,000	910,900	-
Exercise of finders' warrants	8,000	800	-
Share issuances re: property option payment extension	300,000	12,000	-
Future income taxes on exploration expenditures unrenounced to shareholders	-	185,723	-
Future income taxes on exploration expenditures renounced to shareholders	-	(96,375)	-
Share issuance costs	-	(71,229)	-
Issuance costs for finders' warrants	-	(29,316)	29,316
Balance, at August 31, 2009	79,196,845	\$ 32,406,256	\$ 1,484,185

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2009

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

August 31, 2008

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 the 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 the 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.

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 with a total value of \$10,000 pursuant to the Primrose property option agreement (Note 5).

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2009

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

Red Ridge property acquisition

On October 17, 2007, the Company issued 200,000 common shares with a total value of \$50,000 pursuant to the Red Ridge property option agreement (Note 5).

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.

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 \$13,191 was allocated to share issue costs and contributed surplus.

Private placement of 100,000 units and 1,955,000 flow-through shares

On August 18, 2008, the Company completed the first tranche of a private placement. The private placement was comprised of 100,000 units issued at a price of \$0.10 per unit for gross proceeds of \$10,000. Each unit is comprised of one common share and one half share purchase warrant. Each full warrant is exercisable at \$0.15 per common share until August 18, 2009.

An additional 1,955,000 flow-through common shares were issued at a price of \$0.10 per flow-through share for gross proceeds of \$195,500.

The Company accrued an \$800 finders' fee in accounts payable and issued 8,000 finders' fee warrants which entitle the holder to purchase additional common shares at \$0.10 per share until August 18, 2009. The fair value of the finders' fees warrants of \$149 was allocated to share issue costs and contributed surplus.

Share subscriptions received in advance

As of August 31, 2008, the Company received \$200,500 in share subscriptions for the private placement which closed on September 9, 2008.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2009

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

August 31, 2009

Private placement of 205,000 units and 4,600,000 flow-through shares

On September 9, 2008, the Company completed the second tranche of a private placement. The private placement was comprised of 205,000 units issued at a price of \$0.10 per unit for gross proceeds of \$20,500. Each unit is comprised of one common share and one half share purchase warrant. Each full warrant is exercisable at \$0.15 per common share until August 31, 2010.

An additional 4,600,000 flow-through common shares were issued at a price of \$0.10 per flow-through share for gross proceeds of \$460,000. The Company received \$200,500 in share subscriptions for this private placement during the fiscal year ended August 31, 2008.

The Company paid \$32,800 in finders' fees, \$3,948 for legal costs and issued 328,000 finders' fee warrants valued at \$5,786 which entitle the holder to purchase additional common shares at \$0.15 per share until September 9, 2009.

Private placement of 300,000 units and 300,000 flow-through shares.

On November 17, 2008, the Company completed a private placement. The private placement was comprised of 300,000 units issued at a price of \$0.10 per unit for gross proceeds of \$30,000. Each unit is comprised of one common share and one half share purchase warrant. Each full warrant is exercisable at \$0.15 per common share until August 31, 2010.

An additional 300,000 flow-through common shares were issued at a price of \$0.10 per flow-through share for gross proceeds of \$30,000.

Shares issued for property option payment extension

On January 15, 2009, the Company had entered into an option amending agreement for the Atlin property. The new agreement provided the Company with an extension to make the \$200,000 payment otherwise due on January 15, 2009, until March 16, 2009. In consideration for the extension, the Company issued 200,000 common shares at a price of \$0.04 per share for a total value of \$8,000 on January 22, 2009. In addition to the original extension, the Company elected to further extend the option payment date from March 16, 2009, to April 15, 2009, by issuing an additional 100,000 common shares at a price of \$0.04 per share for a total value of \$4,000 on March 12, 2009.

Private placement of 4,630,000 units

On July 20, 2009, the Company completed a non-brokered private placement of 4,630,000 units at \$0.08 per unit for gross proceeds of \$370,400. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at \$0.12 per share until July 20, 2011.

The Company paid finders' fees of \$29,632 cash and issued 370,400 finders' warrants valued at \$23,530 which are exercisable at \$0.08 per share until July 20, 2011. An additional \$4,849 in legal costs directly related to the private placement was recorded as share issue costs.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2009

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

Warrants

Warrant transactions are summarized as follows:

	2009		2008	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	13,265,000	\$ 0.29	14,248,113	\$ 0.45
Issued	2,567,500	0.12	5,050,000	0.20
Exercised	-	-	-	-
Expired	(2,800,000)	0.20	(6,033,113)	0.59
Balance, end of year	13,032,500	\$ 0.28	13,265,000	\$ 0.29

The following warrants to acquire common shares were outstanding at August 31, 2009:

Number of Shares	Exercise Price	Expiry Date
2,200,000	\$ 0.20	August 31, 2010
8,215,000	0.35	August 31, 2010
302,500	0.15	August 31, 2010
<u>2,315,000</u>	0.12	July 20, 2011
<u>13,032,500</u>		

Expired warrants

On January 9, 2009, 2,800,000 warrants exercisable at \$0.20 per common share expired unexercised.

Extension on warrant expiry dates

On January 15, 2009, the Company extended the expiry date of certain outstanding warrants. In 2007, the Company issued 6,235,000 warrants expiring on May 3, 2009, and 1,980,000 warrants expiring on June 14, 2009, both having an exercise price of \$0.35 per common share. In 2008, the Company issued 2,200,000 warrants expiring March 1, 2009, with an exercise price of \$0.20 per common share, 50,000 warrants expiring on August 18, 2009, 102,500 warrants expiring on September 9, 2009 and 150,000 warrants expiring on November 17, 2009, each having an exercise price of \$0.15 per common share. The Company extended the expiry date of all such warrants until August 31, 2010.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AUGUST 31, 2009

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

Warrants (cont'd...)

Finders' warrant transactions are summarized as follows:

	2009		2008	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	2,048,457	\$ 0.21	1,327,970	\$ 0.23
Issued	698,400	0.11	1,429,107	0.20
Exercised	(8,000)	0.10	-	-
Expired	(1,391,350)	0.19	(708,620)	0.22
Balance, end of year	1,347,507	\$ 0.19	2,048,457	\$ 0.21

Expired warrants

On January 9, 2009, 432,000 finders' warrants exercisable at \$0.135 per common share expired unexercised.

On March 1, 2009, 340,000 finders' warrants exercisable at \$0.135 per common share expired unexercised.

On May 3, 2009, 511,550 finders' warrants exercisable at \$0.25 per common share expired unexercised.

On June 14, 2009, 107,800 finders' warrants exercisable at \$0.25 per common share expired unexercised.

The following finders' warrants were outstanding at August 31, 2009:

Number of Shares	Exercise Price	Expiry Date
328,000	\$ 0.15	September 9, 2009, subsequently expired
181,510	0.27	September 11, 2009, subsequently expired
257,740	0.27	September 21, 2009, subsequently expired
132,080	0.27	October 9, 2009, subsequently expired
77,777	0.27	October 18, 2009, subsequently expired
<u>370,400</u>	0.08	July 20, 2011
1,347,507		

	2009	2008
Weighted average fair value of finders' warrants granted during year	\$ 0.04	\$ 0.06

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

Warrants (cont'd...)

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

	2009	2008
Risk-free interest rate	1.93%	3.67%
Expected life	1.5 years	1.45 years
Annualized volatility	102.60%	68.47%
Dividend rate	0.00%	0.00%

Exercised finders' warrants

On August 13, 2009, the Company received \$800 from the exercise of 8,000 finders' warrants exercisable at \$0.10 per share until August 18, 2009.

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.

	Number of Options	Weighted Average Exercise Price
Outstanding at August 31, 2007	3,481,500	\$ 0.37
Expired/cancelled	<u>(279,000)</u>	0.70
Outstanding at August 31, 2009 and 2008	3,202,500	\$ 0.34
Options exercisable as of August 31, 2009	3,202,500	\$ 0.34

	2009	2008
Weighted average fair value of options granted during year	\$ -	\$ -

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

Stock options (cont'd...)

The following stock options were outstanding at August 31, 2009:

Number of Shares	Exercise Price	Expiry Date
70,000	\$ 0.70	September 24, 2009, subsequently expired
70,000	0.70	October 15, 2009, subsequently expired
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
3,202,500		

9. RELATED PARTY TRANSACTIONS

Due from related party of \$14,868 at August 31, 2009 (2008 - \$Nil) is due from Eagle.

Accounts payable to related parties at August 31, 2009 and 2008, are owing to a director and companies controlled by directors.

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$180,000 (2008 - \$180,000) in management fees to companies controlled by a director and a former director.
- b) Paid or accrued legal fees of \$20,578 (2008 - \$54,831) to a firm in which a former director of the Company is a partner.
- c) Paid or accrued share issue costs of \$3,948 (2008 - \$20,704) to a firm in which a former director of the Company is a partner.
- d) Paid or accrued \$1,012 (2008 - \$23,684) in various fees to a company in which a director has an interest, which were allocated to deferred exploration costs.
- e) Paid or accrued \$40,260 (2008 - \$37,975) in administration fees to a company controlled by a director.
- f) Paid or accrued \$Nil (2008 - \$9,160) in geological consulting fees to a company controlled by a former director which were allocated to deferred exploration costs.
- g) Paid or accrued \$42,780 (2008 - \$47,420) in accounting fees to a company controlled by a director.
- h) Paid or accrued \$15,175 (2008 - \$Nil) in rent to a public company with directors in common.

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

- i) Paid or accrued \$500 (2008 - \$9,333) in rent to 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.

10. CAPITAL MANAGEMENT

The Company considers its capital to be the components of shareholders' equity and the convertible debenture. The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through debt and equity financing. Future financings are dependent on market conditions and there can be no assurance the Company will be able to raise funds in the future.

There were no changes to the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements.

11. FINANCIAL INSTRUMENTS

Fair values

As at August 31, 2009, the carrying values of cash, receivables, due from related party, security deposit and reclamation bond, accounts payable and accrued liabilities, accounts payable to related parties and convertible debenture approximate their fair values due to their short term to maturity.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2009, the Company had cash balances of \$63,882 (2008 - \$34,124) and current liabilities of \$1,791,367 (2008 - \$1,088,593.) The Company does not have adequate financial resources to settle its current liabilities even with the convertible debenture being settled in common shares.

The Company has historically relied on equity financings and convertible debt to satisfy its capital requirements and will continue to depend heavily upon equity capital and convertible debt to finance its activities. There can be no assurance the Company will be able to obtain the required financing in the future on acceptable terms. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing market conditions.

Interest risk

The Company invests its cash in instruments that are redeemable at any time without penalty, thereby reducing its exposure to interest rate fluctuations. Other interest rate risks arising from the Company's operations are not considered material.

Currency risk

The Company is not exposed to foreign currency risk.

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11. FINANCIAL INSTRUMENTS (cont'd...)

Price risk

The Company is exposed to price risk with respect to commodity prices. The ability of the Company to explore its mineral properties and future profitability of the Company are directly related to the market price of gold and other precious metals. The Company monitors commodity prices to determine appropriate actions to be undertaken.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2009	2008
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	-	-

The significant non-cash transactions for the year ended August 31, 2009 were as follows:

- a) The Company issued 698,400 finders' fees warrants which entitle the holders to purchase an additional 698,400 common shares. The fair value of the finders' fees warrants of \$29,316 was allocated to share issue costs and contributed surplus.
- b) The Company issued 300,000 common shares at a price of \$0.04 per share with a total value of \$12,000 to obtain an extension on the \$200,000 Atlin property payment.
- c) Included in accounts payable is \$45,360 which relates to deferred exploration costs and \$800 which relates to share issuance costs.
- d) Future income taxes on exploration expenditures unrenounced to shareholders of \$185,723 was added to capital stock with a related decrease to future income taxes as the result of a reduction in Canadian Exploration Expenditures previously renounced under the look-back rule (Note 7).
- e) Future income tax on exploration expenditures renounced to shareholders of \$96,375 was charged to capital stock with related increase to future income tax recovery.
- f) The Company issued 2,005,000 flow-through common shares pursuant to shares subscribed of \$200,500 received in fiscal 2008.

The significant non-cash transactions for the year ended August 31, 2008 were as follows:

- a) The Company issued 1,429,107 finders' fees warrants which entitle the holders to purchase an additional 1,429,107 common shares. The fair value of the finders' fees warrants of \$88,009 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.

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12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd...)

- c) On October 17, 2007, the Company issued 200,000 common shares valued at \$50,000 pursuant to the Red Ridge property option agreement.
- d) Included in accounts payable is \$727,897 which relates to deferred exploration costs.
- e) Included in accounts payable is \$800 which relates to share issue costs.
- f) Future income taxes on exploration expenditures renounced to shareholders of \$816,628 was charged to capital stock with a related increase to future income taxes.
- g) Reallocated \$24,962 of deferred financing costs to convertible debentures.

13. CONTINGENCY

Exploration advances

	2009	2008
Canamera Geoscience Corp.	\$ 387,566	\$ 387,566
Titan Drilling Ltd.	<u>107,148</u>	<u>107,148</u>
	494,714	494,714
Allowance for doubtful recovery	<u>(494,714)</u>	<u>(494,714)</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.

14. 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.

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15. SUBSEQUENT EVENTS

Expired finders' warrants

On September 9, 2009, 328,000 finders' warrants exercisable at \$0.15 per common share expired unexercised.

On September 11, 2009, 181,510 finders' warrants exercisable at \$0.27 per common share expired unexercised.

On September 21, 2009, 257,740 finders' warrants exercisable at \$0.27 per common share expired unexercised.

On October 9, 2009, 132,080 finders' warrant exercisable at \$0.27 per common share expired unexercised.

On October 18, 2009, 77,777 finders' warrants exercisable at \$0.27 per common share expired unexercised.

Expired stock options

On September 24, 2009, 70,000 stock options exercisable at \$0.70 per common share expired unexercised.

On October 15, 2009, 70,000 stock options exercisable at \$0.70 per common share expired unexercised.