

PRIZE MINING CORPORATION

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

NOVEMBER 30, 2006

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 November 30, 2006.

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

	November 30, 2006	August 31, 2006 (Audited)
ASSETS		
Current		
Cash	\$ 93,626	\$ 675,416
Receivables	98,253	185,226
Prepaid expenses and deposits	<u>31,116</u>	<u>32,538</u>
	222,995	893,180
Equipment (Note 3)	19,411	21,045
Resource properties (Note 4)	19,988,293	19,068,210
Deferred financing costs (Note 5)	56,287	60,762
Deferred share issue costs	11,253	-
Security deposit and reclamation bond	<u>80,425</u>	<u>80,425</u>
	<u>\$ 20,378,664</u>	<u>\$ 20,123,622</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 410,503	\$ 71,674
Accounts payable to related parties	<u>121,177</u>	<u>76,526</u>
	<u>531,680</u>	<u>148,200</u>
Convertible debenture (Note 6)	1,029,460	1,019,877
Future income taxes	<u>774,960</u>	<u>774,960</u>
	<u>1,804,420</u>	<u>1,794,837</u>
Shareholders' equity		
Capital stock (Note 7)	25,276,744	25,224,744
Equity component of convertible debenture (Note 6)	191,667	191,667
Contributed surplus (Note 7)	885,823	835,587
Deficit	<u>(8,311,670)</u>	<u>(8,071,413)</u>
	<u>18,042,564</u>	<u>18,180,585</u>
	<u>\$ 20,378,664</u>	<u>\$ 20,123,622</u>

Nature of operations (Note 2)

Subsequent events (Note 12)

On behalf of the Board:

"Harry McGucken"

Director

"Feisal Somji"

Director

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 November 30, 2006	Three Month Period Ended November 30, 2005
EXPENSES		
Administrative	\$ 5,070	\$ 24,500
Amortization of deferred financing costs	4,475	4,475
Amortization of equipment	1,634	6,177
Consulting fees	-	100
Interest and bank charges	9,943	10,137
Management fees	47,000	50,000
Office and miscellaneous	37,042	48,016
Professional fees	31,933	21,072
Rent	2,633	13,108
Shareholder communications	20,107	15,778
Stock-based compensation (Note 7)	50,236	127,761
Transfer agent and regulatory fees	4,358	7,773
Travel and related costs	29,304	24,120
Loss before other items	<u>(243,735)</u>	<u>(353,017)</u>
OTHER ITEMS		
Interest income	<u>3,478</u>	<u>1,603</u>
Loss for the period	(240,257)	(351,414)
Deficit, beginning of period	<u>(8,071,413)</u>	<u>(7,078,934)</u>
Deficit, end of period	<u>\$ (8,311,670)</u>	<u>\$ (7,430,348)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Weighted average number of common shares outstanding	28,355,943	17,375,534

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 November 30, 2006	Three Month Period Ended November 30, 2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (240,257)	\$ (351,414)
Items not affecting cash:		
Amortization	1,634	6,178
Amortization of deferred financing costs	4,475	4,475
Stock-based compensation	50,236	127,761
Accretion of liability component of convertible debt	9,583	9,583
Changes in non-cash working capital items:		
Decrease in receivables	86,973	243,899
(Increase) decrease in prepaid expenses and deposits	1,422	(15,927)
Increase in accounts payable and accrued liabilities	15,371	97,681
Increase in accounts payable to related parties	<u>27,987</u>	<u>-</u>
Net cash (used in) provided by operating activities	<u>(42,576)</u>	<u>122,236</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred share issue costs	(11,253)	-
Share subscriptions received in advance	-	45,000
Proceeds from issuance of capital stock	-	75,000
Capital stock issuance costs	<u>-</u>	<u>(25,000)</u>
Net cash (used in) provided by financing activities	<u>(11,253)</u>	<u>95,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property	(25,000)	-
Deferred exploration costs	(502,961)	(223,042)
Short-term investment	<u>-</u>	<u>80,394</u>
Net cash used in investing activities	<u>(527,961)</u>	<u>(142,648)</u>
Change in cash during the period	(581,790)	74,588
Cash, beginning of period	<u>675,416</u>	<u>238,554</u>
Cash, end of period	<u>\$ 93,626</u>	<u>\$ 313,142</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)
THREE MONTH PERIOD ENDED NOVEMBER 30, 2006

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, 2006. 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, 2006. 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

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 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
(Unaudited – Prepared by Management)
THREE MONTH PERIOD ENDED NOVEMBER 30, 2006

3. EQUIPMENT

Equipment, being computer and geological equipment, is recorded at cost. Amortization is calculated over the estimated useful life using the declining balance method at 30% for computer equipment and 20% for geological equipment per annum.

	November 30, 2006			August 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer and geological equipment	\$ 40,865	\$ 21,454	\$ 19,411	\$ 40,977	\$ 19,932	\$ 21,045

4. RESOURCE PROPERTIES

Title to mineral 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 mineral properties. The Company has investigated title to its mineral properties and to the best of its knowledge, title to its properties are in good standing.

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 also paid \$350,000 toward costs incurred on the mineral claims.

During fiscal 2005, the Company abandoned certain mineral claims and consequently, costs related to these claims, totalling \$3,609,193 were written off to operations.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
THREE MONTH PERIOD ENDED NOVEMBER 30, 2006

4. RESOURCE PROPERTIES (cont'd...)

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
- b) \$200,000 by June 15, 2007 and
- c) \$200,000 by January 15, 2008, 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 paid a finder's fee consisting of 200,000 common shares at a value of \$30,000 and cash of \$30,000. In addition, the Company paid other associated acquisition costs of \$10,000.

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 will entitle the holder to purchase one common share of the Company at a price of \$0.35 until May 3, 2007. To earn its option, the Company is required to make option payments as follows:

- a) \$110,000 by October 31, 2007.
- b) \$160,000 by October 31, 2008.
- 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 has been granted the right to acquire from Kotcho a 100% interest in the placer claims and leases located over or adjacent to the Company's existing hard rock claims on its Atlin gold property.

To exercise this option, the Company must pay a total of \$450,000 and issue 1,200,000 common shares to Kotcho on or before December 15, 2006 (currently renegotiating). Of this consideration, \$25,000 and 200,000 common shares valued at \$52,000 were issued on October 18, 2006. All of the shares issued under this agreement are subject to a 4 month hold period.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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THREE MONTH PERIOD ENDED NOVEMBER 30, 2006

4. RESOURCE PROPERTIES (cont'd...)

2006	Nunavut Claims	Atlin Claims	Total
Acquisition costs, beginning balance	\$ 2,816,158	\$ 1,860,000	\$ 4,676,158
Additions during the period	<u>-</u>	<u>77,000</u>	<u>77,000</u>
Acquisition costs, ending balance	<u>2,816,158</u>	<u>1,937,000</u>	<u>4,753,158</u>
Deferred exploration costs, beginning balance	<u>10,487,997</u>	<u>3,904,055</u>	<u>14,392,052</u>
Additions during the period			
Camp maintenance	-	15,591	15,591
Equipment rental	-	12,791	12,791
Expediting and freight	-	896	896
Geological and geochemical		106,080	106,080
Geophysics	-	45,310	45,310
Site Access	-	603,890	603,890
Telecommunications	-	7	7
Tenure and licenses	41,801	10,477	52,278
Travel and accommodation	<u>-</u>	<u>6,240</u>	<u>6,240</u>
	<u>41,801</u>	<u>801,282</u>	<u>843,083</u>
Deferred exploration costs, ending balance	<u>10,529,798</u>	<u>4,705,337</u>	<u>15,235,135</u>
Total resource properties	<u>\$ 13,345,956</u>	<u>\$ 6,642,337</u>	<u>\$ 19,988,293</u>

5. DEFERRED FINANCING COSTS

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

	November 30, 2006	August 31, 2006
Finders' fees	\$ 89,500	\$ 89,500
Amortization	<u>(33,213)</u>	<u>(28,738)</u>
	<u>\$ 56,287</u>	<u>\$ 60,762</u>

PRIZE MINING CORPORATION
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THREE MONTH PERIOD ENDED NOVEMBER 30, 2006

6. CONVERTIBLE DEBENTURE

	November 30, 2006	August 31, 2006
<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. 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 \$0.60 of principal outstanding until January 22, 2007, at \$0.66 of principal outstanding until January 22, 2008, 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.</p>	\$ 1,150,000	\$ 1,150,000
<p>Balance to be accreted</p>	(120,540)	(130,123)
	\$ 1,029,460	\$ 1,019,877

7. CAPITAL STOCK

	Number of Shares	Amount	Contributed Surplus
<p>Authorized</p> <p>Unlimited number of voting common shares without par value</p> <p>Unlimited number of preferred shares, issuable in series</p>			
<p>Common shares issued</p> <p>Balance at August 31, 2006</p> <p>Shares issued for mineral property claims</p> <p>Stock-based compensation</p>	28,261,438 200,000 -	25,224,744 52,000 -	835,587 - 50,236
<p>Balance at November 30, 2006</p>	28,461,438	\$ 25,276,744	\$ 885,823

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
THREE MONTH PERIOD ENDED NOVEMBER 30, 2006

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

Property Acquisition

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. (See Note 4)

Warrants

The following warrants to acquire common shares were outstanding at November 30, 2006:

Number of Shares	Exercise Price	Expiry Date
1,612,500	\$0.35	December 12, 2006
2,000,000	0.35	May 3, 2007
126,167	0.45	March 30, 2008
1,743,333	0.65	March 30, 2008
51,094	0.45	May 4, 2008
2,849,110	0.65	May 4, 2008
228,000	0.65	May 12, 2008

At November 30, 2006, the following unexercised finders' options were outstanding:

Number of Options	Exercise Price	Expiry Date
33,950	\$0.20	December 12, 2006

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.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
THREE MONTH PERIOD ENDED NOVEMBER 30, 2006

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

The following stock options were outstanding at November 30, 2006:

Number of Shares	Exercise Price	Expiry Date
8,500	\$0.70	January 25, 2007
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

Stock-based compensation

On September 1, 2006, the Company granted 286,500 stock options at \$0.40 per option to directors and officers which will expire on September 1, 2011. The Company recognized \$36,232 in stock-based compensation on the consolidated statement of operations and deficit with a corresponding entry to contributed surplus on the balance sheet.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted:

	November 30, 2006
Risk-free interest rate	3.98%
Expected life of options	5 years
Annualized volatility	59.2%
Dividend rate	0.00%

An additional \$14,004 of stock-based compensation was recognized on 62,500 options that vested during the three month period ended November 30, 2006.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
THREE MONTH PERIOD ENDED NOVEMBER 30, 2006

8. RELATED PARTY TRANSACTIONS

Accounts payable to related parties at November 30, 2006, are to directors and companies controlled by directors.

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$47,000 (2005 - \$50,000) in management fees to directors who are the officers of the Company.
- b) Paid or accrued legal fees of \$25,213 (2005 - \$20,803) to a firm in which a director of the Company is a partner.
- c) Paid or accrued \$36,514 (2005 - \$Nil) in geophysics fees to a company controlled by a director which are allocated to deferred exploration costs.
- d) Paid or accrued \$2,633 (2005 - \$Nil) in rent to a company controlled by a common director.
- e) Paid or accrued \$10,500 (2005 - \$Nil) in accounting fees to a company controlled by a common 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

	2006	2005
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	-	-

The significant non-cash transactions during the period ended November 30, 2006 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) Included in deferred exploration costs is \$323,458 which relates to accounts payable and accrued liabilities and \$36,514 which relates to accounts payable to a related party.

The significant non-cash transaction during the period ended November 30, 2005 was as follows:

- a) The Company issued 2,000,000 common shares valued at \$400,000 as part of the Atlin property option agreement.

10. SEGMENTED INFORMATION

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

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
THREE MONTH PERIOD ENDED NOVEMBER 30, 2006

11. FINANCIAL INSTRUMENTS

The Company's other financial instruments consist of receivables, security deposit and reclamation bond, accounts payable and accrued liabilities, accounts payable to related parties and 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.

12. SUBSEQUENT EVENTS

The following events occurred subsequent to November 30, 2006:

Private Placement of 2,070,818 Units and 7,301,874 Flow Through Shares

On December 7, 2006, the Company completed the first tranche of a private placement. The private placement was comprised of 1,229,000 units issued at a price of \$0.22 per unit for gross proceeds of \$270,380. Each unit is comprised of one common share and one half share purchase warrant. Each full warrant is exercisable at \$0.35 per common share until December 7, 2007.

An additional 4,762,374 flow-through common shares were issued at a price of \$0.27 per flow-through share for gross proceeds of \$1,285,841.

The Company issued 485,361 finders' fees options which entitles the holders to purchase additional common shares at \$0.22 per share until December 7, 2007.

On December 15, 2006, the Company completed the second tranche of the private placement. The private placement was comprised of 560,000 units issued at a price of \$0.22 per unit for gross proceeds of \$123,200. Each unit is comprised of one common share and one half share purchase warrant. Each full warrant is exercisable at \$0.35 per common share until December 15, 2007.

An additional 1,669,000 flow-through common shares were issued at a price of \$0.27 per flow-through share for gross proceeds of \$450,630.

The Company paid \$35,027 and issued 159,215 finders' fees options which entitles the holders to purchase additional common shares at \$0.22 per share until December 15, 2007.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
THREE MONTH PERIOD ENDED NOVEMBER 30, 2006

12. SUBSEQUENT EVENTS (cont'd...)

Private Placement of 2,070,818 Units and 7,301,874 Flow Through Shares (cont'd...)

On December 29, 2006, the Company completed the final tranche of the private placement. The private placement was comprised of 281,818 units issued at a price of \$0.22 per unit for gross proceeds of \$62,000. Each unit is comprised of one common share and one half share purchase warrant. Each full warrant is exercisable at \$0.35 per common share until December 29, 2007.

An additional 870,500 flow-through common shares were issued at a price of \$0.27 per flow-through share for gross proceeds of \$235,035.

The Company paid \$14,090 and issued 64,044 finders' fees options which entitles the holders to purchase additional common shares at \$0.22 per share until December 29, 2007.

Exercise and Expiry of Finders' Options

On December 12, 2006, the Company received \$1,750 from the exercise of 8,750 finders' options exercisable at \$0.20 per option. The remaining 25,200 finders' options expired unexercised on December 12, 2006.

Expiry of Warrants

On December 12, 2006, 1,612,500 warrants exercisable at \$0.35 per share expired unexercised.

Stock Options Granted

On January 2, 2007, the Company granted 1,500,000 stock options exercisable at \$0.25 per share to officers, directors and a consultant which will expire on January 2, 2012.

PRIZE MINING CORPORATION

FORM 51-102F1 MANAGEMENT DISCUSSION AND ANALYSIS THREE MONTH PERIOD ENDED NOVEMBER 30, 2006

The following discussion and analysis, prepared as of January 29, 2007, should be read together with the unaudited financial statements for the three month period ended November 30, 2006 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the annual audited financial statements for the years ended August 31, 2006 and 2005, and the Management Discussion and Analysis for those years.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company is available for view on the Company's website at www.prizemining.com and SEDAR at www.sedar.com.

Description of Business

The Company was incorporated under the Business Corporations Act (Alberta) on August 16, 1996 and is in the process of exploring and developing its resource properties in Canada.

During the 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 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.

During the fiscal year 2006, the Company focused its attention on the development of the Atlin Gold Project in Northwestern BC. The Atlin Project has been extensively drilled by the Company since late 2003 and a resource model has been built. The Company is testing this model thru a 10,000 tonne bulk sample project on the Yellowjacket zone of the Atlin Property. The bulk sample consists of 4 phases: diversion of Pine Creek to move the water away from the area of the bulk sample, the stripping of the placer material overlying the target zone, the bulk sample itself by means of an open pit extraction and the processing of the bulk sample for testing of the resource model and recovery of gold for revenue. All engineering and permitting for the project was completed in the fiscal year 2006 as well as Phase 1 and seventy percent of phase 2. The remainder of the project will be completed in 2007.

Performance Summary

The following is a summary of significant events and transactions that occurred during the three month period ended November 30, 2006:

1. On September 1, 2006, the Company granted 286,500 stock options at \$0.40 per option to directors and officers which will expire on September 1, 2011.

2. On September 11, 2006, the Company announced that it began metallurgical and mineralogical test work on drill core samples from the Yellowjacket zone of the Atlin gold property.
3. On September 18, 2006, the Company announced that it commenced with a two phase exploration program on its LD claims (Atlin).
4. On September 28, 2006, the Company commenced the proposed bulk sampling program on its Atlin gold property.
5. On October 10, 2006, the Company announced that it entered into an option agreement with Kotcho Lake Logging Ltd. ("Kotcho") pursuant to which it has been granted the right to acquire from Kotcho a 100% interest in the placer claims and leases located over or adjacent to the Company's existing hard rock claims on its Atlin gold property.

To exercise this option, the Company must pay a total of \$450,000 and issue 1,200,000 common shares to Kotcho on or before December 15, 2006 (currently renegotiating). Of this consideration, \$25,000 and 200,000 common shares valued at \$52,000 were issued on October 18, 2006. All of the shares issued under this agreement are subject to a 4 month hold period.

6. On November 14, 2006, the Company announced that it completed Stage 1 of the 10,000 tonne bulk sampling program on the Atlin gold property.

Selected Annual Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Financial Statements.

	Three Month Period Ended November 30, 2006	Three Month Period Ended November 30, 2005
Total interest income	\$ 3,478	\$ 1,603
Net income (loss) before extraordinary items	(240,257)	(351,414)
Net income (loss)	(240,257)	(351,414)
Basic and diluted earnings (loss) per share	(0.01)	(0.02)
Total assets	20,378,664	18,464,163
Total long-term liabilities	1,804,420	2,140,692
Cash dividends	-	-

The Company received \$3,478 (2005 - \$1,603) interest income from cash held in term deposits.

The Company incurred a \$240,257 (2005 - \$351,414) net loss. Stock-based compensation expense in 2005 was higher as a result of more options being granted which is the primary reason for the increase in net loss in the comparative period.

On October 10, 2006, the Company announced that it entered into an option agreement with Kotcho Lake Logging Ltd. ("Kotcho") pursuant to which it has been granted the right to acquire from Kotcho a 100% interest in the placer claims and leases located over or adjacent to the Company's existing hard rock claims on its Atlin gold property.

To exercise this option, the Company must pay a total of \$450,000 and issue 1,200,000 common shares to Kotcho on or before December 15, 2006 (currently renegotiating). Of this consideration, \$25,000 and 200,000 common shares valued at \$52,000 were issued on October 18, 2006. All of the shares issued under this agreement are subject to a 4 month hold period.

The increase in total assets during the three month period ended November 30, 2006, is primarily attributed to exploration activities on the Atlin property which have been capitalized.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

Results of Operations

The Company had a net loss of \$240,257 (2005 - \$351,414) during the three month period ended November 30, 2006. Some of the significant expenses are as follows:

Administrative \$5,070 (2005 - \$24,500)
Amortization of deferred financing costs \$4,475 (2005 - \$4,475)
Amortization of equipment \$1,634 (2005 - \$6,177)
Consulting fees \$Nil (2005 - \$100)
Interest and bank charges \$9,943 (2005 - \$10,137)
Management fees \$47,000 (2005 - \$50,000)
Office and miscellaneous \$37,042 (2005 - \$48,016)
Professional fees \$31,933 (2005 - \$21,072)
Rent \$2,633 (2005 - \$13,108)
Shareholder communications \$20,107 (2005 - \$15,778)
Stock-based compensation \$50,236 (2005 - \$127,761)
Transfer agent and regulatory fees \$4,358 (2005 - \$7,773)
Travel and related costs \$29,304 (2005 - \$24,120)

Administrative expenses are lower than the comparative period as a result of management sharing these costs with other unrelated companies.

Amortization of equipment is actually very similar to the comparative period due to an error of recording amortization expense from the 2004 fiscal year in the November 30, 2005 quarter.

Interest and bank charges in the comparative period are similar to the comparative period. The expensing of the discount on the convertible debenture is the primary component of interest expense.

Management fees during the current period are similar to the comparative period.

The significant increase in professional fees during the current period is primarily attributed to more accounting services being required as a result of increased business activity.

Rent expense is significantly lower than the comparative period due to the Company sharing these costs with other unrelated companies.

Shareholder communications in the current period are higher than the comparative period as the Company has increased their attendance and has exhibited at various mining shows.

Stock-based compensation expense in the comparative period was higher as a result of more options being granted.

Travel and related costs in the current period are higher as a result of the Company increasing their attendance at various mining shows.

The Company is currently testing its resource model of the Atlin Gold Project thru a 10,000 tonne bulk sample project on the Yellowjacket zone of the Atlin Property. The bulk sample consists of 4 phases: diversion of Pine Creek to move the water away from the area of the bulk sample, the stripping of the placer material overlying the target zone, the bulk sample itself by means of an open pit extraction and the processing of the bulk sample for testing of the resource model and recovery of gold for revenue. All engineering and permitting for the project was completed in the fiscal year 2006 as well as Phase 1 and seventy percent of phase 2.

It is anticipated that phase 2 will be completed by the end of April 2007 with the completion of phase 3 and 4 by the end of 2007. The funds for the project will come from the latest round of flow thru financing completed by the Company as described in subsequent events.

Summary of Quarterly Results

For the Quarters Ended

	November 30, 2006	August 31, 2006	May 31, 2006	February 28, 2006
Total assets	\$ 20,378,664	\$ 20,123,622	\$ 20,997,239	\$ 18,863,741
Working capital (deficiency)	(308,685)	744,980	1,644,964	568,288
Shareholders' equity	18,052,147	18,180,585	18,516,243	16,525,476
Income	3,478	15,548	1,346	1,457
Net income (loss)	(240,257)	(263,095)	(154,166)	(198,804)
Earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)

For the Quarters Ended

	November 30, 2005	August 31, 2005	May 31, 2005	February 28, 2005
Total assets	\$ 18,464,163	\$ 18,085,552	\$ 21,343,467	\$ 21,657,118
Working capital (deficiency)	362,985	694,444	1,030,978	1,740,669
Shareholders' equity	16,123,567	15,854,474	18,069,709	18,296,241
Income	1,603	6,758	2,856	11,699
Net Income (loss)	(351,414)	(2,998,122)	(226,532)	(318,696)
Earnings (loss) per share	(0.02)	(0.16)	(0.04)	(0.01)

The Company received \$3,478 (2005 - \$1,603) interest income from cash held in term deposits

The Company incurred a \$240,257 (2005 - \$351,414) net loss during the three month period ended November 30, 2006. Stock-based compensation expense in the November 30, 2005 period was higher as a result of more options being granted which is the primary reason for the increase in net loss in that period.

During the three month period ended November 30, 2006, the Company continued exploration activities on the Atlin property. The Company incurred \$338,829 in accounts payable and accrued liabilities and \$44,651 in accounts payable to related parties. Of these amounts, \$323,458 in accounts payable and \$36,514 due to a related party are primarily attributed to the exploration of the Atlin property. An additional \$502,961 in cash was spent on deferred exploration costs.

As a result of the exploration work, the Company currently has a working capital deficiency of \$308,685. However, subsequent to the period, the Company closed three tranches of a private placement for gross proceeds of \$2,427,086 which will return the Company to a positive working capital position. On November 29, 2005, the Company closed the first tranche of a private placement for gross proceeds of \$75,000.

On October 10, 2006, the Company announced that it entered into an option agreement with Kotcho Lake Logging Ltd. ("Kotcho") pursuant to which it has been granted the right to acquire from Kotcho a 100% interest in the placer claims and leases located over or adjacent to the Company's existing hard rock claims on its Atlin gold property.

To exercise this option, the Company must pay a total of \$450,000 and issue 1,200,000 common shares to Kotcho on or before December 15, 2006 (currently renegotiating). Of this consideration, \$25,000 and 200,000 common shares valued at \$52,000 were issued on October 18, 2006. All of the shares issued under this agreement are subject to a 4 month hold period.

Liquidity

The financial statements have been prepared on a going concern basis which assumes that the Company will be able 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 and to commence profitable operations in the future.

	November 30, 2006	August 31, 2006
Working capital	\$ (308,685)	\$ 744,980
Deficit	(8,311,670)	(8,071,413)

As a result of the exploration work, the Company currently has a working capital deficiency of \$308,685. However, subsequent to the period, the Company closed three tranches of a private placement for gross proceeds of \$2,427,086 which will return the Company to a positive working capital position

Net cash (used in) provided by operating activities during the period was (\$42,576) (2005 – \$122,236). The cash used in operating activities consists primarily of operating costs and the change in non-cash working capital items.

Net cash (used in) provided by financing activities during the period was (\$11,253) (2005 - \$95,000). During the current period the Company paid \$11,253 in legal costs which are classified as deferred share issue costs since they are directly related to the private placement which closed subsequent to the quarter. In the comparative period the Company received \$75,000 from the issuance of capital stock and an additional \$45,000 in share subscriptions. The Company incurred \$25,000 in share issue costs in the 2005 comparative period.

Net cash used in investing activities during the period was \$527,961 (2005 - \$142,648). During the current period the Company redeemed \$575,000 (2005 - \$155,394) in guaranteed investment certificates (GIC's). The Company used \$502,961 of the redeemed GIC's to conduct exploration activities on its mineral properties. The majority of these costs are attributed to the completion of Phase 1 on the Yellowjacket zone of the Atlin property exploration program.

The Company has sufficient funds to meet its property maintenance payments for 2007 and cover anticipated administrative expenses throughout the year. It will continue to focus its exploration and development efforts on its mineral properties.

Capital Resources

As a result of the exploration work, the Company currently has a working capital deficiency of \$308,685. However, subsequent to the period, the Company closed three tranches of a private placement for gross proceeds of \$2,427,086 which will return the Company to a positive working capital position.

Mineral Property Obligations

The following are expenditures that the Company is required to make in order to maintain its mineral claims and agreements in good standing:

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 also paid \$350,000 toward costs incurred on the mineral claims.

During fiscal 2005, the Company abandoned certain mineral claims and consequently, costs related to these claims, totalling \$3,609,193 were written off to operations.

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
- b) \$200,000 by June 15, 2007 and
- c) \$200,000 by January 15, 2008, 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 paid a finder’s fee consisting of 200,000 common shares at a value of \$30,000 and cash of \$30,000. In addition, the Company paid other associated acquisition costs of \$10,000.

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 will entitle the holder to purchase one common share of the Company at a price of \$0.35 until May 3, 2007. To earn its option, the Company is required to make option payments as follows:

- a) \$110,000 by October 31, 2007.
- b) \$160,000 by October 31, 2008.
- 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 has been granted the right to acquire from Kotcho a 100% interest in the placer claims and leases located over or adjacent to the Company's existing hard rock claims on its Atlin gold property.

To exercise this option, the Company must pay a total of \$450,000 and issue 1,200,000 common shares to Kotcho on or before December 15, 2006 (currently renegotiating). Of this consideration, \$25,000 and 200,000 common shares valued at \$52,000 were issued on October 18, 2006. All of the shares issued under this agreement are subject to a 4 month hold period.

Related Party Transactions

Accounts payable to related parties at November 30, 2006, are to directors and companies controlled by directors.

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$47,000 (2005 - \$50,000) in management fees to directors who are the officers of the Company.
- b) Paid or accrued legal fees of \$25,213 (2005 - \$20,803) to a firm in which a director of the Company is a partner.
- c) Paid or accrued \$36,514 (2005 - \$Nil) in geophysics fees to a company controlled by a director which are allocated to deferred exploration costs.
- d) Paid or accrued \$2,633 (2005 - \$Nil) in rent to a company controlled by a common director.
- e) Paid or accrued \$10,500 (2005 - \$Nil) in accounting fees to a company controlled by a common 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.

Financial Instruments

The Company's other financial instruments consist of receivables, security deposit and reclamation bond, accounts payable and accrued liabilities, accounts payable to related parties and 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.

Outstanding Share Data

	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, 2006	28,261,438	25,224,744	835,587
Shares issued for mineral property claims	200,000	52,000	-
Stock-based compensation	-	-	50,236
Balance at November 30, 2006	28,461,438	\$ 25,276,744	\$ 885,823

Property Acquisition

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. (See Note 4)

Subsequent events

The following events occurred subsequent to August 31, 2006:

Private Placement of 2,070,818 Units and 7,301,874 Flow Through Shares

On December 7, 2006, the Company completed the first tranche of a private placement. The private placement was comprised of 1,229,000 units issued at a price of \$0.22 per unit for gross proceeds of \$270,380. Each unit is comprised of one common share and one half share purchase warrant. Each full warrant is exercisable at \$0.35 per common share until December 7, 2007.

An additional 4,762,374 flow-through common shares were issued at a price of \$0.27 per flow-through share for gross proceeds of \$1,285,841.

The Company issued 485,361 finders' fees options which entitles the holders to purchase additional common shares at \$0.22 per share until December 7, 2007.

On December 15, 2006, the Company completed the second tranche of the private placement. The private placement was comprised of 560,000 units issued at a price of \$0.22 per unit for gross proceeds of \$123,200. Each unit is comprised of one common share and one half share purchase warrant. Each full warrant is exercisable at \$0.35 per common share until December 15, 2007.

An additional 1,669,000 flow-through common shares were issued at a price of \$0.27 per flow-through share for gross proceeds of \$450,630.

The Company paid \$35,027 and issued 159,215 finders' fees options which entitles the holders to purchase additional common shares at \$0.22 per share until December 15, 2007.

On December 29, 2006, the Company completed the final tranche of the private placement. The private placement was comprised of 281,818 units issued at a price of \$0.22 per unit for gross proceeds of \$62,000. Each unit is comprised of one common share and one half share purchase warrant. Each full warrant is exercisable at \$0.35 per common share until December 29, 2007.

An additional 870,500 flow-through common shares were issued at a price of \$0.27 per flow-through share for gross proceeds of \$235,035.

The Company paid \$14,090 and issued 64,044 finders' fees options which entitles the holders to purchase additional common shares at \$0.22 per share until December 29, 2007.

Phase I Results for LD Property

On December 11, 2006, the Company announced the results from Phase I of a two phase exploration program on its LD property. Two strong gold soil anomalies were identified in this program.

Exercise and Expiry of Finders' Options

On December 12, 2006, the Company received \$1,750 from the exercise of 8,750 finders' options exercisable at \$0.20 per option. The remaining 25,200 finders' options expired unexercised on December 12, 2006.

Expiry of Warrants

On December 12, 2006, 1,612,500 warrants exercisable at \$0.35 per share expired unexercised.

Stock Options Granted

On January 2, 2007, the Company granted 1,500,000 stock options exercisable at \$0.25 per share to officers, directors and a consultant which will expire on January 2, 2012.

Research Report

On January 16, 2007, the Company announced that Howlett Research Corp. published a research report on the Company. The Company intends to use this report for communicating its progress and corporate strategy.