

**PRIZE MINING CORPORATION**

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

**FEBRUARY 28, 2007**

**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 February 28, 2007.

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

	February 28, 2007	August 31, 2006 (Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 1,618,178	\$ 675,416
Receivables	23,029	185,226
Prepaid expenses and deposits	28,012	32,538
Due from related parties	<u>12,790</u>	<u>-</u>
	1,682,009	893,180
<b>Equipment</b> (Note 3)	17,950	21,045
<b>Resource properties</b> (Note 4)	20,151,123	19,068,210
<b>Deferred financing costs</b> (Note 5)	51,812	60,762
<b>Deferred share issue costs</b>	-	-
<b>Security deposit and reclamation bond</b>	<u>80,425</u>	<u>80,425</u>
	<u>\$ 21,983,319</u>	<u>\$ 20,123,622</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 100,370	\$ 71,674
Accounts payable to related party	<u>3,795</u>	<u>76,526</u>
	<u>104,165</u>	<u>148,200</u>
<b>Convertible debenture</b> (Note 6)	1,039,043	1,019,877
<b>Future income taxes</b>	<u>774,960</u>	<u>774,960</u>
	<u>1,918,168</u>	<u>1,794,837</u>
<b>Shareholders' equity</b>		
Capital stock (Note 7)	27,439,717	25,224,744
Equity component of convertible debenture (Note 6)	191,667	191,667
Contributed surplus (Note 7)	1,180,968	835,587
Deficit	<u>(8,747,201)</u>	<u>(8,071,413)</u>
	<u>20,065,151</u>	<u>18,180,585</u>
	<u>\$ 21,983,319</u>	<u>\$ 20,123,622</u>

**Nature of operations** (Note 2)

**Subsequent event** (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 February 28, 2007	Three Month Period Ended February 28, 2006	Six Month Period Ended February 28, 2007	Six Month Period Ended February 28, 2006
<b>EXPENSES</b>				
Administrative	\$ 8,000	\$ 18,320	\$ 13,070	\$ 42,820
Amortization of deferred financing costs	4,475	-	8,950	4,475
Amortization of equipment	1,461	1,585	3,095	7,762
Computer and website	-	4,539	-	10,308
Consulting fees	4,190	3,879	4,190	3,979
Corporate financing fee	-	-	-	25,000
Insurance	-	-	-	14,810
Interest and bank charges	18,133	12,229	28,076	22,366
Management fees	45,000	30,000	92,000	80,000
Office and miscellaneous	34,091	14,204	71,133	41,641
Professional fees	40,132	59,824	72,065	80,896
Rent	6,300	2,643	8,933	15,751
Shareholder communications	21,900	20,834	42,007	36,612
Stock-based compensation (Note 7)	218,408	-	268,644	127,761
Transfer agent and regulatory fees	15,960	13,431	20,318	21,204
Travel and related costs	22,131	18,773	51,435	42,893
<b>Loss before other items</b>	<u>(440,181)</u>	<u>(200,261)</u>	<u>(683,916)</u>	<u>(578,278)</u>
<b>OTHER ITEMS</b>				
Interest income	<u>4,650</u>	<u>1,457</u>	<u>8,128</u>	<u>3,060</u>
<b>Loss for the period</b>	(435,531)	(198,804)	(675,788)	(575,218)
<b>Deficit, beginning of period</b>	<u>(8,311,670)</u>	<u>(7,455,222)</u>	<u>(8,071,413)</u>	<u>(7,078,934)</u>
<b>Deficit, end of period</b>	\$ (8,747,201)	\$ (7,654,026)	\$ (8,747,201)	\$ (7,654,206)
<b>Basic and diluted loss per common share</b>	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
<b>Weighted average number of common shares outstanding</b>	36,827,537	22,876,495	32,553,910	22,876,495

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 February 28, 2007	Three Month Period Ended February 28, 2006	Six Month Period Ended February 28, 2007	Six Month Period Ended February 28, 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (435,531)	\$ (198,804)	\$ (675,788)	\$ (575,218)
Items not affecting cash:				
Amortization	1,461	1,585	3,095	7,762
Amortization of deferred financing costs	4,475	-	8,950	4,475
Stock-based compensation	218,408	-	268,644	127,761
Accretion of liability component of convertible debt	9,583	9,853	19,166	19,166
Changes in non-cash working capital items:				
Increase (decrease) in receivables	75,224	(27,378)	162,197	214,393
(Increase) decrease in prepaid expenses and deposits	3,104	14,466	4,526	(1,461)
Increase in due from related parties	(12,790)	-	(12,790)	-
Increase (decrease) in accounts payable and accrued liabilities	(310,132)	(59,804)	28,697	38,021
Increase in accounts payable to related parties	<u>(117,382)</u>	<u>-</u>	<u>(72,732)</u>	<u>-</u>
Net cash (used in) operating activities	<u>(563,580)</u>	<u>(260,082)</u>	<u>(266,035)</u>	<u>(165,101)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Deferred share issue costs	11,253	-	-	-
Cash received from Earn-in Agreement	-	50,000	-	50,000
Share subscriptions received in advance	-	(45,000)	-	-
Proceeds from issuance of capital stock	2,428,836	657,000	2,428,836	732,000
Capital stock issuance costs	<u>(189,126)</u>	<u>(13,667)</u>	<u>(189,126)</u>	<u>(13,667)</u>
Net cash provided by financing activities	<u>2,250,963</u>	<u>648,333</u>	<u>2,239,710</u>	<u>768,333</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Capital assets	-	(6,370)	-	(6,370)
Acquisition of property	(200,000)	-	(225,000)	-
Deferred exploration costs recovered	300,917	-	300,917	-
Deferred exploration costs	<u>(263,748)</u>	<u>(229,150)</u>	<u>(1,106,830)</u>	<u>(449,937)</u>
Net cash used in investing activities	<u>(162,831)</u>	<u>(235,520)</u>	<u>(1,030,913)</u>	<u>(456,307)</u>
<b>Change in cash during the period</b>	1,524,552	152,731	942,762	146,925
<b>Cash, beginning of period</b>	<u>93,626</u>	<u>388,142</u>	<u>675,416</u>	<u>393,948</u>
<b>Cash, end of period</b>	\$ 1,618,178	\$ 540,873	\$ 1,618,178	\$ 540,873

**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)  
SIX MONTH PERIOD ENDED FEBRUARY 28, 2007

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**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**  
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SIX MONTH PERIOD ENDED FEBRUARY 28, 2007

**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.

	February 28, 2007			August 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer and geological equipment	\$ 40,865	\$ 22,915	\$ 17,950	\$ 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  
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SIX MONTH PERIOD ENDED FEBRUARY 28, 2007

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**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 (paid)
- 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 was 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 was to pay a total of \$450,000 and issue 1,200,000 common shares to Kotcho on or before December 15, 2006 (expired unexercised). 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 were subject to a 4 month hold period. (see Note 12)

**PRIZE MINING CORPORATION**  
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SIX MONTH PERIOD ENDED FEBRAURY 28, 2007

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

	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>277,000</u>	<u>277,000</u>
Acquisition costs, ending balance	<u>2,816,158</u>	<u>2,137,000</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	-	31,495	31,495
Equipment rental	-	15,425	15,425
Expediting and freight	-	2,669	2,669
Geological and geochemical	-	129,544	129,544
Geophysics	-	91,926	91,926
Mobilization	-	15,000	15,000
Pit excavation	-	125,000	125,000
Site Access	-	612,890	612,890
Telecommunications	-	7	7
Tenure and licenses	63,541	10,477	74,018
Travel and accommodation	<u>-</u>	<u>8,856</u>	<u>8,856</u>
	<u>63,541</u>	<u>1,043,289</u>	<u>1,106,830</u>
Costs recovered	<u>-</u>	<u>(300,917)</u>	<u>(300,917)</u>
Deferred exploration costs, ending balance	<u>10,551,538</u>	<u>4,646,427</u>	<u>15,197,965</u>
Total resource properties	<u>\$ 13,367,696</u>	<u>\$ 6,783,427</u>	<u>\$ 20,151,123</u>

**5. DEFERRED FINANCING COSTS**

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

	February 28, 2007	August 31, 2006
Finders' fees	\$ 89,500	\$ 89,500
Amortization	<u>(37,688)</u>	<u>(28,738)</u>
	<u>\$ 51,812</u>	<u>\$ 60,762</u>

**PRIZE MINING CORPORATION**  
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**6. CONVERTIBLE DEBENTURE**

	February 28, 2007	August 31, 2006
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.	\$ 1,150,000	\$ 1,150,000
Balance to be accreted	(110,957)	(130,123)
	<u>\$ 1,039,043</u>	<u>\$ 1,019,877</u>

**7. CAPITAL STOCK**

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited number of voting common shares without par value			
Unlimited number of preferred shares, issuable in series			
Common shares issued			
Balance at August 31, 2006	28,261,438	25,224,744	835,587
Shares issued for mineral property claims	200,000	52,000	-
Private placement	2,070,818	455,580	-
Private placement – flow through	7,301,874	1,971,506	-
Exercise of finders' options	8,750	1,750	-
Share issue costs	-	(265,863)	76,737
Stock-based compensation	-	-	268,644
Balance at February 28, 2007	<u>37,842,880</u>	<u>\$ 27,439,717</u>	<u>\$ 1,180,968</u>

**PRIZE MINING CORPORATION**  
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SIX MONTH PERIOD ENDED FEBRUARY 28, 2007

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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)

*Private Placements*

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 warrants which entitle the holders to purchase additional common shares at \$0.22 per share until December 7, 2007

On December 14, 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 14, 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 issued 159,215 finders' fees warrants which entitles the holders to purchase additional common shares at \$0.22 per share until December 14, 2007

On December 28, 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 28, 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 issued 64,044 finders' fees warrants which entitles the holders to purchase additional common shares at \$0.22 per share until December 28, 2007.

The Company paid in cash \$189,126 for finders' fees, commissions and expenses on the three tranches.

*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.

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

**Warrants**

The following warrants to acquire common shares are outstanding at February 28, 2007:

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Number of Shares	Exercise Price	Expiry Date
2,000,000	\$ 0.35	May 3, 2007
614,500	0.35	December 7, 2007
280,000	0.35	December 15, 2007
140,909	0.35	December 28, 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

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**Finders' warrants**

The following finders' warrants to acquire common shares are outstanding at February 28, 2007:

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Number of Shares	Exercise Price	Expiry Date
485,361	\$ 0.22	December 7, 2007
159,215	0.22	December 14 2007
64,044	0.22	December 28, 2007

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**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**  
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**SIX MONTH PERIOD ENDED FEBRUARY 28, 2007**

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

**Stock options (cont'd...)**

The following stock options are outstanding at February 28, 2007:

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

**Stock-based compensation**

During the six month period ended February 28, 2007, the Company granted 1,786,500 stock options to directors, officers and consultants. The Company recognized \$240,636 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:

	February 28, 2007	February 28, 2006
Risk-free interest rate	3.95%	3.80%
Expected life of options	5 years	3 years
Annualized volatility	63.99%	45.0%
Dividend rate	0.00%	0.00%

An additional \$28,008 of stock-based compensation was recognized on 125,500 options that vested during the six month period ended February 28, 2007.

**PRIZE MINING CORPORATION**  
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**8. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$92,000 (2006 - \$80,000) in management fees to directors of the Company.
- b) Paid or accrued legal fees of \$25,213 (2006 - \$20,919) to a firm in which a director of the Company is a partner.
- c) Paid or accrued \$79,781 (2006 - \$Nil) in geophysics fees to a company controlled by a director which are allocated to deferred exploration costs.
- d) Paid or accrued \$8,933 (2006 - \$Nil) in rent to a company controlled by a common director.
- e) Paid or accrued \$21,000 (2006 - \$Nil) in accounting fees to a company controlled by a common director.
- f) Paid or accrued \$10,000 (2006 \$Nil) in administration fees to a company controlled by a common director.

The \$12,790 (2006 - \$Nil) due from related parties is non-interest bearing and has no formal terms of repayment.

The \$3,795 (2006 - \$76,526) accounts payable to related party is non-interest bearing and has no formal terms of repayment.

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**

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	2007	2006
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	-	-

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The significant non-cash transactions during the period ended February 28, 2007 were as follows:

- a) On October 18, 2006, the Company issued 200,000 common shares valued at \$52,000 as part of the Atlin property option agreement with Kotcho Lake Logging Ltd.
- b) Included in deferred exploration costs is \$1,024 which relates to accounts payable and accrued liabilities and \$3,795 which relates to accounts payable to a related party.
- c) In December 2006, the Company issued a total of 708,620 finders' warrants valued at \$76,737 in connection with the completed private placements.

The significant non-cash transaction during the period ended February 28, 2006 was as follows:

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

**PRIZE MINING CORPORATION**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited – Prepared by Management)  
SIX MONTH PERIOD ENDED FEBRUARY 28, 2007

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**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.

**11. FINANCIAL INSTRUMENTS**

The Company's other financial instruments consist of receivables, amounts due from related parties, 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**

*Atlin Placer Option Agreement*

On April 27, 2007, the Company announced that it entered into a new option agreement with Kotcho Lake Logging Ltd. ("Kotcho") pursuant to which it was granted the right to acquire from Kotcho a 100% interest in three 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 is required to pay a total of \$450,000 and issue 1,200,000 common shares to Kotcho. Of this consideration, \$50,000 and 1,200,000 common shares are due upon signing of the agreement. The remaining \$400,000 is due before December 15, 2007.

**PRIZE MINING CORPORATION**  
**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**SIX MONTH PERIOD ENDED FEBRUARY 28, 2007**

The following discussion and analysis, prepared as of April 27, 2007, should be read together with the unaudited financial statements for the six month period ended February 28, 2007 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](http://www.prizemining.com) and SEDAR at [www.sedar.com](http://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 six month period ended February 28, 2007:

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 was 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 was to pay a total of \$450,000 and issue 1,200,000 common shares to Kotcho on or before December 15, 2006 (expired unexercised). 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 were subject to a 4 month hold period. (see subsequent events)

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.
7. 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 warrants which entitle the holders to purchase additional common shares at \$0.22 per share until December 7, 2007

On December 14, 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 14, 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 issued 159,215 finders' fees warrants which entitles the holders to purchase additional common shares at \$0.22 per share until December 14, 2007

On December 28, 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 28, 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 issued 64,044 finders' fees warrants which entitles the holders to purchase additional common shares at \$0.22 per share until December 28, 2007.

The Company paid in cash \$189,126 for finders' fees, commissions and expenses on the three tranches.

8. 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.
9. 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.
10. On December 12, 2006, 1,612,500 warrants exercisable at \$0.35 per share expired unexercised.
11. On December 14, 2006, the Company redeemed a \$25,000 guaranteed investment certificate.
12. On December 29, 2006, the Company received \$300,917 from the government for recovery of exploration costs incurred on properties in British Columbia.
13. On January 2, 2007, the Company granted 1,500,000 stock options at \$0.25 per option to directors, officers and a consultant which will expire on January 2, 2012.
14. On January 15, 2007, the Company paid \$200,000 for the Atlin property option.
15. 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.
16. On January 31, 2007, the Company invested \$20,000 in a guaranteed investment certificate.
17. On January 31, 2007, the Company announced that it received the final results of a metallurgical study in respect of drill core taken from holes drilled on the Yellowjacket zone of the Atlin property.
18. On February 6, 2007, the Company invested \$1,200,000 in a guaranteed investment certificate.
19. On February 8, 2007, the Company redeemed a \$10,000 guaranteed investment certificate.

## 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 February 28, 2007	Three Month Period Ended February 28, 2006	Six Month Period Ended February 28, 2007	Six Month Period Ended February 28, 2006
Total interest income	\$ 4,650	\$ 1,457	\$ 8,128	\$ 3,060
Net income (loss) before extraordinary items	(435,531)	(198,804)	(675,788)	(575,218)
Net income (loss)	(435,531)	(198,804)	(675,788)	(575,218)
Basic and diluted earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)
Total assets	21,983,319	18,863,741	21,979,524	18,863,741
Total long-term liabilities	1,814,003	2,150,272	1,814,003	2,150,272
Cash dividends	-	-	-	-

The Company received \$8,128 (2006 - \$3,060) interest income from cash held in term deposits.

The Company incurred a \$675,788 (2006 - \$575,218) net loss. Stock-based compensation expense in 2007 was higher as a result of more options being granted which is the primary reason for the increase in net loss over 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 was 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 was to pay a total of \$450,000 and issue 1,200,000 common shares to Kotcho on or before December 15, 2006 (expired unexercised). 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 were subject to a 4 month hold period. (see subsequent events)

The increase in total assets during the six month period ended February 28, 2007, is attributed to exploration activities on the Atlin property which have been capitalized and the completion of three tranches of a private placement generating gross proceeds of \$2,427,086. The Company also received \$300,917 from the government for recovery of exploration costs incurred on properties in British Columbia.

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 \$675,788 (2006 - \$575,218) during the six month period ended February 28, 2007. Some of the significant expenses are as follows:

Administrative \$13,070 (2006 - \$42,820)  
Amortization of deferred financing costs \$8,950 (2006 - \$4,475)  
Amortization of equipment \$3,095 (2006 - \$7,762)  
Computer and website \$Nil (2006 - \$10,308)  
Consulting fees \$4,190 (2006 - \$3,979)  
Interest and bank charges \$28,076 (2006 - \$22,366)  
Management fees \$92,000 (2006 - \$80,000)  
Office and miscellaneous \$71,133 (2006 - \$41,641)  
Professional fees \$72,065 (2006 - \$80,896)  
Rent \$8,933 (2006 - \$15,751)  
Shareholder communications \$42,007 (2006 - \$36,612)  
Stock-based compensation \$268,644 (2006 - \$127,761)  
Transfer agent and regulatory fees \$20,318 (2006 - \$21,204)  
Travel and related costs \$51,435 (2006 - \$42,893)

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 in the comparative period amortization calculations.

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 higher than the comparative period as a result of increased business activity.

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 and financings.

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 current period was higher than the comparative period because more stock options were 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.

## Summary of Quarterly Results

### For the Quarters Ended

	February 28, 2007	November 30, 2006	August 31, 2006	May 31, 2006
Total assets	\$ 21,983,319	\$ 20,378,664	\$ 20,123,622	\$ 20,997,239
Working capital (deficiency)	1,577,844	(308,685)	744,980	1,644,964
Shareholders' equity	20,065,151	18,052,147	18,180,585	18,516,243
Income	4,650	3,478	15,548	1,346
Net income (loss)	(435,531)	(240,257)	(263,095)	(154,166)
Earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)

### For the Quarters Ended

	February 28, 2006	November 30, 2005	August 31, 2005	May 31, 2005
Total assets	\$ 18,863,741	\$ 18,464,163	\$ 18,085,552	\$ 21,343,467
Working capital (deficiency)	568,288	362,985	694,444	1,030,978
Shareholders' equity	16,525,476	16,123,567	15,854,474	18,069,709
Income	1,457	1,603	6,758	2,856
Net Income (loss)	(198,804)	(351,414)	(2,998,122)	(226,532)
Earnings (loss) per share	(0.01)	(0.02)	(0.16)	(0.04)

The Company received \$8,128 (2006 - \$3,060) interest income from cash held in term deposits

The Company incurred a \$675,788 (2006 - \$575,218) net loss during the six month period ended February 28, 2007. Stock-based compensation expense was higher in the current period as a result of more options being granted which is the primary reason for the increase in net loss in that period.

During the six month period ended February 28, 2007, the Company continued exploration activities on the Atlin property. The Company incurred \$28,697 in accounts payable and accrued liabilities and repaid \$72,731 in accounts payable to related parties. Of these amounts, \$1,024 in accounts payable and \$3,795 due to a related party are primarily attributed to the exploration of the Atlin property. An additional \$1,106,830 in cash was spent on deferred exploration costs.

The Company's working capital position improved significantly over the previous period because of the completion of three tranches of a private placement generating gross proceeds of \$2,427,086. The Company also received \$300,917 from the government for recovery of exploration costs incurred on properties in British Columbia.

On October 10, 2006, the Company announced that it entered into an option agreement with Kotcho Lake Logging Ltd. ("Kotcho") pursuant to which it was granted the right to acquire from Kotcho a 100% interest in 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 was to pay a total of \$450,000 and issue 1,200,000 common shares to Kotcho on or before December 15, 2006 (expired unexercised). 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 were subject to a 4 month hold period. (see subsequent events)

## 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.

	February 28, 2007	August 31, 2006
Working capital	\$ 1,577,844	\$ 744,980
Deficit	(8,747,201)	(8,071,413)

Net cash used in operating activities during the period was \$266,034 (2006 - \$162,101). The cash used in operating activities consists primarily of operating costs and the change in non-cash working capital items.

Net cash provided by financing activities during the period was \$2,239,710 (2006 - \$768,333). During the current period the Company closed three tranches of a private placement generating gross proceeds of \$2,427,086 and incurred \$189,126 in share issue costs directly related to the private placement. In the comparative period the Company received \$732,000 from the issuance of capital stock and an additional \$50,000 from an Earn-in Agreement with respect to the Nunavut Claims. The Company incurred \$13,667 in share issue costs in the 2006 comparative period. The Company also received \$1,750 from the exercise of 8,750 finders' options exercised at \$0.20 per option.

Net cash used in investing activities during the period was \$1,030,913 (2006 - \$456,307). During the current period the Company incurred exploration costs associated with the completion of Phase 1 on the Yellowjacket zone of the Atlin property exploration program. The Company paid \$25,000 to acquire the Atlin placer claims and \$200,000 for the Atlin property option agreement; each of these payments were allocated to acquisition costs. The Company also received \$300,917 from the government for recovery of exploration costs incurred on properties in British Columbia.

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**

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 warrants which entitle the holders to purchase additional common shares at \$0.22 per share until December 7, 2007

On December 14, 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 14, 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 issued 159,215 finders' fees warrants which entitles the holders to purchase additional common shares at \$0.22 per share until December 14, 2007

On December 28, 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 28, 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 issued 64,044 finders' fees warrants which entitles the holders to purchase additional common shares at \$0.22 per share until December 28, 2007.

The Company paid in cash \$189,126 for finders' fees, commissions and expenses on the three tranches.

### *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.

## **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 (paid)
- 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 was 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 was to pay a total of \$450,000 and issue 1,200,000 common shares to Kotcho on or before December 15, 2006 (expired unexercised). 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 were subject to a 4 month hold period. (see subsequent events)

## Related Party Transactions

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$92,000 (2006 - \$80,000) in management fees to directors of the Company.
- b) Paid or accrued legal fees of \$25,213 (2006 - \$20,919) to a firm in which a director of the Company is a partner.
- c) Paid or accrued \$79,781 (2006 - \$Nil) in geophysics fees to a company controlled by a director which are allocated to deferred exploration costs.
- d) Paid or accrued \$8,933 (2006 - \$Nil) in rent to a company controlled by a common director.
- e) Paid or accrued \$21,000 (2006 - \$Nil) in accounting fees to a company controlled by a common director.
- f) Paid or accrued \$10,000 (2006 - \$Nil) in administration fees to a company controlled by a common director.

The \$12,790 (2006 - \$Nil) due from related parties is non-interest bearing and has no formal terms of repayment.

The \$3,795 (2006 - \$76,526) accounts payable to related party is non-interest bearing and has no formal terms of repayment.

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, amounts due from related parties, 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	-
Private placement	2,070,818	455,580	-
Private placement – flow through	7,301,874	1,971,506	-
Exercise of finders' options	8,750	1,750	-
Share issue costs	-	(265,863)	76,737
Stock-based compensation	-	-	268,644
Balance at February 28, 2007	37,842,880	\$ 27,439,717	\$ 1,180,968

## **Subsequent events**

The following events occurred subsequent to February 28, 2007:

### *Atlin Bulk Sample Update*

On March 20, 2007, the Company announced the resumption of the bulk sample program on the Yellowjacket zone of the Atlin property.

### *Purchase of Knelson Gravity Processing Plant*

On April 3, 2007, the Company announced that it has commissioned Knelson Gravity Solutions to build a 3-cycle processing plant for the bulk sampling program on the Atlin property.

### *Atlin Placer Option Agreement*

On April 27, 2007, the Company announced that it entered into a new option agreement with Kotcho Lake Logging Ltd. (“Kotcho”) pursuant to which it was granted the right to acquire from Kotcho a 100% interest in three 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 is required to pay a total of \$450,000 and issue 1,200,000 common shares to Kotcho. Of this consideration, \$50,000 and 1,200,000 common shares are due upon signing of the agreement. The remaining \$400,000 is due before December 15, 2007.