

PRIZE MINING CORPORATION

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

FOR THE QUARTER ENDED

MAY 31, 2006

NOTICE TO READER

The financial statements have been prepared by management and have not been reviewed by an auditor

PRIZE MINING CORPORATION
CONSOLIDATED BALANCE SHEET
(Unaudited – Prepared by Management)
QUARTER ENDED MAY 31, 2006

	May 2006	August 2005 Audited
ASSETS		
Current		
Cash	\$ 133,517	\$ 238,554
Short-term investment (Note 3)	1,585,000	155,394
Receivables	131,150	286,269
Prepaid expenses and deposits	<u>116,435</u>	<u>114,196</u>
	1,966,102	794,413
Exploration advances receivable (Note 4)	494,713	492,566
Equipment (Note 5)	19,143	22,121
Resource properties (Note 6)	18,443,094	16,697,790
Deferred financing costs (Note 7)	<u>74,187</u>	<u>78,662</u>
	\$ 20,997,239	\$ 18,085,552
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 321,138	\$ 99,969
Convertible debenture (Note 8)	1,010,292	981,543
Future income taxes	<u>1,149,566</u>	<u>1,149,566</u>
	<u>2,480,996</u>	<u>2,231,078</u>
Shareholders' equity		
Capital stock (Note 9)	25,334,841	22,071,575
Equity component of convertible debenture (Note 8)	191,667	191,667
Contributed surplus (Note 9)	797,927	670,166
Deficit	<u>(7,808,192)</u>	<u>(7,078,934)</u>
	<u>18,516,243</u>	<u>15,854,474</u>
	\$ 20,997,239	\$ 18,085,552

Subsequent events (Note 13)

On behalf of the Board:

_____ Director _____ Director

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

PRIZE MINING CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)
QUARTER ENDED MAY 31, 2006

	Three Month Period Ended May 31, 2006	Three Month Period Ended May 31, 2005	Nine Month Period Ended May 31, 2006	Nine Month Period Ended May 31, 2005
Administrative	12,000	18,500	54,820	60,417
Amortization of equipment	1,585	889	9,347	2,667
Amortization of deferred cost	-	-	4,475	-
Computer and website	4,472	8,080	14,780	9,323
Consulting fees	-	4,230	3,979	14,230
Corporate financing fee	-	-	25,000	20,000
Finder fees	-	-	-	89,500
Insurance	-	-	14,810	-
Interest and bank fees (Note 8)	10,038	-	32,404	-
Management fees (Note 10)	30,000	55,000	110,000	145,000
Office and miscellaneous	20,844	29,762	62,359	75,638
Professional fees	30,847	24,428	111,743	58,542
Rent	3,832	11,000	19,583	22,567
Shareholder communications	15,177	39,980	51,789	111,253
Stock-based compensation	-	-	127,761	-
Transfer agent and regulatory fees	15,767	8,643	36,971	31,520
Travel and related costs	10,950	28,876	53,843	98,284
Loss before other item	(155,512)	(229,595)	(733,664)	(739,597)
OTHER ITEM				
Interest Income	1,346	2,856	4,406	19,156
Loss for the period	(154,166)	(226,532)	(729,258)	(729,643)
Deficit beginning of period	(7,654,026)	(3,854,280)	(7,078,934)	(3,351,169)
Deficit end of period	(7,808,192)	(4,080,812)	(7,808,192)	(4,080,812)
Loss per share – basic and diluted	\$ 0.01	\$ 0.25	\$ 0.03	\$ 0.25
Weighted average number of shares outstanding	25,604,420	5,383,235	22,109,145	1,814,130

PRIZE MINING CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited – Prepared by Management)
QUARTER ENDED MAY 31, 2006

	Three Month Period Ended May 31, 2006	Three Month Period Ended May 31, 2005	Nine Month Period Ended May 31, 2006	Nine Month Period Ended May 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	\$ (154,166)	\$ (226,532)	\$ (731,441)	\$ (729,643)
Items not affecting cash:				
Amortization of equipment	1,585	889	9,348	2,667
Amortization of deferred financing cost	-	-	4,475	-
Stock-based compensation	-	-	127,761	-
Option to acquire property	-	-	400,000	-
Accretion of liability component of convertible debt	9,583	-	28,749	-
Tax receivable	-	-	226,496	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(61,409)	36,844	(91,371)	(8,662)
(Increase) decrease in exploration advances	(2,147)	6,428	(2,147)	199,613
Increase (decrease) in prepaid expenses And deposits	(12,893)	(22,331)	5,647	(35,059)
Increase in accounts payable and accrued liabilities	<u>182,367</u>	<u>(87,120)</u>	<u>219,762</u>	<u>(330,421)</u>
Net cash provided by (used in) operating activities	(37,080)	(291,822)	(602,181)	(901,505)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash received from Earn-in agreement	119,900	-	169,900	-
Convertible debenture	-	-	-	1,150,000
Share Capital: Common Shares	2,169,200	-	3,326,700	-
Share Capital: Warrants	10,500	-	10,500	-
Share Capital: Options	15,000	-	15,000	-
Finder's fees and share issuance costs	<u>(49,768)</u>	<u>-</u>	<u>(63,435)</u>	<u>-</u>
Net cash provided by (used in) financing activities	<u>2,264,832</u>	<u>-</u>	<u>3,433,165</u>	<u>1,150,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital assets	-	(25,829)	(6,370)	(25,829)
Investment in Atlin: cost of property acquisition	(250,000)	(250,000)	(250,000)	(450,000)
Deferred exploration costs, net of option payments received	<u>(808,108)</u>	<u>(208,218)</u>	<u>(1,250,045)</u>	<u>(1,400,223)</u>
Net cash used in investing activities	<u>(1,050,108)</u>	<u>(484,047)</u>	<u>(1,506,415)</u>	<u>(1,876,052)</u>
Change in cash and equivalents during the period	(1,177,644)	(775,869)	1,324,569	1,627,557
Cash and equivalents, beginning of period	<u>540,873</u>	<u>1,215,621</u>	<u>393,948</u>	<u>2,067,039</u>
Cash and equivalents, end of period	\$ 1,718,517	\$ 439,752	\$ 1,718,517	\$ 439,752
Cash and equivalents is comprised of the following:				
Cash and equivalents	133,517	139,752	\$ 133,517	\$ 139,752
GIC	<u>1,585,000</u>	<u>300,000</u>	<u>1,585,000</u>	<u>300,000</u>
	\$ 1,718,517	\$ 439,752	\$ 1,718,517	\$ 439,752

PRIZE MINING CORPORATION
 (UN-AUDITED PREPARED BY MANAGEMENT)
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 THREE MONTH AND NINE MONTH PERIOD ENDED MAY 31, 2006

1. BASIC PRESENTATION AND SIGNIFICANT ACCOUNTING POLICY

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing 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 financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. These unaudited interim consolidated financial statements should be read with the audited financial statements and accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of results of the interim periods presented.

2. NATURE AND CONTINUANCE 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 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 have been 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.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

3. SHORT-TERM INVESTMENTS

	May 2006	August 2005
Canadian dollar guaranteed investment certificates	\$ 1,585,000	\$ 155,394

4. EXPLORATION ADVANCES RECEIVABLE

	May 2006	August 2005
Canamera Geoscience Corp.	\$ 389,713	\$ 387,566
Titan Drilling Ltd.	<u>105,000</u>	<u>105,000</u>
	\$ 494,713	\$ 492,566

PRIZE MINING CORPORATION
 (UN-AUDITED PREPARED BY MANAGEMENT)
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 THREE MONTH AND NINE MONTH PERIOD ENDED MAY 31, 2006

4. EXPLORATION ADVANCES RECEIVABLE (cont'd...)

In 2004, the amounts advanced to the above companies for exploration advances were included in current assets. During fiscal 2005, these companies failed to account for exploration costs associated with the above advances nor did they return the advanced amounts as requested by the Company. In September 2005, the Company commenced legal action against these two companies for full repayment of its advances. Management of the Company is of the opinion that these exploration advances will be collected from the above companies and therefore, no provision for impairment or collectability is required.

5. EQUIPMENT

	May 31, 2006			August 31, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 38,963	\$ 19,820	\$ 19,143	\$ 32,705	\$ 10,584	\$ 22,121

Accumulated amortization has been adjusted to reflect the missed accrued amortization in the previous quarter.

6. 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 has 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 fiscal 2005, the Company abandoned certain mineral claims and consequently, costs related to these claims, totalling \$3,609,193 (2004 - \$469,674), were written off to operations.

On December 7, 2005 the Company entered into an Earn-in Agreement with Silvermet Corporation with respect to the exploration and development of its Muskox Intrusion Property located in the Nunavut Territory. Pursuant to the agreement, Silvermet may earn up to a 70% interest in the property by funding and incurring expenditures on the property of not less than \$10 million by December 7, 2010. Of this amount, \$4 million must be funded and expended on the property by June 30, 2008. Within thirty days of Silvermet acquiring the 70% interest in the property, the

PRIZE MINING CORPORATION
(UN-AUDITED PREPARED BY MANAGEMENT)
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THREE MONTH AND NINE MONTH PERIOD ENDED MAY 31, 2006

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

Company will have the option, to transfer its remaining 30% interest in the property to Silvermet in consideration for a 10% net profits interest in the property. Silvermet will have the option to acquire 50% of Prize's 10% net profits interest in the property for \$5 million.

Pursuant to the Agreement, Silvermet has agreed, to fund the costs of, or related to, taking the claims which comprise the property that expire in 2006 to lease to a maximum amount of \$350,000. Of this amount, the company received \$50,000 upon the execution of the Agreement and will receive the remaining \$300,000 in two \$150,000 tranches prior to June 15, 2006. The Company has currently received \$169,900 towards the above.

Atlin Claims

On October 16, 2003, the Company agreed to an option agreement to purchase a 100% interest in certain mineral claims in the Atlin District of British Columbia. To date, the Company has made option payments totaling \$1,260,000 and the remaining terms of the option agreement are as follows:

- a) \$250,000 by April 1, 2006; (paid)
- b) \$200,000 by October 1, 2006; (paid subsequently in advance)
- c) \$400,000 by January 15, 2007; and
- d) \$200,000 by January 15, 2008, and each year to January 15, 2011 for total cash payments of \$2,590,000.

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.

On November 4, 2005 the Company completed the amalgamation of 1201125 Alberta Ltd. and 913169 Alberta Ltd., a wholly-owned subsidiary of Muskox Holdings Ltd., which in turn is a wholly-owned subsidiary of Prize, to form 1202877 Alberta Ltd. Through the amalgamation the Company acquired an undivided 100% right, title and interest in and to certain mining claims (collectively, the "LD Claims") situated in the Atlin Mining District, British Columbia in consideration of making total payments of \$520,000 over a four year period ending October, 2009. The payments totaling \$50,000 due during the period ending May 2006 are the obligation of a third party with 1202877 Alberta Ltd. being obliged to make the payments required under the Option Agreement thereafter. The remaining terms of the option agreement are as follows

- i) \$110,000 by October 31, 2007.
- ii) \$160,000 by October 31, 2008.
- iii) \$250,000 by October 31, 2009.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTH AND NINE MONTH PERIOD ENDED MAY 31, 2006

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

May 31, 2006	Nunavut Claims	Atlin Claims	Total
Acquisition costs, beginning balance	\$ 2,816,158	\$ 1,010,000	\$ 3,826,158
Additions during the year	-	650,000	650,000
Written-off during the year	-	-	-
Acquisition costs, ending balance	<u>2,816,158</u>	<u>1,660,000</u>	<u>4,476,158</u>
Deferred exploration costs, beginning balance	<u>10,517,333</u>	<u>2,354,299</u>	<u>12,871,632</u>
Additions during the year			
Camp maintenance	-	57,770	57,770
Drilling	-	476,349	476,349
Equipment rental	-	80,481	80,481
Expediting and freight	-	6,186	6,186
Geological and geochemical	-	236,604	236,604
Geophysics	287,447	92,522	379,969
Tenure and licenses	12,907	3,727	16,635
Travel and accommodation	-	11,211	11,211
Legal fees	-	-	-
Report writing	-	-	-
	<u>300,354</u>	<u>964,850</u>	<u>1,265,205</u>
Investment tax credits	-	-	-
Recovery of exploration costs	<u>(169,900)</u>	<u>-</u>	<u>(1169,900)</u>
	<u>130,454</u>	<u>964,850</u>	<u>1,143,052</u>
Deferred exploration costs, ending balance	<u>10,647,787</u>	<u>3,319,149</u>	<u>13,966,936</u>
Total resource properties	\$ 13,463,945	\$ 4,979,149	\$ 18,443,094

PRIZE MINING CORPORATION
(UN-AUDITED PREPARED BY MANAGEMENT)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTH AND NINE MONTH PERIOD ENDED MAY 31, 2006

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

August 2005	Nunavut Claims	Atlin Claims	Total
Acquisition costs, beginning balance	\$ 5,837,554	\$ 310,000	\$ 6,147,554
Additions during the year	-	700,000	700,000
Written-off during the year	<u>(3,021,396)</u>	<u>-</u>	<u>(3,021,396)</u>
Acquisition costs, ending balance	<u>2,816,158</u>	<u>1,010,000</u>	<u>3,826,158</u>
Deferred exploration costs, beginning balance	<u>11,087,389</u>	<u>1,139,541</u>	<u>12,226,930</u>
Additions during the year			
Camp maintenance	-	166,782	166,782
Drilling	-	426,524	426,524
Equipment rental	-	94,852	94,852
Expediting and freight	-	12,318	12,318
Geological and geochemical	-	484,134	484,134
Geophysics	14,014	169,779	183,793
Tenure and licenses	3,727	500	4,227
Travel and accommodation	-	64,834	64,834
Legal fees	-	6,369	6,369
Report writing	<u>-</u>	<u>15,162</u>	<u>15,162</u>
	<u>17,741</u>	<u>1,441,254</u>	<u>1,458,995</u>
Investment tax credits	-	(226,496)	(226,496)
Written-off during the year	<u>(587,797)</u>	<u>-</u>	<u>(587,797)</u>
	<u>(587,797)</u>	<u>(226,496)</u>	<u>(814,293)</u>
Deferred exploration costs, ending balance	<u>10,517,333</u>	<u>2,354,299</u>	<u>12,871,632</u>
Total resource properties	<u>\$ 13,333,491</u>	<u>\$ 3,364,299</u>	<u>\$ 16,697,790</u>

7. DEFERRED FINANCING COSTS

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

	2006	2005
Finders' fees	\$ 89,500	\$ 89,500
Amortization	<u>(15,313)</u>	<u>(10,838)</u>
	<u>\$ 74,187</u>	<u>\$ 78,662</u>

PRIZE MINING CORPORATION
 (UN-AUDITED PREPARED BY MANAGEMENT)
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 THREE MONTH AND NINE MONTH PERIOD ENDED MAY 31, 2006

8. CONVERTIBLE DEBENTURE

	May 2006	August 2005
<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
Balance to be accreted	(139,708)	(168,457)
	\$ 1,010,292	\$ 981,543

9. 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, 2003	9,956,721	\$ 16,707,575	\$ 349,571
Private placements	5,639,334	5,247,000	-
Finder's fee on resource property	40,000	30,000	-
Warrants exercised	330,000	252,500	-
Finders' fee on private placement	10,000	7,500	-
Finders' fee on private placement	-	(7,500)	-
Finders' fee warrants issued	-	(13,305)	13,305
Share issuance costs	-	(527,213)	-
Stock-based compensation	-	-	91,088
Balance at August 31, 2004	15,976,055	21,696,557	453,964
Private placement	1,789,940	447,485	-
Share issuance costs	-	(72,467)	-
Stock-based compensation	-	-	216,202
Balance at August 31, 2005	17,765,995	\$ 22,071,575	\$ 670,166

PRIZE MINING CORPORATION
(UN-AUDITED PREPARED BY MANAGEMENT)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTH AND NINE MONTH PERIOD ENDED MAY 31, 2006

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

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited number of voting common shares without par value			
Unlimited number of preferred shares, issuable in series			
Private placement	300,000	\$ 75,000	\$ -
Share issuance re property option	2,000,000	-	-
Share issuance costs	-	400,000	-
Stock-based compensation	-	-	127,761
Balance at November 30, 2005	20,065,995	\$ 22,546,575	\$ 797,927
Private placement	3,285,000	657,000	-
Share issuance costs	-	(13,667)	-
Balance at February 28, 2006	23,350,995	\$ 23,189,908	\$ 797,927
Private placement	4,820,443	2,169,200	-
Share issuance costs	-	(49,768)	-
Warrants exercised	60,000	10,500	-
Options exercised	30,000	15,000	-
Balance at May 31, 2006	28,261,438	\$ 25,334,841	\$ 797,927

On July 26, 2005, the Company issued 1,789,940 common shares at a price of \$0.25 per share for gross proceeds of \$447,485. The Company paid associated costs of \$72,467 relating to the private placement.

On November 4, 2005 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 acquire an option to purchase a 100% interest of the LD claims located in the Atlin mining district of British Columbia.

On December 13, 2005 to Company closed the second and final tranche of its private placement previously announced on November 24, 2005. An aggregate of 3,285,000 units at a price of \$0.20 per unit ("Unit") were issued for gross proceeds of \$657,000. Each Unit consists of one common share and one half of one common share purchase warrant. Each full warrant is exercisable at \$0.35 per common share for a period of one year from closing.

Wolverton Securities Ltd. and Union Securities Ltd. each acted as a finder in connection with the second tranche of the private placement and received a finder's fee in the total amount of \$6,790 and brokers warrants to acquire a total of 33,950 Units at a price of \$0.20 per Unit for a period of twelve months from the date of closing. With this closing, the total gross proceeds received by Prize from the private placement was \$732,000.

The fair value of the finder's fee share purchase warrants was calculated using the Black-Scholes Option Pricing Model. The weighted average assumptions used were 2.27% to 3.11% for risk free interest rates, 2 years for the life of the warrants, 99.40% for annualized volatility and \$Nil for a dividend rate.

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

March 30, 2006, the Company closed the first tranche of its previously announced private placement. An aggregate of 1,743,333 units (“Unit”) at the price of \$0.45 per Unit were issued for gross proceeds of \$784,500. Each Unit is comprised of one common share (“Common Share”) and one common share purchase warrant (“Warrant”). Each Warrant is exercisable at a price of \$0.65 per Common Share for a period of two years from closing (the “Warrant Term”). If, during the Warrant Term, the Common Shares trade at or above Cdn. \$0.85 for a period of 20 consecutive trading days, Prize will notify the warrant holder to exercise the Warrants at a date no later than 30 calendar days after the notification date. The securities issued pursuant to this tranche of the private placement are subject to a statutory resale restriction period of four months, which expires on July 31, 2006.

Wolverton Securities Ltd., IBK Capital Corp., and Canaccord Capital Corporation each acted as a finder in connection with the initial tranche of the private placement and received a finders’ fee in the total amount of \$53,775 and brokers warrants to acquire a total of 126,167 common shares at a price of \$0.45 per common share for a period of twenty four (24) months from the date of closing.

May 5, 2006 the Company closed the second tranche of its previously announced private placement of units (“Units”) for proceeds of \$1,282,100 by the issue of 2,899,110 Units at the price of \$0.45 per Unit. Subsequent to the closing, the Company received \$102,600 from a late subscriber for a total of 228,000 shares making it a total of \$2,169,200 which was raised by Prize under this private placement

Each Unit is comprised of one common share purchase warrant (“Common Share”) and one common share purchase warrant (“Warrant”). Each Warrant is exercisable at a price of \$0.65 per Common Share for a period of two years from closing (the “Warrant Term”). If, during the Warrant Term, the Common Shares trade at or above Cdn. \$0.85 for a period of 20 consecutive trading days, Prize will notify the warrant holder to exercise the Warrants at a date no later than 30 calendar days after the notification date. The securities issued pursuant to this final tranche of the private placement are subject to a statutory resale restriction period of four months, which expires on September 5, 2006.

Wolverton Securities Ltd., IBK Capital Corp. and Blackmont Capital Inc. each acted as a finder in connection with the final tranche of the private placement and received a finders’ fee in the total amount of \$20,992.50 and brokers warrants to acquire a total of 51,094 common shares at a price of \$0.45 per common share for a period of twenty four (24) months from the date of closing.

Proceeds of the private placement will be used to fund the scoping study recently initiated by the Company, development drilling on the Yellowjacket Zone to move the Company towards development and proposed small scale mining of its Atlin Gold Property, further exploration of the Company’s Atlin and LD Properties and for general working capital. The completion of the private placement is subject to regulatory approval.

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 THREE MONTH AND NINE MONTH PERIOD ENDED MAY 31, 2006

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

Warrants

Warrant transactions are summarized as follows:

	2005	2005
Balance, beginning of year	8,920,468	4,245,801
Issued	-	5,004,667
Exercised	-	(330,000)
Expired	(3,915,801)	-
Balance, at August 31, 2005	5,004,667	4,245,802
Issued	8,674,154	5,004,667
Exercised	(30,000)	-
Expired	(4,994,167)	(330,000)
Balance, at May 31, 2005 and 2006	8,654,654	8,920,469

The following warrants to acquire common shares were outstanding at May 31, 2006:

Number of Shares	Exercise Price	Expiry Date
228,000	0.65	May 11, 2008
2,849,110	0.65	May 4, 2008
51,094	0.45	May 4, 2008
1,743,333	0.65	March 29, 2008
126,167	0.45	March 29, 2008
2,000,000	0.35	May 3, 2007
1,642,500	0.35	December 12, 2006
33,950	0.20	December 12, 2006

PRIZE MINING CORPORATION
 (UN-AUDITED PREPARED BY MANAGEMENT)
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 THREE MONTH AND NINE MONTH PERIOD ENDED MAY 31, 2006

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

Stock options

The Company has an incentive stock option plan in place under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The options can be granted for a maximum term of 5 years.

	Number of Shares		Weighted Average Exercise Price
Outstanding and exercisable at August 31, 2003	990,000	\$	1.40
Granted	140,000		1.25
Cancelled	<u>(70,000)</u>		1.40
Outstanding and exercisable at August 31, 2004	1,060,000		1.30
Granted	140,000		1.20
Repriced	(945,000)		1.20
Repriced	945,000		0.70
Granted	316,000		0.70
Expired/cancelled	<u>(525,000)</u>		0.70
Outstanding and exercisable at August 31, 2005	991,000	\$	0.70
Granted	860,000		0.25
Exercised	(60,000)		0.25
Expired/cancelled	<u>(337,000)</u>		0.70
Outstanding and exercisable at May 31, 2006	1,453,500	\$	0.70

The following stock options were outstanding at May 31, 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	February 12, 2009
70,000	0.70	September 24, 2009
226,000	0.70	January 17, 2010
800,000	0.25	October 25, 2010

PRIZE MINING CORPORATION
(UN-AUDITED PREPARED BY MANAGEMENT)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTH AND NINE MONTH PERIOD ENDED MAY 31, 2006

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

Stock-based compensation

The total stock-based compensation recognized for stock options granted and repriced under the fair value method was \$Nil (2005-\$Nil) using the Black-Scholes Option Pricing Model.

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

	2005	2004
Risk-free interest rate	3.80%	3.33%
Expected life of options	2.96 years	2.7 years
Annualized volatility	45.08%	99.40%
Dividend rate	0.00%	0.00%

10. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$30,000 (2005 - \$55,000) in management fees to directors.
- b) Paid or accrued legal fees of \$3,227 (2005 - \$18,840) to a firm in which a director of the Company is a partner. As at May 31, 2006, the accounts payable to this firm were \$1,408 (2005 - \$14,872).

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.

PRIZE MINING CORPORATION
(UN-AUDITED PREPARED BY MANAGEMENT)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTH AND NINE MONTH PERIOD ENDED MAY 31, 2006

11. 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.

12. FINANCIAL INSTRUMENTS

The Company does not believe it is subject to any significant credit risk although cash and short-term investments are held in excess of federally insured limits, with a major financial institution.

The Company's other financial instruments consist of receivables, exploration advances, exploration advances receivable, accounts payable and accrued liabilities 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.

13. SUBSEQUENT EVENTS

On June 8, 2006, the Company made an advance payment of \$200,000 towards the Atlin Property Acquisition.

In consideration of this early payment Mr. Diduck has agreed to receive the \$400,000 January 15, 2007 option payment in two equal installments of \$200,000 each, the first to be paid by January 15, 2007 and the second to be paid by June 15, 2007. All remaining terms of the option agreement remain in full force and effect.

PRIZE MINING CORPORATION
FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
QUARTER ENDED MAY 31, 2006

The following discussion and analysis of the operations, results and financial position of Prize Mining Corporation. (the "Company" or "Prize ") for the quarter ended May 31, 2006 should be read in conjunction with the May 31, 2006, Financial Statements and related notes.

FORWARD-LOOKING STATEMENTS

Except for historical information, the Management Discussion and Analysis may contain forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

CURRENT OPERATIONS

The Company is a natural resources company involved in the acquisition and exploration of precious-metal mineral properties. The present focus of its operations is gold exploration in the Atlin District of northern British Columbia. The company has the option to acquire 100% of a claims block (the "Atlin Gold Property") in the Pine Creek area where bedrock gold-silver deposits occur below gold-rich placer gravels. The option agreement, as described below, allows for the Company to be the operator for the project. Developing the property is capital intensive and the Company will need to raise additional funding in order to define a mineral resource within the Yellow Jacket Zone.

On November 4, 2005, the Company completed the amalgamation of 913169 Alberta and 1201125 Alberta Ltd and gained the option to acquire the LD Claims, located 15 kilometres southwest of Prize's Atlin Gold Property, straddle the headwaters of McKee and Dominion Creeks.

In Nunavut, northern Canada the Company's wholly-owned subsidiary MuskoX Holdings Ltd., holds mineral claims comprising the mineral tenure to the MuskoX Intrusion. The Intrusion is a layered mafic/ultramafic igneous complex of similar composition and geological environment to other intrusions which host large nickel + copper + platinum +palladium deposits.

The Company has been actively exploring the property since 1996. Work to date has included extensive geophysical surveys, geological mapping, geochemical sampling, and diamond drilling. Results to date are encouraging and further exploration work is warranted.

On December 8th, 2005, the Company entered into an Earn-In Agreement with Silvermet Corporation with respect to the exploration and development of the property.

During the quarter ended May 31, 2006, the Company incurred operating expenses totaling \$155,512 a decrease from \$229,995 for the same period May 2005. The decrease is made up of the following: Management fees (\$30,000:2006) compared to (\$55,000:2005), due to a restructuring of the management; Office & Miscellaneous (\$20,844:2006) compared to (\$29,762:2005), the decrease due to the Company re-structure and reduction in operating expenses; Professional fees (30,847:2006) compared to (\$24,428:2005), due to legal fees incurred as related to the recovery of exploration advances; Shareholder Communications (\$15,177:2006) compared to (\$39,980:2005) due to a marketing strategy and company presentation; Interest and bank fees (\$10,038:2006) compared to (\$nil:2005), an increase due to accrued interest for the convertible debenture.

The Company is currently listed as a Tier 1 company of the TSX-V and is in good standing.

EXPLORATION

1) THE ATLIN GOLD PROJECT

On October 25, 2005, drilling resumed on its Atlin Gold Property, located in northwestern British Columbia. On November 16, 2005, the drill intersected what is believed to be the "historically documented" Rock of Ages mineralized zone. A strong silicified breccia zone with abundant pyrite was intersected in two drill holes at the depth where the historic Rock of Ages mineralized zone was expected.

Management is very pleased with the results of the Rock of Ages drilling as it appears to have confirmed both the historic geological reports and the Company's previous geophysical interpretations. The diamond drilling on the Yellow Jacket Zone being a combination of twinning of historic drill holes for due diligence purposes and infill/stepout drilling for mineralization control/expansion continues.

On March 6th, 2006 the Company announced that it is moving forward with the economic development of its Atlin Gold Property. The Company has retained the services of BGC Engineering Inc. of Vancouver, to complete a scoping study on Yellowjacket in order to identify and evaluate the full range of development options.

The geological model and target bulk sample locations provided by Prize will be used as a starting point for planning the bulk sample program. Representative geological drilling data will be reviewed and re-interpreted for the purpose of assigning preliminary geotechnical data. This will include soil and groundwater information in surficial materials, rock mass classification and groundwater information for subcrop.

Once the current drill program is completed, the size and orientation of the mineralized zone(s) will be better defined, allowing for preliminary resource calculations to be conducted in order to ascertain the economic viability of the project. These studies will also assist in directing future programs toward increasing economically viable tonnages.

2) THE MUSKOX INTRUSION

On December 8, 2005, the Company entered into an Earn-in Agreement with Silvermet Corporation with respect to the exploration and development of its Muskox Intrusion Property located in the Nunavut Territory. Pursuant to the Agreement, Silvermet may earn up to a 70% interest in the Property by funding and incurring expenditures on the Property of not less than \$10 million by December 7, 2010. Of this amount, \$4 million must be funded and expended on the Property by June 30, 2008. Within thirty days of Silvermet acquiring the 70% interest in the Property, Prize will have the option, to transfer its remaining 30% interest in the Property to Silvermet in consideration for a 10% net profits interest in the Property. Silvermet will have the option to acquire 50% of Prize's 10% net profits interest in the Property for \$5 million.

Pursuant to the Agreement, Silvermet has agreed, to fund the costs of, or related to, taking the claims which comprise the Property lease to a maximum amount of \$350,000. Of this amount, Prize received \$50,000 upon the execution of the Agreement and will receive the remaining \$300,000 in two \$150,000 tranches prior to June 15, 2006. Management looks forward to its new relationship with Silvermet and the opportunity to further explore and develop the potential of the Muskox Intrusion Property.

3) L.D. CLAIMS

The newly optioned LD property contains mineralized zones previously worked in the mid 1980's. Mineralization appears to consist of high grade gold with base metal associations deposited in structurally controlled environments.

It is the company's intention to complete a two-phase exploration program on the property in the late Spring/Summer of 2006. Phase 1 will include geological mapping, rock and soil sampling. Phase 2 implementation, which is dependant on results from phase 1, will include excavator trenching and approximately 1,000 metres of diamond drilling.

Acquisition or Abandonment of Resources Properties Material to the Issuer

During the quarter ended, the Company did not abandon any mineral claims. There were no write-offs for the period covered in this quarter.

Selected Annual Information

	Aug. 31, 2005	Aug. 31, 2004	Aug. 31, 2003
Loss before extraordinary items	(\$1,062,470)	(\$1,092,698)	(\$928,767)
Net Loss	(\$3,727,765)	(\$819,796)	(\$616,382)
Loss Per Share	(\$0.22)	(\$0.01)	(\$0.02)
Total Current Assets	\$794,413	\$2,569,820	\$1,124,444
Total Current Liabilities	\$99,969	\$85,812	\$ 778,735
Working Capital (Deficiency)	694,444	\$2,484,008	\$345,409

Summary of Quarterly Results

Period Ended	2006 May 31 Q3	2006 Feb 28 Q2	2005 Nov 30 Q1	2005 Aug 31 Q4	2005 May 31 Q3	2005 Feb 29 Q2	2004 Nov 30 Q1	2004 Aug 31 Q4
Total Revenue								
Income (loss)	(155,512)	(197,956)	(\$380,271)	(\$1,062,470)	(\$229,595)	(\$330,395)	(\$179,814)	(\$218,191)
Diluted Loss Per Share	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.22)	\$0.25	(\$0.01)	(\$0.01)	(\$0.01)
Net Income (loss)	(154,166)	(198,804)	(\$380,668)	(\$3,727,765)	(\$226,532)	(\$318,696)	(\$184,415)	\$51,637
Diluted per share	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.22)	\$0.25	(\$0.01)	(\$0.01)	\$0.01

LIQUIDITY AND CAPITAL RESOURCES

As of the end of this quarter, the Company has \$1,966,102 in Current Assets, (\$1,077,984: May 2005) and \$321,138 in Current Liabilities (\$47,006: May 2005), yielding a positive working capital of \$1,644,964. The Company is in a healthy position regarding its working capital position, and also has warrants outstanding that could bring in additional funding. The exercise of these warrants are dependant on the Company's stock price. The Company will continue to look at equity private placement opportunities for sufficient proceeds to fund ongoing exploration work on its' properties and to provide sufficient working capital to otherwise maintain operations and satisfy its general and administrative expenses over the medium term.

On November 29, 2005, the Company closed the first tranche of its previously announced private placement. An aggregate of 300,000 common shares ("Flow-Through Shares") issued on a flow-through basis at the price of \$0.25 per Flow-Through Share were issued for gross proceeds of \$75,000. The securities issued pursuant to this tranche of the private placement are subject to a statutory resale restriction period of four months, which expires on March 29, 2006.

On December 12, 2005, the Company closed the second and final tranche of its private placement. An aggregate of 3,285,000 units at a price of \$0.20 per unit ("Unit") were issued for gross proceeds of \$657,000. Each Unit consists of one common share and one half of one common share purchase warrant. Each full warrant is exercisable at \$0.35 per common share for a period of one year from closing. The securities issued pursuant to this final tranche of the private placement are subject to a statutory resale restriction period of four months, which expires on April 13, 2006.

Wolverton Securities Ltd. and Union Securities Ltd. each acted as a finder in connection with the second tranche of the private placement and received a finder's fee in the total amount of \$6,790 and brokers warrants to acquire a total of 33,950 Units at a price of \$0.20 per Unit for a period of twelve months from the date of closing.

March 30, 2006, the Company announced that it has closed the first tranche of its previously announced private placement. An aggregate of 1,743,333 units ("Unit") at the price of \$0.45 per Unit were issued for gross proceeds of \$784,500. Each Unit is comprised of one common share ("Common Share") and one common share purchase warrant ("Warrant"). Each Warrant is exercisable at a price of \$0.65 per Common Share for a period of two years from closing (the "Warrant Term"). If, during the Warrant Term, the Common Shares trade at or above Cdn. \$0.85 for a period of 20 consecutive trading days, Prize will notify the warrant holder to exercise the Warrants at a date no later than 30 calendar days after the notification date. The securities issued pursuant to this tranche of the private placement are subject to a statutory resale restriction period of four months, which expires on July 31, 2006. The final tranche of the private placement is expected to be completed shortly.

Wolverton Securities Ltd., IBK Capital Corp., and Canaccord Capital Corporation each acted as a finder in connection with the initial tranche of the private placement and received a finders' fee in the total amount of \$53,775 and brokers warrants to acquire a total of 126,167 common shares at a price of \$0.45 per common share for a period of twenty four (24) months from the date of closing.

On May 5, 2006 the Company closed the second and final tranche of its previously announced private placement of units ("Units") for proceeds of \$1,282,100 by the issue of 2,849,110 Units at the price of \$0.45 per Unit. A total of \$2,066,600 was raised by Prize under this private placement.

Wolverton Securities Ltd., IBK Capital Corp. and Blackmont Capital Inc. each acted as a finder in connection with the final tranche of the private placement and received a finders' fee in the total amount of \$20,992.50 and brokers warrants to acquire a total of 51,094 common shares at a price of \$0.45 per common share for a period of twenty four (24) months from the date of closing.

On May 12, 2005 the Company announced that it had closed on one additional late subscriber as per its previously announced private placement of units ("Units") for proceeds of \$102,600 by the issue of 228,000 Units at the price of \$0.45 per Unit. A total of \$2,169,200 was raised by Prize under this private placement.

Each Unit is comprised of one common share ("Common Share") and one common share purchase warrant ("Warrant"). Each Warrant is exercisable at a price of \$0.65 per Common Share for a period of two years from closing (the "Warrant Term"). If, during the Warrant Term, the Common Shares trade at or above Cdn. \$0.85 for a period of 20 consecutive trading days, Prize will notify the warrant holder to exercise the Warrants at a date no later than 30 calendar days after the notification date. The securities issued are subject to a statutory resale restriction period of four months, which expires on September 13, 2006.

SIGNIFICANT TRANSACTIONS

OFFICERS, DIRECTORS AND STOCK OPTIONS

On October 25, 2005, Mr. Feisal Somji was appointed as Chairman of the Board and left his position of President and CEO. Mr. Somji will continue to act as the Chief Financial Officer. Mr. A.J.H. (Harry) McGucken was appointed as President and Chief Executive Officer, the Company also welcomes new board members, Mr. Brian Farrell B.Comm, CA and Mr. Tim Bergen. Mr. Farrell and Mr. Bergen have each been granted 200,000 Incentive Stock Options with an exercise price of \$0.25 per share. These Options are valid for five (5) years.

As part of the strengthening and re-structuring of the Company, Prize has elected to ensure that all Directors, Officers and Consultants are properly incentivized on a go forward basis and are treated equally on a pre-determined sliding scale based on their involvement in the Company. Directors/Officers received a total of 300,000 options, Directors received 200,000 options and consultants received 100,000 options. As part of this sliding scale program, 400,000 additional options have been granted as follows: Feisal Somji received 100,000 new options for a total of 300,000, Harry McGucken received 200,000 new options for a total of 300,000, Bill Dynes received 50,000 new options for a total of 200,000 and Daniel Kenney received 50,000 new options for a total of 200,000. Consultants to the Company have also been granted 60,000 options. All new options are priced at \$0.25 cents and are valid for five (5) years. Existing options currently outstanding are still priced at \$0.70.

AMALGAMATION AND OPTION TO ACQUIRE PROPERTY

On November 4, 2005, the Company announced amalgamation of 1201125 Alberta Ltd. and 913169 Alberta Ltd., a wholly-owned subsidiary of MuskoX Holdings Ltd., which in turn is a wholly-owned subsidiary of Prize, to form 1202877 Alberta Ltd. Under the Amalgamation, the outstanding common shares of 1201125 Alberta Ltd were exchanged for a total of two million units (“Units”) of Prize and the common shares of 913169 Alberta Ltd. were exchanged for common shares of the 1202877 Alberta Ltd. on a one for one basis. Each Unit consists of one common share in the capital of Prize (a “Common Share”) and one common share purchase warrant of Prize (a “Warrant”). Each Warrant entitles the holder thereof to purchase one additional Common Share for a price of \$0.35 per share until 4:30 p.m. on May 3, 2007.

The assets of 1201125 Alberta Ltd. consisted of rights under an option agreement (the “Option Agreement”) pursuant to which it had the right to acquire an undivided 100% right, title and interest in and to certain mining claims (collectively, the “LD Claims”) situated in the Atlin Mining District, British Columbia in consideration of making total payments of \$570,000 over a four year period ending October, 2009. The payments totaling \$50,000 due during the period ending May 2006 are the obligation of a third party with 120877 Alberta Ltd. being obliged to make the payments required under the Option Agreement thereafter.

The LD Claims, located 15 kilometres southwest of Prize’s Atlin Gold Property, straddle the headwaters of McKee and Dominion Creeks. McKee Creek is one of the major placer gold producing creeks in the Atlin area and is renowned for the large size of its coarse gold nuggets. Dominion Creek is one of the main tributaries to the very prolific placer gold producer, Spruce Creek. The main placer gold deposits on Spruce Creek lie immediately below its confluence with Dominion Creek at the site of the historic Nolan Mine.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements made by the Company.

TRANSACTIONS WITH RELATED PARTIES

During the quarter ended May 31, 2006, the Company has paid or accrued management fees due to Officers of the Company for work related to the Company in the amount of \$30,000 and \$3,227 to a law firm in which a director of the Company is a partner.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and equivalents, restricted cash, short-term investment, receivables, accounts payable and accrued liabilities and loans payable. 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.

Additional Disclosure for Venture Issuers without Significant Revenue

	May 31, 2006	Aug. 31, 2005
Capitalized exploration and development cost	1,265,205	\$1,458,995
Expensed research and development cost	Nil	nil
Deferred development cost	Nil	nil
General and administration cost	\$155,512	\$1,062,470
Material cost (gain) not referred to above	\$1,346	\$2,665,295

DISCLOSURE OF 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, 2004	15,976,055	21,696,557	453,964
Private placement	1,789,940	447,485	-
Share issuance costs	-	(72,467)	-
Stock-based compensation	-	-	216,202
Balance at August 31, 2005	17,765,995	\$ 22,071,575	\$ 670,166
Private placement	8,405,443	\$ 2,901,200	\$ -
Share issuance re property option	2,000,000	-	-
Share issuance costs	-	336,565	-
Warrants exercised	60,000	10,500	-
Options exercised	30,000	15,000	-
Stock-based compensation	-	-	127,761
Balance at May 31, 2006	28,261,438	\$ 25,334,840	\$ 797,927

WARRANTS

Warrant transactions are summarized as follows:

	2005	2005
Balance, beginning of year	8,920,468	4,245,801
Issued	-	5,004,667
Exercised	-	(330,000)
Expired	(3,915,801)	-
Balance, at August 31, 2005	5,004,667	4,245,802
Issued	8,674,154	5,004,667
Exercised	(30,000)	-
Expired	(4,994,167)	(330,000)
Balance, at May 31, 2005 and 2006	8,674,654	8,920,469

The following warrants to acquire common shares were outstanding at May 31, 2006:

Number of Shares	Exercise Price	Expiry Date
228,000	0.65	May 11, 2008
2,849,111	0.65	May 4, 2008
51,094	0.45	May 4, 2008
1,743,333	0.65	March 29, 2008
126,167	0.45	March 29, 2008
2,000,000	0.35	May 3, 2007
1,642,500	0.35	December 12, 2006
33,950	0.20	December 12, 2006

STOCK OPTIONS

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. The options can be granted for a maximum term of 5 years.

	Number of Shares	Weighted Average Exercise Price
Outstanding and exercisable at August 31, 2003	990,000	\$ 1.40
Granted	140,000	1.25
Cancelled	<u>(70,000)</u>	1.40
Outstanding and exercisable at August 31, 2004	1,060,000	1.30
Granted	140,000	1.20
Repriced	(945,000)	1.20
Repriced	945,000	0.70
Granted	316,000	0.70
Expired/cancelled	<u>(525,000)</u>	0.70
Outstanding and exercisable at August 31, 2005	991,000	\$ 0.70
Granted	860,000	0.25
Exercised	(60,000)	0.25
Expired/cancelled	<u>(337,000)</u>	0.70
Outstanding and exercisable at May 31, 2006	1,453,500	\$ 0.70

The following stock options were outstanding at May 31, 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	February 12, 2009
70,000	0.70	September 24, 2009
226,000	0.70	January 17, 2010
800,000	0.25	October 25, 2010

SUBSEQUENT EVENTS

On June 8th, 2006, Prize Mining made an early payment to the vendor of the Atlin Gold Property. Under the Option Agreement dated October 16, 2003 with Mr. Lenard Diduck, Prize may earn a 100% interest in the Atlin Property by making cash payments totaling \$2,590,000 over the next 7 years, and expending a minimum of \$250,000 in exploration work per year for the first three years, for a total of \$750,000. Prize can choose to accelerate the cash payments to exercise the Option early, without penalty.

Prize has met all obligations under this Option Agreement in regards to minimum exploration expenditures and has made all semi-annual property payments to Mr. Diduck. The next payment of \$200,000 was due on October 1, 2006. Prize has now completed this payment to Mr. Diduck.

In consideration of this early payment Mr. Diduck has agreed to receive the \$400,000 January 15, 2007 option payment in two equal installments of \$200,000 each, the first to be paid by January 15, 2007 and the second to be paid by June 15, 2007. All remaining terms of the option agreement remain in full force and effect.

QUALIFIED PERSON

Mr. William Dynes, B.Sc., P.Geol, Director of the Company, is the qualified person as defined in National Instrument 43-101 who has reviewed and verified the scientific and technical mining disclosure contained in this Management Discussion and Analysis.

SEDAR

Additional information relating to the Company is on SEDAR at www.sedar.com.