

PRIZE MINING CORPORATION

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

MAY 31, 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 May 31, 2007.

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

| | May 31, 2007 | August 31, 2006 (Audited) |
|--|----------------------|---------------------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 2,581,652 | \$ 675,416 |
| Receivables | 82,738 | 185,226 |
| Prepaid expenses and deposits | 14,926 | 32,538 |
| Due from related parties | <u>5,118</u> | <u>-</u> |
| | 2,684,434 | 893,180 |
| Equipment (Note 3) | 1,321,578 | 21,045 |
| Resource properties (Note 4) | 20,915,571 | 19,068,210 |
| Deferred financing costs (Note 5) | 47,337 | 60,762 |
| Security deposit and reclamation bonds | <u>94,925</u> | <u>80,425</u> |
| | <u>\$ 25,063,845</u> | <u>\$ 20,123,622</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 1,137,820 | \$ 71,674 |
| Accounts payable to related party | <u>57,450</u> | <u>76,526</u> |
| | <u>1,195,270</u> | <u>148,200</u> |
| Convertible debenture (Note 6) | 1,048,627 | 1,019,877 |
| Future income taxes | <u>774,960</u> | <u>774,960</u> |
| | <u>1,823,587</u> | <u>1,794,837</u> |
| Shareholders' equity | | |
| Capital stock (Note 7) | 29,073,696 | 25,224,744 |
| Share subscriptions received in advance (Note 7) | 495,000 | - |
| Equity component of convertible debenture (Note 6) | 191,667 | 191,667 |
| Contributed surplus (Note 7) | 1,267,851 | 835,587 |
| Deficit | <u>(8,983,226)</u> | <u>(8,071,413)</u> |
| | <u>22,044,988</u> | <u>18,180,585</u> |
| | <u>\$ 25,063,845</u> | <u>\$ 20,123,622</u> |

Nature of operations (Note 2)

Subsequent event (Note 12)

On behalf of the Board:

"Harry McGucken"

Director

"Bill Dynes"

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 May 31, 2007 | Three Month Period Ended May 31, 2006 | Nine Month Period Ended May 31, 2007 | Nine Month Period Ended May 31, 2006 |
|---|--|--|---|---|
| EXPENSES | | | | |
| Administrative | \$ 7,500 | \$ 12,000 | \$ 20,570 | \$ 54,820 |
| Amortization of deferred financing costs | 4,475 | - | 13,425 | 4,475 |
| Amortization of equipment | 9,372 | 1,585 | 12,467 | 9,347 |
| Consulting fees | 7,625 | - | 11,815 | 3,979 |
| Corporate financing fee | - | - | - | 25,000 |
| Interest and bank charges | 9,956 | 10,038 | 38,032 | 32,404 |
| Management fees | 45,000 | 30,000 | 137,000 | 110,000 |
| Office and miscellaneous | 14,787 | 25,316 | 85,920 | 91,949 |
| Professional fees | 48,290 | 30,847 | 120,355 | 111,743 |
| Rent | 5,250 | 3,832 | 14,183 | 19,583 |
| Shareholder communications | 22,323 | 15,177 | 64,330 | 51,789 |
| Stock-based compensation (Note 7) | 44,036 | - | 312,680 | 127,761 |
| Transfer agent and regulatory fees | 14,810 | 15,767 | 35,128 | 36,971 |
| Travel and related costs | 10,785 | 10,950 | 62,220 | 53,843 |
| Loss before other items | <u>(244,209)</u> | <u>(155,512)</u> | <u>(928,125)</u> | <u>(733,664)</u> |
| OTHER ITEMS | | | | |
| Interest income | <u>8,184</u> | <u>1,346</u> | <u>16,312</u> | <u>4,406</u> |
| Loss for the period | <u>(236,025)</u> | <u>(154,166)</u> | <u>(911,813)</u> | <u>(729,258)</u> |
| Deficit, beginning of period | <u>(8,747,201)</u> | <u>(7,654,026)</u> | <u>(8,071,413)</u> | <u>(7,078,934)</u> |
| Deficit, end of period | <u>\$ (8,983,226)</u> | <u>\$ (7,808,192)</u> | <u>\$ (8,983,226)</u> | <u>\$ (7,808,192)</u> |
| Basic and diluted loss per common share | <u>\$ (0.01)</u> | <u>\$ (0.01)</u> | <u>\$ (0.03)</u> | <u>\$ (0.03)</u> |
| Weighted average number of common shares outstanding | <u>40,183,967</u> | <u>25,604,420</u> | <u>35,125,211</u> | <u>22,109,145</u> |

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

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

| | Three Month Period Ended May 31, 2007 | Three Month Period Ended May 31, 2006 | Nine Month Period Ended May 31, 2007 | Nine Month Period Ended May 31, 2006 |
|--|--|--|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Loss for the period | \$ (236,025) | \$ (154,166) | \$ (911,813) | \$ (729,258) |
| Items not affecting cash: | | | | |
| Amortization of equipment | 9,372 | 1,585 | 12,467 | 9,347 |
| Amortization of deferred financing costs | 4,475 | - | 13,425 | 4,475 |
| Stock-based compensation | 44,036 | - | 312,680 | 127,761 |
| Accretion of liability component of convertible debt | 9,584 | 9,583 | 28,750 | 28,749 |
| Changes in non-cash working capital items: | | | | |
| Increase (decrease) in receivables | (59,709) | (61,402) | 102,488 | 155,119 |
| (Increase) decrease in prepaid expenses and deposits | 13,086 | (2,925) | 17,612 | (4,386) |
| (Increase) decrease in due from related parties | 7,672 | - | (5,118) | - |
| Increase in accounts payable and accrued liabilities | 1,037,450 | 133,148 | 1,066,146 | 221,169 |
| Increase (decrease) in accounts payable to related parties | 53,655 | - | (19,076) | - |
| Net cash provided by (used in) operating activities | <u>883,596</u> | <u>(74,177)</u> | <u>617,561</u> | <u>(187,024)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Share subscriptions received in advance | 495,000 | - | 495,000 | - |
| Proceeds from issuance of capital stock | 1,558,750 | 2,194,701 | 3,987,586 | 3,326,701 |
| Capital stock issuance costs | <u>(121,924)</u> | <u>(49,768)</u> | <u>(311,050)</u> | <u>(63,435)</u> |
| Net cash provided by financing activities | <u>1,931,826</u> | <u>2,144,933</u> | <u>4,171,536</u> | <u>3,263,266</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Capital assets | (1,313,000) | - | (1,313,000) | (6,369) |
| Acquisition of property | (50,000) | (250,000) | (275,000) | (250,000) |
| Deferred exploration costs recovered | 68,948 | - | 369,865 | 169,900 |
| Deferred exploration costs | (543,396) | (643,112) | (1,650,226) | (1,665,204) |
| Security and reclamation bonds | <u>(14,500)</u> | <u>-</u> | <u>(14,500)</u> | <u>-</u> |
| Net cash used in investing activities | <u>(1,851,948)</u> | <u>(893,112)</u> | <u>(2,882,861)</u> | <u>(1,751,673)</u> |
| Change in cash during the period | 963,474 | 1,177,644 | 1,906,236 | 1,324,569 |
| Cash, beginning of period | <u>1,618,178</u> | <u>540,873</u> | <u>675,416</u> | <u>393,948</u> |
| Cash, end of period | \$ <u>2,581,652</u> | \$ <u>1,718,517</u> | \$ <u>2,581,652</u> | \$ <u>1,718,517</u> |

Supplemental disclosure with respect to cash flows (Note 9)

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

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
NINE MONTH PERIOD ENDED MAY 31, 2007

1. BASIS OF PRESENTATION

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

The interim period consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual consolidated financial statements for the year ended August 31, 2006. Certain information and footnote disclosure normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted. These interim period statements should be read together with the audited consolidated financial statements and the accompanying notes for the year ended August 31, 2006. In the opinion of the Company, its unaudited interim consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

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

2. NATURE OF OPERATIONS

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

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

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

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
NINE MONTH PERIOD ENDED MAY 31, 2007

3. EQUIPMENT

Equipment is recorded at cost less accumulated amortization. Amortization is provided annually over the estimated useful life using the following methods:

| | |
|--------------------------|-----------------------|
| Computer equipment | 30% declining balance |
| Computer software | 30% declining balance |
| Furniture equipment | 20% declining balance |
| Geological equipment | 20% declining balance |
| Crushing unit | 20% declining balance |
| Truck and equipment | 20% declining balance |
| Gravity processing plant | 20% declining balance |

| | May 31, 2007 | | | August 31, 2006 | | |
|--------------------------|------------------|-----------------------------|-------------------|--------------------|-----------------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Cost | Accumulated Amortization | Net Book Value |
| Computer equipment | \$ 31,142 | \$ 21,806 | \$ 9,336 | \$ 31,142 | \$ 19,095 | \$ 12,047 |
| Computer software | 863 | 863 | - | 863 | 432 | 431 |
| Furniture and equipment | 2,491 | 624 | 1,867 | 2,491 | 294 | 2,197 |
| Geological equipment | 6,370 | 955 | 5,415 | 6,370 | - | 6,370 |
| Crushing unit | 180,000 | 7,299 | 172,701 | - | - | - |
| Truck and equipment | 33,000 | 741 | 32,259 | - | - | - |
| Gravity processing plant | <u>1,100,000</u> | - | <u>1,100,000</u> | - | - | - |
| | \$ 1,353,866 | \$ 32,288 | \$ 1,321,578 | \$ 40,866 | \$ 19,821 | \$ 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.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
NINE MONTH PERIOD ENDED MAY 31, 2007

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

Nunavut Claims

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 (subsequently paid on 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.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
NINE MONTH PERIOD ENDED MAY 31, 2007

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

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.

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, the Company paid \$50,000 cash and issued 1,200,000 common shares valued at \$240,000. The remaining \$400,000 is due by December 15, 2007.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
NINE MONTH PERIOD ENDED MAY 31, 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>567,000</u> | <u>567,000</u> |
| Acquisition costs, ending balance | <u>2,816,158</u> | <u>2,427,000</u> | <u>5,243,158</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 | - | 64,697 | 64,697 |
| Equipment rental | - | 81,199 | 81,199 |
| Expediting and freight | - | 3,435 | 3,435 |
| Geological and geochemical | - | 226,821 | 226,821 |
| Geophysics | - | 153,355 | 153,355 |
| Mobilization | - | 15,000 | 15,000 |
| Pit excavation | - | 319,736 | 319,736 |
| Site Access | - | 654,000 | 654,000 |
| Sampling | - | 22,191 | 22,191 |
| Storage | - | 9,500 | 9,500 |
| Telecommunications | - | 7 | 7 |
| Tenure and licenses | 63,543 | 11,678 | 75,221 |
| Travel and accommodation | <u>-</u> | <u>25,064</u> | <u>25,064</u> |
| | <u>63,543</u> | <u>1,586,683</u> | <u>1,650,226</u> |
| Costs recovered | <u>(68,948)</u> | <u>(300,917)</u> | <u>(369,865)</u> |
| Deferred exploration costs, ending balance | <u>10,482,592</u> | <u>5,189,821</u> | <u>15,672,413</u> |
| Total resource properties | <u>\$ 13,298,750</u> | <u>\$ 7,616,821</u> | <u>\$ 20,915,571</u> |

5. DEFERRED FINANCING COSTS

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

| | May 31, 2007 | August 31, 2006 |
|---------------|------------------|--------------------|
| Finders' fees | \$ 89,500 | \$ 89,500 |
| Amortization | <u>(42,163)</u> | <u>(28,738)</u> |
| | <u>\$ 47,337</u> | <u>\$ 60,762</u> |

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
NINE MONTH PERIOD ENDED MAY 31, 2007

6. CONVERTIBLE DEBENTURE

| | May 31, 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 | (101,373) | (130,123) |
| | <u>\$ 1,048,627</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 | 1,400,000 | 292,000 | - |
| Private placements | 8,305,818 | 2,014,330 | - |
| Private placement – flow through | 7,301,874 | 1,971,506 | - |
| Exercise of finders' options | 8,750 | 1,750 | - |
| Share issue costs | - | (430,634) | 119,584 |
| Stock-based compensation | - | - | 312,680 |
| Balance at May 31, 2007 | <u>45,277,880</u> | <u>\$ 29,073,696</u> | <u>\$ 1,267,851</u> |

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
NINE MONTH PERIOD ENDED MAY 31, 2007

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 expired Atlin property option agreement with Kotcho Lake Logging Ltd. (“Kotcho”).

On April 27, 2007 the Company issued 1,200,000 common shares valued at \$240,000 to Kotcho as part of a new option agreement to acquire 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. (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.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
NINE MONTH PERIOD ENDED MAY 31, 2007

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

Private Placements (cont'd...)

On May 3, 2007, the Company completed the first tranche of a private placement. The private placement was comprised of 6,235,000 units issued at a price of \$0.25 per unit for gross proceeds of \$1,558,750. Each unit is comprised of one common share and one share purchase warrant. Each full warrant is exercisable at \$0.35 per common share until May 3, 2009.

The Company issued 511,550 finders' fees warrants valued at \$42,847 which entitles the holders to purchase additional common shares at \$0.25 per share until May 3, 2009.

The Company paid \$114,888 in cash for finders' fees, commissions and expenses on this tranche of the private placement.

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.

Share Subscriptions Received

During the quarter ended May 31, 2007, the Company received \$495,000 for the second tranche of a private placement. (See Note 12).

Warrants

The following warrants to acquire common shares are outstanding at May 31, 2007:

| Number of Shares | Exercise Price | Expiry Date |
|---------------------|-------------------|-------------------|
| 614,500 | \$ 0.35 | December 7, 2007 |
| 280,000 | 0.35 | December 14, 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 |
| 6,235,000 | 0.35 | May 3, 2009 |

On May 3, 2007, 2,000,000 warrants exercisable at \$0.35 expired unexercised.

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

Finders' warrants

The following finders' warrants to acquire common shares are outstanding at May 31, 2007:

| 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 |
| 511,550 | 0.25 | May 3, 2009 |

Stock options

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

The following stock options are outstanding at May 31, 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 |
| 250,000 | 0.25 | May 16, 2012 |

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
NINE MONTH PERIOD ENDED MAY 31, 2007

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

Stock options (cont'd...)

The following stock options are fully vested at May 31, 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 |
| 187,500 | 0.55 | June 16, 2011 |
| 286,500 | 0.40 | September 1, 2011 |
| 1,500,000 | 0.25 | January 2, 2012 |
| 250,000 | 0.25 | May 16, 2012 |

Stock-based compensation

During the nine month period ended May 31, 2007, the Company granted 2,036,500 stock options to directors, officers and consultants. The Company recognized \$270,667 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:

| | May 31, 2007 | February 28, 2006 |
|--------------------------|--------------|-------------------|
| Risk-free interest rate | 3.99% | 3.80% |
| Expected life of options | 5 years | 3 years |
| Annualized volatility | 62.78% | 45.0% |
| Dividend rate | 0.00% | 0.00% |

An additional \$42,013 of stock-based compensation was recognized on 187,500 options that vested during the nine month period ended May 31, 2007.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
NINE MONTH PERIOD ENDED MAY 31, 2007

8. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$137,000 (2006 - \$110,000) in management fees to directors of the Company.
- b) Paid or accrued legal fees of \$41,524 (2006 - \$20,919) to a firm in which a director of the Company is a partner.
- c) Paid or accrued \$124,634 (2006 - \$Nil) in geophysics fees to a company controlled by a director which are allocated to deferred exploration costs.
- d) Paid or accrued \$34,500 (2006 - \$Nil) in accounting fees to an officer and a company controlled by a common director.
- e) Paid or accrued \$17,500 (2006 \$Nil) in administration fees to a company controlled by a common director.

The \$5,118 (August 31, 2006 - \$Nil) due from related parties is non-interest bearing and has no formal terms of repayment.

The \$54,450 (August 31, 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

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

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

- a) On October 18, 2006, the Company issued 200,000 common shares valued at \$52,000 as part of the expired Atlin property option agreement with Kotcho Lake Logging Ltd.
- b) Included in deferred exploration costs is \$1,079,303 which relates to accounts payable and accrued liabilities and \$37,869 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 a private placement.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
NINE MONTH PERIOD ENDED MAY 31, 2007

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

- d) On April 24, 2007, the Company issued 1,200,000 common shares valued at \$240,000 as part of the new Atlin property option agreement with Kotcho Lake Logging Ltd.
- e) On May 3, 2007, the Company issued 511,550 finders' warrants valued at \$42,847 in connection with the 6,235,000 unit private placement.

The significant non-cash transaction during the period ended May 31, 2006 were as follows:

- a) The Company issued 2,000,000 common shares valued at \$400,000 as part of the Atlin property option agreement.
- b) In connection with private placements, the Company recorded the fair value of finders' options of \$2,170 and the fair value of finders' warrants of \$42,213. These amounts are reflected in capital stock and contributed surplus.
- c) The Company recorded \$8,204 for stock options exercised during the period in capital stock and contributed surplus.

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

Gravity Processing Plant

On March 15, 2007, the Company entered into an agreement to purchase a gravity processing plant for \$1,100,000. At May 31, 2007, \$847,500 remained unpaid and has been accrued in accounts payable.

Subsequent to May 31, 2007, the Company paid \$805,000 to Knelson Gravity Solutions for the agreed 3rd and 4th installments of the purchase agreement.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)
NINE MONTH PERIOD ENDED MAY 31, 2007

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

Private Placement Completed

On June 14, 2007, the Company completed the second tranche of a private placement. The private placement was comprised of 1,980,000 units issued at a price of \$0.25 per unit for gross proceeds of \$495,000. Each unit is comprised of one common share and one share purchase warrant. Each full warrant is exercisable at \$0.35 per common share until May 3, 2009.

The Company issued 107,800 finders' fees warrants valued at \$8,873 which entitles the holders to purchase additional common shares at \$0.25 per share until May 3, 2009.

The Company paid \$26,950 in cash for finders' fees, commissions and expenses on this tranche of the private placement.

Atlin Property Option

On June 15, 2007, the Company paid \$200,000 pursuant to the Atlin property option agreement.

PRIZE MINING CORPORATION
FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
NINE MONTH PERIOD ENDED MAY 31, 2007

The following discussion and analysis, prepared as of July 26, 2007, should be read together with the unaudited financial statements for the nine month period ended May 31, 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.

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

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. 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.

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.

Atlin Claims

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 (completed), the stripping of the placer material overlying the target zone (completed), 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.

On March 15, 2007, the Company entered into an agreement to purchase a Knelson gravity processing plant for \$1,100,000. The 3-cycle processing plant will be used for the bulk sampling (trial mining) program to be conducted on the Yellowjacket zone. A Cedarapids two trailer jaw/rolls 50 tonne per hour crushing unit was also purchased for \$180,000. Management successfully negotiated a lease on a 7' X 8' Allis Chalmers Ball Mill and an 800 kw generator. All of this equipment is being mobilized to the site for the anticipated crushing and processing on the bulk sampling program.

On April 27, 2007, the Company entered into an option agreement with Kotcho Lake Logging Ltd. (“Kotcho”) 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, the Company paid \$50,000 cash and issued 1,200,000 common shares valued at \$240,000. The remaining \$400,000 is due by December 15, 2007.

Nunavut Claims

The Company holds a 100% interest in certain mineral claims in Nunavut, Canada. In 1998, the Company granted an option to acquire a 10% interest in the claims to a former related party. During the 2006 fiscal year, the Company entered into an Earn-In Agreement with Silvermet Corporation (“Silvermet”). 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.

On April 12, 2007, Silvermet announced that a drill is being mobilized and is scheduled to commence drilling in mid May 2007 with a planned 8,000 to 10,000 metre program which will be completed by October 2007. The drill program will be focused on the Pyrrhotite and Valley Lakes areas of the project.

Performance Summary

The following is a summary of significant events and transactions that occurred during the nine month period ended May 31, 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.

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 29, 2006, the Company received \$300,917 from the government for recovery of exploration costs incurred on properties in British Columbia.
12. 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.
13. On January 15, 2007, the Company paid \$200,000 for the Atlin property option.

14. 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.
15. 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.
16. On March 15, 2007, the Company entered into an agreement to purchase a Knelson gravity processing plant for \$1,100,000.
17. On March 19, 2007, the Company paid \$180,000 to purchase a Cedarapids two trailer jaw/rolls 50 tonne per hour crushing unit.
18. On March 30, 2007, the Company recovered \$68,948 from Silvermet Corporation for filing and lease fees related to the Nunavut claims.
19. On April 27, 2007, the Company issued 1,200,000 common shares valued at \$240,000 to Kotcho Lake Logging Ltd. as part of a new option agreement to acquire 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.
20. On May 3, 2007, 2,000,000 warrants exercisable at \$0.35 expired unexercised.
21. On May 3, 2007, the Company completed the first tranche of a private placement. The private placement was comprised of 6,235,000 units issued at a price of \$0.25 per unit for gross proceeds of \$1,558,750. Each unit is comprised of one common share and one share purchase warrant. Each full warrant is exercisable at \$0.35 per common share until May 3, 2009.

The Company issued 511,550 finders' fees warrants valued at \$42,847 which entitles the holders to purchase additional common shares at \$0.25 per share until May 3, 2009.

The Company paid \$114,888 in cash for finders' fees, commissions and expenses on this tranche of the private placement.
22. On May 16, 2007, the Company announced the appointment of Robert D. Ashauer as its Chief Financial Officer.
23. On May 16, 2007, the Company granted 250,000 stock options at \$0.25 per option to an officer which will expire on May 16, 2012.

24. On May 23, 2007, the Company announced that it completed overburden excavation in preparation for extraction of the 10,000 tonne bedrock sample from its Atlin gold property. Detailed mapping and channel sampling of the exposed bedrock is currently underway in order to determine the best orientation for extraction of the bulk sample blocks.

The following events occurred subsequent to May 31, 2007:

1. Subsequent to May 31, 2007, the Company paid \$805,000 to Knelson Gravity Solutions for the agreed 3rd and 4th installments of the purchase agreement.
2. On June 14, 2007, the Company completed the second tranche of a private placement. The private placement was comprised of 1,980,000 units issued at a price of \$0.25 per unit for gross proceeds of \$495,000. Each unit is comprised of one common share and one share purchase warrant. Each full warrant is exercisable at \$0.35 per common share until May 3, 2009.

The Company issued 107,800 finders' fees warrants valued at \$8,873 which entitles the holders to purchase additional common shares at \$0.25 per share until May 3, 2009.

The Company paid \$26,950 in cash for finders' fees, commissions and expenses on this tranche of the private placement.

3. On June 15, 2007, the Company paid \$200,000 pursuant to the Atlin property option agreement.
4. On July 9, 2007, the Company announced the completion of a detailed mapping and channel sampling program on the Atlin gold property.
5. On July 23, 2007, the Company announced that a bedrock pit has been located along the mineralized trace of the Pine Creek Fault in the Yellowjacket zone of the Atlin gold property. The entire 10,000 tonne bulk sample has now been excavated from the bedrock pit. The 250 tonne blocks have been extracted from three lifts of 2.5 metres each (the deepest bedrock extraction being 7.5 metres below the bedrock surface).

The Company also announced the assay results from select two metre channel samples collected from the central core area of the bedrock pit.

Summary of Quarterly Results

For the Quarters Ended

| | May 31, 2007 | February 28, 2007 | November 30, 2006 | August 31, 2006 |
|------------------------------|-----------------|----------------------|----------------------|--------------------|
| Total assets | \$ 25,063,845 | \$ 21,983,319 | \$ 20,378,664 | \$ 20,123,622 |
| Working capital (deficiency) | 1,489,164 | 1,577,844 | (308,685) | 744,980 |
| Shareholders' equity | 22,044,988 | 20,065,151 | 18,052,147 | 18,180,585 |
| Income | 8,184 | 4,650 | 3,478 | 15,548 |
| Net income (loss) | (236,025) | (435,531) | (240,257) | (263,095) |
| Earnings (loss) per share | (0.01) | (0.01) | (0.01) | (0.01) |

For the Quarters Ended

| | May 31, 2006 | February 28, 2006 | November 30, 2005 | August 31, 2005 |
|------------------------------|-----------------|----------------------|----------------------|--------------------|
| Total assets | \$ 20,997,239 | \$ 18,863,741 | \$ 18,464,163 | \$ 18,085,552 |
| Working capital (deficiency) | 1,644,964 | 568,288 | 362,985 | 694,444 |
| Shareholders' equity | 18,516,243 | 16,525,476 | 16,123,567 | 15,854,474 |
| Income | 1,346 | 1,457 | 1,603 | 6,758 |
| Net Income (loss) | (154,166) | (198,804) | (351,414) | (2,998,122) |
| Earnings (loss) per share | (0.01) | (0.01) | (0.02) | (0.16) |

The Company received \$16,312 (2006 - \$4,406) interest income from cash held in term deposits.

The Company incurred a \$911,813 (2006 - \$729,258) 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.

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, the Company paid \$50,000 cash and issued 1,200,000 common shares valued at \$240,000. The remaining \$400,000 is due by December 15, 2007.

The increase in total assets during the nine month period ended May 31, 2007, is attributed to exploration activities on the Atlin property which have been capitalized and the completion of private placements generating gross proceeds of \$3,985,836. On March 15, 2007, the Company entered into an agreement to purchase a Knelson gravity processing plant for \$1,100,000. During the period the Company also paid \$180,000 to purchase a Cedarapids two trailer jaw/rolls 50 tonne per hour crushing unit.

The Company received \$300,917 from the government for recovery of exploration costs incurred on properties in British Columbia. On March 30, 2007, the Company recovered \$68,948 from Silvermet Corporation for filing and lease fees related to the Nunavut claims.

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 \$911,813 (2006 - \$729,258) during the nine month period ended May 31, 2007. Some of the significant expenses are as follows:

Administrative \$20,570 (2006 - \$54,820)
Amortization of deferred financing costs \$13,425 (2006 - \$4,475)
Amortization of equipment \$12,467 (2006 - \$9,347)
Consulting fees \$11,815 (2006 - \$3,979)
Interest and bank charges \$38,032 (2006 - \$32,404)
Management fees \$137,000 (2006 - \$110,000)
Office and miscellaneous \$85,920 (2006 - \$91,949)
Professional fees \$120,355 (2006 - \$111,743)
Rent \$14,183 (2006 - \$19,583)
Shareholder communications \$64,330 (2006 - \$51,789)
Stock-based compensation \$312,680 (2006 - \$127,761)
Transfer agent and regulatory fees \$35,128 (2006 - \$36,971)
Travel and related costs \$62,220 (2006 - \$53,843)

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

Amortization of equipment is higher than the comparative period as a result of the acquisition of a new crushing unit, a truck and trailers.

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 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 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 received \$16,312 (2006 - \$4,406) interest income from cash held in term deposits

During the nine month period ended May 31, 2007, the Company continued exploration activities on the Atlin property. The Company incurred \$1,066,146 in accounts payable and accrued liabilities and repaid \$19,076 in accounts payable to related parties. Of these amounts, \$1,079,303 in accounts payable and \$37,869 due to a related party are primarily attributed to the exploration of the Atlin property. An additional \$1,650,226 in cash was spent on deferred exploration costs.

The Company's working capital position is lower than the same period last year. The completion of private placements generated gross proceeds of \$3,985,836. The Company received \$300,917 from the government for recovery of exploration costs incurred on properties in British Columbia. On March 30, 2007, the Company recovered \$68,948 from Silvermet Corporation for filing and lease fees related to the Nunavut claims. Overall, the decrease in working capital is primarily attributed to an \$847,500 account payable accrual for the gravity processing plant.

Liquidity and Capital Resources

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.

| | May 31, 2007 | August 31, 2006 |
|-----------------|-----------------|--------------------|
| Working capital | \$ 1,489,164 | \$ 744,980 |
| Deficit | (8,983,226) | (8,071,413) |

Net cash (used in) provided by operating activities during the period was \$617,561 (2006 – (\$187,024)). 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 \$4,171,536 (2006 - \$3,263,266). During the current period the Company closed private placements generating gross proceeds of \$3,985,836 and incurred \$311,050 in share issue costs directly related to the private placements. In the comparative period the Company received \$3,326,701 from the issuance of capital stock and incurred \$63,435 in share issue costs in the 2006 comparative period. The Company received \$1,750 from the exercise of 8,750 finders' options exercised at \$0.20 per option in the current period. As at May 31, 2007, the Company had received \$495,000 in share subscriptions for 1,980,000 units of the private placement which was completed subsequent to May 31, 2007.

Net cash used in investing activities during the period was \$2,882,861 (2006 - \$1,751,637). During the current period the Company incurred \$1,650,226 in exploration costs that were primarily associated with the completion of Phase 1 on the Yellowjacket zone of the Atlin property exploration program. The Company paid \$75,000 cash 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 received \$300,917 from the government for recovery of exploration costs incurred on properties in British Columbia. On March 30, 2007, the Company recovered \$68,948 from Silvermet Corporation for filing and lease fees related to the Nunavut claims. During the current period the company acquired a crushing unit for \$180,000; a gravity processing plant for \$1,100,000 and a truck and trailers for \$33,000. During the current period the Company posted \$4,000 and \$10,500 for the LD claims and Atlin claims respectively.

There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of gold or base metals or interests related thereto. The economics of developing and producing gold properties are affected by many factors including the cost of operations, variations in the grade of ore mined and the price of gold. Depending on the price of gold, the Company may determine that it is impractical to continue commercial production. The price of gold has fluctuated widely in recent years. Gold prices are affected by many factors beyond the Company's control including anticipated changes in international investment patterns and monetary systems, economic growth rates, political developments, extent of sales of reserves by governments and shifts in the private supply of and demand for gold. The supply of gold consists of a combination of new mine production and existing stocks held by governments, producers, financial institutions and consumers. If the market price for gold falls below the Company's full production costs and remains at such levels for any sustained period of time, the Company will experience losses and may decide to discontinue operations or other development of a project or mining at one or more of its properties.

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.

Related Party Transactions

The Company entered into the following transactions with related parties:

- a) Paid or accrued \$137,000 (2006 - \$110,000) in management fees to directors of the Company.
- b) Paid or accrued legal fees of \$41,524 (2006 - \$20,919) to a firm in which a director of the Company is a partner.
- c) Paid or accrued \$124,634 (2006 - \$Nil) in geophysics fees to a company controlled by a director which are allocated to deferred exploration costs.
- d) Paid or accrued \$34,500 (2006 - \$Nil) in accounting fees to an officer and a company controlled by a common director.
- e) Paid or accrued \$17,500 (2006 - \$Nil) in administration fees to a company controlled by a common director.

The \$5,118 (August 31, 2006 - \$Nil) due from related parties is non-interest bearing and has no formal terms of repayment.

The \$54,450 (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 and Other 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.

The fair value of amounts due to and from related parties is not determinable as they have no specific repayment terms.

Critical Accounting Policies

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and form the basis for the following discussion and analysis of critical accounting policies and estimates. The Company makes estimates and assumptions that affect the reported amounts of assets, liabilities and expenses and related disclosure of contingent assets and liabilities during the course of preparing these financial statements. On a regular basis, the Company evaluates estimates and assumptions including those related to the recognition of stock-based compensation.

Estimates are based on historical experience and on various other assumptions that the Company believes to be reasonable. These estimates form the basis of judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

Additional Disclosure for Venture Issuers without Significant Revenue

Please refer to Note 4 in the unaudited interim consolidated financial statements for the nine month period ended May 31, 2007 for description of the capitalized exploration and development costs presented on a property-by-property basis.

Outstanding Share Data

The following table summarizes the outstanding share capital as at July 26, 2007:

| | |
|-------------------|------------|
| Common shares | 47,257,880 |
| Stock options | 3,731,500 |
| Warrants | 12,268,113 |
| Finders' warrants | 1,220,170 |

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer ("CFO") are responsible for designing internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with Canadian GAAP. The design of the Company's internal control over financial reporting was assessed as of the date of this Management Discussion and Analysis.

Based on this assessment, it was determined that certain weaknesses existed in internal controls over financial reporting. As indicative of many small companies, the lack of segregation of duties and effective risk assessment were identified as areas where weaknesses existed. The existence of these weaknesses is to be compensated for by senior management monitoring, which exists. The officers will continue to monitor very closely all financial activities of the Company and increase the level of supervision in key areas. It is important to note that this issue would also require the Company to hire additional staff in order to provide greater segregation of duties. Since the increased costs of such hiring could threaten the Company's financial viability, management has chosen to disclose the potential risk in its filings and proceed with increased staffing only when the budgets and work load will enable the action. The Company has attempted to mitigate these weaknesses, through a combination of extensive and detailed review by the CFO of the financial reports, the integrity and reputation of senior accounting personnel, and candid discussion of those risks with the audit committee.

Business Risks

Natural resources exploration, development, production and processing involve a number of business risks, some of which are beyond the Company's control. These can be categorized as operational, financial and regulatory risks.

- Operational risks include finding and developing reserves economically, marketing production and services, product deliverability uncertainties, changing governmental law and regulation, hiring and retaining skilled employees and contractors and conducting operations in a cost effective and safe manner. The Company continuously monitors and responds to changes in these factors and adheres to all regulations governing its operations. Insurance may be maintained at levels consistent with prudent industry practices to minimize risks, but the Company is not fully insured against all risks, nor are all such risks insurable.
- Financial risks include commodity prices, interest rates and the Canadian / United States exchange rate, all of which are beyond the Company's control.
- Regulatory risks include the possible delays in getting regulatory approval to the transactions that the Board of Directors believe to be in the best interest of the Company, and include increased fees for filings, the introduction of ever more complex reporting requirements the cost of which the company must meet in order to maintain its exchange listing.

Outlook

The Company's primary focus for the foreseeable future will be on reviewing its financial position, continuing its bulk sample program on the Atlin gold property and financing new business ventures in the mineral resource industry.