

PRIZE MINING CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

AUGUST 31, 2016

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Prize Mining Corp.

We have audited the accompanying consolidated financial statements of Prize Mining Corp., which comprise the consolidated statements of financial position as at August 31, 2016 and 2015, and the consolidated statements of comprehensive income (loss), cash flows and changes in shareholders' equity (deficiency) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Prize Mining Corp. as at August 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Prize Mining Corp.'s ability to continue as a going concern.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

December 19, 2016

PRIZE MINING CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	August 31, 2016	August 31, 2015
ASSETS		
Current assets		
Cash	\$ 10,122	\$ 95,582
Marketable securities (Note 3)	35,532	833,043
Receivables	<u>4,628</u>	<u>4,053</u>
	50,282	932,678
Non-current assets		
Deposits	2,000	2,000
Loan receivable (Note 5)	<u>52,789</u>	<u>-</u>
TOTAL ASSETS	\$ 105,071	\$ 934,678
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (Note 3)	\$ 170,706	\$ 240,795
Accounts payable to related parties (Notes 3 and 7)	<u>127,352</u>	<u>285,872</u>
	<u>298,058</u>	<u>526,667</u>
Shareholders' equity (deficiency)		
Share capital (Note 6)	36,648,604	36,394,720
Share subscriptions received in advance (Note 6)	-	10,000
Reserves (Note 6)	1,767,173	1,767,173
Deficit	<u>(38,608,764)</u>	<u>(37,763,882)</u>
	<u>(192,987)</u>	<u>408,011</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)	\$ 105,071	\$ 934,678

Nature and continuance of operations (Note 1)

Commitment (Note 12)

Subsequent event (Note 14)

Approved and authorized by the Board on December 19, 2016

"Feisal Somji"

Director

"Tim Bergen"

Director

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

PRIZE MINING CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Expressed in Canadian dollars)
FOR THE YEARS ENDED AUGUST 31

	2016	2015
GENERAL AND ADMINISTRATIVE EXPENSES		
Accounting and audit	\$ 63,840	\$ 61,483
Administration (Note 7)	30,000	30,000
Consulting fees (Note 7)	-	17,060
Depreciation (Note 4)	-	180
Interest and bank charges	2,384	1,217
Legal	10,194	16,128
Management fees (Note 7)	107,500	142,500
Office and miscellaneous	11,800	18,379
Property investigation costs	3,853	-
Rent (Note 12)	-	4,486
Shareholder communications	13,413	1,674
Transaction costs (Notes 5 and 7)	120,340	14,968
Transfer agent and regulatory fees	15,234	13,641
Travel and related costs	872	3,244
	<u>(379,430)</u>	<u>(324,960)</u>
OPERATING EXPENSES		
Interest income	2,846	61
Loss on foreign exchange	-	(296)
Gain on extinguishment of accounts payable (Note 7)	45,000	17,884
Write-off of exploration and evaluation assets	-	(1)
Impairment of receivables (Notes 7 and 12)	(31,887)	-
Loss on settlement of accounts payable by marketable securities (Note 3)	(253,571)	-
Realized loss on disposition of marketable securities	-	(18,835)
Unrealized gain (loss) on marketable securities (Note 3)	<u>(227,840)</u>	<u>497,313</u>
	<u>(465,452)</u>	<u>496,126</u>
Net income (loss) and comprehensive income (loss) for the year	<u>\$ (844,882)</u>	<u>\$ 171,166</u>
Basic and diluted earnings (loss) per common share	<u>\$ (0.31)</u>	<u>\$ 0.08</u>
Weighted average number of common shares outstanding	<u>2,697,561</u>	<u>2,188,943</u>

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

PRIZE MINING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)
FOR THE YEARS ENDED AUGUST 31

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss) for the year	\$ (844,882)	\$ 171,166
Items not affecting cash:		
Depreciation	-	180
Undertaking of third party debt recorded as transaction cost	68,491	-
Accrued interest income on loan receivable	(2,789)	-
Gain on extinguishment of accounts payable	(45,000)	(17,884)
Impairment of receivables	31,887	-
Write-off of exploration and evaluation assets	-	1
Loss on settlement of accounts payable by marketable securities	253,571	18,835
Unrealized (gain) loss on marketable securities	227,840	(497,313)
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(32,462)	3,524
Decrease in prepaid expenses	-	1,685
Increase in accounts payable and accrued liabilities	44,020	58,300
Increase in accounts payable to related parties	218,980	210,707
Net cash used in operating activities	<u>(80,344)</u>	<u>(50,799)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of capital stock	55,000	75,000
Share issuance costs	(10,116)	-
Share subscriptions received in advance	-	10,000
Net cash provided by financing activities	<u>44,884</u>	<u>85,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan advances	(50,000)	-
Net proceeds from disposition of marketable securities	-	19,360
Net cash provided by (used in) investing activities	<u>(50,000)</u>	<u>19,360</u>
Increase (decrease) in cash during the year	(85,460)	53,561
Cash, beginning of year	<u>95,582</u>	<u>42,021</u>
Cash, end of year	\$ 10,122	\$ 95,582

Supplemental disclosure with respect to cash flows (Note 8)

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

PRIZE MINING CORPORATION**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)**

(Expressed in Canadian dollars)

FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

	Number of Shares	Share Capital	Share Subscriptions Received in Advance	Reserves	Deficit	Total Shareholders' Equity (Deficiency)
Balance, at August 31, 2014	2,181,135	\$ 36,323,569	\$ -	\$ 1,767,173	\$ (37,935,048)	\$ 155,694
Shares issued for cash	150,000	75,000	-	-	-	75,000
Share issuance costs	-	(3,849)	-	-	-	(3,849)
Share subscriptions received in advance	-	-	10,000	-	-	10,000
Income and comprehensive income for the year	-	-	-	-	171,166	171,166
Balance, at August 31, 2015	2,331,135	36,394,720	10,000	1,767,173	(37,763,882)	408,011
Shares issued for cash	528,000	264,000	(10,000)	-	-	254,000
Share issuance costs	-	(10,116)	-	-	-	(10,116)
Loss and comprehensive loss for the year	-	-	-	-	(844,882)	(844,882)
Balance, August 31, 2016	2,859,135	\$ 36,648,604	\$ -	\$ 1,767,173	\$ (38,608,764)	\$ (192,987)

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

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
FOR THE YEAR ENDED AUGUST 31, 2016

1. NATURE AND CONTINUANCE OF OPERATIONS

Prize Mining Corporation (the “Company”) was incorporated under the Business Corporations Act (Alberta) on August 16, 1996. The Company’s head office and registered and records office address is Suite 810 – 706 7th Avenue SW, Calgary, AB, T2P 0Z1.

The consolidated financial statements of the Company are presented in Canadian dollars, unless otherwise indicated, which is the functional currency of the parent company and its subsidiaries.

On August 30, 2016, the Company consolidated its issued and outstanding capital on the basis of one (1) post-consolidation share for each ten (10) pre-consolidation shares. All per share amounts have been retroactively restated.

The Company is working to identify and evaluate new project opportunities for investment or acquisition.

These consolidated financial statements are 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 in the foreseeable future. At August 31, 2016, the Company had a working capital deficiency of \$247,776, had not yet achieved profitable operations and had an accumulated deficit of \$38,608,764 since its inception. The Company expects to incur further losses in the development of its business, all of which cast substantial doubt on the Company’s ability to continue as a going concern. The Company will require additional financing in order to meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. Accordingly, these financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption was not used then the adjustments required to report the Company’s assets and liabilities on a liquidation basis could be material to these financial statements.

2. BASIS OF PREPARATION

Statement of compliance with International Financial Reporting Standards (“IFRS”)

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were authorized for issue by the Board of Directors on December 19, 2016.

Basis of consolidation

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments classified at fair value through profit or loss which are stated at their fair value. In addition, these financial statements have been prepared using the accrual basis of accounting.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
FOR THE YEAR ENDED AUGUST 31, 2016

2. BASIS OF PREPARATION (cont'd...)

Basis of consolidation (cont'd...)

These consolidated financial statements include the accounts of the Company and its subsidiaries. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company balances, transactions, income and expenses have been eliminated upon consolidation.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company possess power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

The principal subsidiaries of the Company have been dissolved and as of August 31, 2016, there are no longer any subsidiaries of the Company. MuskoX Holdings Ltd., was dissolved on December 21, 2015, and its subsidiary, 1202877 Alberta Ltd., was dissolved May 2, 2016. Both of these subsidiaries were inactive and had no assets prior to dissolution.

Financial instruments

Financial Assets

Financial assets are classified into one of four categories:

- Fair value through profit or loss ("FVTPL");
- Held to Maturity ("HTM");
- Loans and receivables; and
- Available-for-Sale ("AFS")

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management strategy. Attributable transaction costs are recognized in profit or loss when incurred. FVTPL are measured at fair value, and changes are recognized in profit or loss.

Held to maturity ("HTM")

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the asset is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
FOR THE YEAR ENDED AUGUST 31, 2016

2. BASIS OF PREPARATION (cont'd...)

Financial instruments (cont'd...)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Such assets are initially recognized at fair value plus any direct attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Available-for-sale ("AFS")

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

The Company classified its financial assets as follows:

- Cash and marketable securities are classified as FVTPL; and
- Receivables and loan receivable are classified as loans and receivables.

Financial liabilities

Financial liabilities are classified into one of two categories:

- Fair value through profit or loss; and
- Other financial liabilities.

Fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

Other financial liabilities

This category consists of liabilities carried at amortized cost using the effective interest method.

The Company classified its financial liabilities consisting of accounts payable and and accounts payable to related parties as other financial liabilities.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
FOR THE YEAR ENDED AUGUST 31, 2016

2. BASIS OF PREPARATION (cont'd...)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The carrying amount of financial assets is reduced by the impairment loss directly for all financial assets with the exception of receivables, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of AFS marketable securities, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized. In respect of AFS marketable securities, impairment losses previously recognized through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash

Cash is comprised of cash on hand and demand deposits.

Receivables and loan receivable

Receivables and loan receivable are initially recorded at fair value and subsequently at amortized cost less any provisions for uncollectible accounts considered necessary.

Equipment

Equipment is recorded at historical cost less accumulated depreciation and impairment charges. Equipment is depreciated using the declining balance method at the following annual rates, commencing when the related assets are available for use:

Computer equipment	30%
Office furniture and equipment	20%

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
FOR THE YEAR ENDED AUGUST 31, 2016

2. BASIS OF PREPARATION (cont'd...)

Equipment (cont'd...)

The Company's equipment is reviewed for an indication of impairment at the end of each reporting period. If an indication of impairment exists, the asset's recoverable amount is estimated. Impairment losses are recognized in profit or loss.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Exploration and evaluation assets

Pre-exploration costs are expensed in the period in which they are incurred. All costs related to the acquisition, exploration and development of exploration and evaluation assets are capitalized by property until the commencement of commercial production. Properties that have close proximity and have the possibility of being developed as a single mine are grouped as projects and are considered separate cash generating units ("CGU") for the purpose of determining future mineral reserves and impairments.

Management reviews the capitalized costs on its exploration and evaluation assets at least annually to consider if there is an impairment value to take into consideration from current exploration results and management's assessment of the future probability of profitable operations from the property, or likely gains from the disposition or option of the property. If a property is abandoned, or considered to have no future economic potential, the acquisition and accumulated exploration and evaluation costs are written off to profit or loss. If the carrying value of a project exceeds its estimated value, an impairment provision is recorded.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the mineral property is considered to be a mine under development and is classified as "Mining Assets". Exploration and evaluation expenditures accumulated are also tested for impairment before the property costs are transferred to mining assets.

Impairment of long-lived assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there are any indicators of impairment. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

Where the asset does not generate cash inflows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs. The recoverable amount is determined as the higher of fair value less direct costs to sell and the asset or CGU's value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. Estimated future cash flows are calculated using estimated recoverable reserves, estimated future commodity prices and the expected future operating and capital costs. The pre-tax discount rate applied to the estimated future cash flows reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Determining the discount rate includes appropriate adjustments for the risk profile of the country in which the individual asset or CGU operates.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
FOR THE YEAR ENDED AUGUST 31, 2016

2. BASIS OF PREPARATION (cont'd...)

Impairment of long-lived assets (cont'd...)

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized in the statement of comprehensive income (loss).

Assets that have been impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed. Where an impairment subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but only so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depletion) had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of impairment is recognized as a gain in the statement of comprehensive income (loss).

Provision for environmental rehabilitation

The Company recognizes the liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets in the period when the liability arises. The net present value of future rehabilitation costs is capitalized to the long-lived asset to which it relates with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as interest expense.

The Company has no known restoration, rehabilitation or environmental costs related to its exploration and evaluation assets.

Share-based payments

The Company grants stock options to buy common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of all stock options granted is recorded using the graded attribution method. The fair value of stock options, as adjusted for the expected level of vesting, is measured on the date of grant, using the Black-Scholes option pricing model, and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
FOR THE YEAR ENDED AUGUST 31, 2016

2. BASIS OF PREPARATION (cont'd...)

Warrants issued in equity financing transactions

The Company engages in equity financing transactions to obtain the funds necessary to continue operations and explore and evaluate exploration and evaluation assets. These equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants ("Warrants"). Depending on the terms and conditions of each equity financing agreement ("Agreement"), the Warrants are exercisable into additional common shares prior to expiry at a price stipulated by the Agreement. Warrants that are part of units are assigned value based on the residual value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for agency fees or other transactions costs are accounted for as share-based payments.

Income taxes

Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recognized in respect of temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences do not result in deferred tax assets or liabilities: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting or taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the date of the statement of financial position.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Loss per share

The dilutive effect on earnings (loss) per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, diluted loss per share is not presented separately from loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive.

Basic earnings (loss) per common share is calculated using the weighted-average number of shares outstanding during the period.

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
FOR THE YEAR ENDED AUGUST 31, 2016

2. BASIS OF PREPARATION (cont'd...)

Significant accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

1. Valuation of share purchase warrants issued from private placement.
2. Recoverability of receivables.

The balances in receivables include amounts owing to the Company in connection with office lease payments recoverable pursuant to rent sharing agreements with a private company and a related company. At each financial position reporting date, the carrying amounts of the Company's amounts receivable are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

At August 31, 2016, there were indicators that suggest that the Company's receivables in respect of office lease payments recoverable are impaired, and as such, the Company recognized an impairment (Note 12).

3. The collectability of the loan receivable from GreenScience Technologies Inc. (Note 5).

Critical accounting judgments

Examples of significant judgments, apart from those involving estimation, include:

- the accounting policies for exploration and evaluation assets and equipment.

New accounting policies adopted

The following revised standards and amendments are effective for annual periods beginning on or after January 1, 2015. The amended standards did not have a significant impact on the financial statements. The following is a brief summary of the principal amended standards:

PRIZE MINING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)
FOR THE YEAR ENDED AUGUST 31, 2016

2. BASIS OF PREPARATION (cont'd...)

New accounting policies adopted (cont'd...)

IFRS 7, *Financial Instruments – Disclosure*

Amended to require additional disclosures on transition from IAS 39 to IFRS 9.

New standards, interpretations and amendments not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the IFRIC that are mandatory for later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

Effective for annual periods beginning on or after January 1, 2016:

IAS 27 & IFRS 1, *Equity Method in Separate Financial Statements*

IAS 27 is amended to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

IFRS 1 is amended to permit use of the business combinations exemption for investments in subsidiaries accounted for using the equity method in the separate financial statements of the first-time adopter.

IAS 1, *Presentation of Financial Statements*

Amendments to IAS 1 as part of overall disclosure initiative to improve the effectiveness of disclosure in financial statements.

Effective for annual periods beginning on or after January 1, 2017:

IAS 12, *Income Taxes*

Amendments to IAS 12 to clarify the recognition of a deferred tax asset for unrealized losses.

Effective for annual periods beginning on or after January 1, 2018:

IFRS 15, *Revenue from Contracts with Customers*:

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*. Early application of the Standard would still be permitted.

IFRS 9, *Financial Instruments – Classification and Measurement*

IFRS 9 is a new standard on financial instruments that will replace IAS 39, *Financial Instruments: Recognition and Measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

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2. BASIS OF PREPARATION (cont'd...)

New standards, interpretations and amendments not yet effective

Effective for annual periods beginning on or after January 1, 2019:

IFRS 16, Leases

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as required by IAS 17 and instead introduces a single lessee accounting model.

The Company has initially assessed that there will be no material reporting changes as a result of adopting the above new standards; however, enhanced disclosure requirements are expected.

3. MARKETABLE SECURITIES

Marketable securities consist of 542,343 common shares (August 31, 2015 – 3,703,333 adjusted for a one-for-three reverse stock split effective March 16, 2015) of Brilliant Sands Incorporated (“Brilliant Sands”) (formerly Consolidated Goldfields Corporation) and 1 common share (August 31, 2015 – 1) of Athabasca Nuclear Corp. Brilliant Sands is a related party by virtue of a common director with the Company.

On December 30, 2015, the Company settled accounts payable and accrued liabilities and accounts payable to related parties amounting to \$316,100 by assigning 3,161,000 shares in Brilliant Sands at a price of \$0.10 per share. The settlement resulted in a loss of \$253,571.

During the year ended August 31, 2016, the Company recorded an unrealized loss of \$227,840 (2015 – gain of \$497,313) and a realized loss of (2015 - \$18,835), respectively, related to the marketable securities.

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4. EQUIPMENT

	Computer equipment	Office furniture & equipment	Total
Cost			
Balance, August 31, 2014	\$ 31,142	\$ 2,491	\$ 33,633
Additions	-	-	-
Disposals	-	-	-
Balance, August 31, 2015	31,142	2,491	33,633
Additions	-	-	-
Disposals	-	-	-
Balance, August 31, 2016	\$ 31,142	\$ 2,491	\$ 33,633
Accumulated depreciation			
Balance, August 31, 2014	\$ (31,142)	\$ (2,311)	\$ (33,453)
Additions	-	(180)	(180)
Disposals	-	-	-
Balance, August 31, 2015	(31,142)	(2,491)	(33,633)
Additions	-	-	-
Disposals	-	-	-
Balance, August 31, 2016	\$ (31,142)	\$ (2,491)	\$ (33,633)
Carrying amounts			
As at August 31, 2015	\$ -	\$ -	\$ -
As at August 31, 2016	\$ -	\$ -	\$ -

5. LOAN RECEIVABLE

The Company entered into an exclusivity agreement dated September 10, 2015 and a non-binding letter of intent dated May 12, 2015 which together set out the basic terms and conditions for the acquisition (the "Transaction") by the Company of all of the issued and outstanding shares of GreenScience Technologies Inc. ("GreenScience") in exchange for common shares of the Company. The Transaction was intended to constitute a Reverse Takeover of the Company under Policy 5.2 of the TSX-V.

On September 11, 2015, the Company entered into a loan agreement with GreenScience Technologies Inc. ("GreenScience") in the amount of \$50,000 (the "Principal Sum") with interest rate of 5.7% per annum ("Loan Rate") and is secured by a security interest in all of the assets of GreenScience. Interest shall begin to accrue on the Principal Sum as of the date of the advance thereof by Company, shall be compounded quarterly and shall be computed on the basis of a 30 day month/360 day year. All interest on becoming overdue shall be treated, as to payment of further interest, as principal and shall bear compound interest at the rate of Loan Rate both before and after the obtaining of any judgment by the Company against GreenScience to the extent permitted by law.

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5. LOAN RECEIVABLE (cont'd...)

The Principal Sum and interest due shall be payable as follows:

- (a) Four (4) consecutive quarterly installments of interest, each in the amount of \$713 shall be payable, in arrears, commencing on the earlier of September 11, 2016 and the third business day following the completion by GreenScience of a financing (each, an "Interest Payment Date"), subject to adjustment and prepayment of the Principal Sum as permitted pursuant to the terms of the Agreement.
- (b) Followed by twelve (12) consecutive equal quarterly installments of principal and interest, in arrears, commencing at the end of the third month following that in which the last installment set out in paragraph (a) above is payable (each, a "Principal Payment Date", Interest Payment Date and Principal Payment Date are together referred to as a "Payment Date"), subject to adjustment pursuant to terms hereof and prepayment of the Principal Sum as permitted pursuant to the terms of the Agreement.
- (c) GreenScience shall repay the loan in full on the earlier of September 11, 2020 and any date of acceleration or prepayment in full of the loan pursuant to the terms of the agreement, at which time GreenScience shall repay in full, if any, the aggregate of the then-outstanding Principal Sum plus all accrued and unpaid interest thereon and all other fees, expenses or other amounts owed related to the loan.
- (d) If any payment due is not received within five (5) days of its due date, GreenScience shall pay a late charge equal to five (5%) percent of the amount in arrears.

As at August 31, 2016, the Company accrued \$2,789 of interest on the Principal Sum, which is included in the loan receivable balance.

On June 24, 2016, the Company announced that the Transaction was terminated and all related costs were expensed.

6. SHARE CAPITAL

Authorized

Unlimited number of voting common shares without par value

Unlimited number of preferred shares, issuable in series

August 31, 2016

On December 21, 2015, the Company issued 528,000 Units pursuant to the second and final tranche of the Offering at a price of \$0.50 per Unit for gross proceeds of \$264,000. Each Unit consists of one common share of the Company and one half of one share purchase warrant. Each share purchase warrant will be exercisable into one common share at a price of \$2.50 per share until December 21, 2016. The Company incurred share issuance costs of \$4,641 in connection with the second and final tranche of the Offering.

As at August 31, 2015, the Company had received and was holding \$10,000 provided by prospective investors in connection with the second and final closing of the Offering. Upon the closing of the second tranche of the private placement, the Company reallocated \$10,000 from share subscriptions received in advance to share capital.

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6. SHARE CAPITAL (cont'd...)

August 31, 2015

On August 12, 2015, the Company completed the first tranche of the Offering by issuing 150,000 Units at \$0.50 each for total proceeds of \$75,000. Each Unit consists of one common share of the Company and one half of one share purchase warrant. Each share purchase warrant is exercisable into one common share at a price of \$2.50 per share until August 12, 2016. The Company incurred share issuance costs of \$3,849 in connection with the Offering.

Share purchase warrants

Share purchase warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, August 31, 2014	380,000	\$ 1.50
Issued	75,000	\$ 2.50
Expired	<u>(380,000)</u>	\$ 1.50
Balance, August 31, 2015	75,000	\$ 2.50
Issued	264,000	\$ 2.50
Expired	<u>(75,000)</u>	\$ 2.50
Balance, August 31, 2016	264,000	\$ 2.50

The following share purchase warrants to acquire common shares of the Company were outstanding at August 31, 2016:

Number of Warrants	Exercise Price	Expiry Date
264,000	\$ 2.50	December 21, 2016

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6. SHARE CAPITAL (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. Under the plan, the exercise price of each option shall not be less than the market price permitted by any stock exchange on which the Company's common shares are listed or any other regulatory body having jurisdiction. The options can be granted for a maximum term of 10 years and are subject to vesting provisions determined by the board of directors.

The fair value of the options granted is estimated on the date of grant using the Black-Scholes options-pricing model. Stock option transactions are summarized as follows:

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Outstanding at August 31, 2014 and 2015	107,500	\$	3.00
Expired	<u>107,500</u>	\$	3.00
Outstanding at August 31, 2016	-	\$	-
<hr/>			
Options exercisable as of August 31, 2016	-	\$	-

7. RELATED PARTY TRANSACTIONS

During the years ended August 31, 2016 and 2015, the Company carried out the following transactions with related parties:

a) Purchase of services:

	August 31, 2016		August 31, 2015
Administration and accounting fees to a company controlled by an officer and director of the Company	\$ 72,000	\$	72,000
Transaction fees to a company controlled by a director	\$ 27,500	\$	5,000

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

b) Key management compensation:

Key management includes the President, CEO and CFO. The compensation paid or payable to key management or companies controlled by them for director and/or management services is shown below:

	August 31, 2016	August 31, 2015
Fees reported as management fees to a director and companies controlled By an officer and director	\$ 107,500	\$ 142,500

c) Accounts payable to related parties:

	August 31, 2016	August 31, 2015
Director and companies controlled by key management for management and support services and related out-of-pocket expenses	\$ 114,314	\$ 255,469
Consulting fees and related out-of-pocket expenses to a company controlled by a director of the Company	\$ 13,038	\$ 30,403
	\$ 127,352	\$ 285,872

Amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

On September 15, 2015, amounts due to a company controlled by an officer and director totaling \$35,000 were assigned to various parties, of which \$30,000 were assigned to family members of an officer and director. On December 21, 2015, the Company applied a portion of the proceeds from the second tranche of the Offering to settle all of the amounts in lieu of cash receipt (Note 6).

During the year, the Company applied a portion of the proceeds from the second tranche of the Offering to settle amounts due to director and companies controlled by directors and officer totaling \$126,500 in lieu of cash receipt (Note 6).

On December 30, 2015, the Company settled accounts payable and accrued liabilities with related parties amounting to \$171,000 by assigning 1,710,000 shares in Brilliant Sands (Note 3).

During the year, the Company extinguished payables to officer and director totaling \$45,000.

During the year, the Company recorded an impairment of receivables totaling \$21,938 in respect of office lease payments recoverable from a company with a director and officer in common (Note 12).

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8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended August 31, 2016, the Company:

- a) settled \$316,100 of accounts payable and accrued liabilities and accounts payable to related parties for an aggregate of 3,161,000 shares in Brilliant Sands (Note 3);
- b) upon the closing of the second tranche of the Offering, reallocated \$10,000 from share subscriptions received in advance to share capital;
- c) assigned \$35,000 in accounts payable to related parties to family members of a director and officer and a third party; and
- d) applied \$199,000 of the total proceeds from the second tranche of the Offering to settle accounts payable and accounts payable to related parties in lieu of cash receipt.

There were no significant non-cash investing or financing transactions for the year ended August 31, 2015.

9. CAPITAL MANAGEMENT

The Company's capital structure consists of items in shareholder's equity (deficiency). The Company's objective when managing capital is to maintain adequate levels of funding to support the development of its businesses and maintain the necessary corporate and administrative functions to facilitate these activities. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and investments.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

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

10. FINANCIAL INSTRUMENTS AND RISK

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, receivables and loan receivable. The Company limits its exposure to credit loss by placing its cash with major financial institutions. The loan receivable from GreenScience is secured by a security interest in all of the assets of GreenScience

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10. FINANCIAL INSTRUMENTS AND RISK (cont'd...)

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 31, 2016, the Company had a cash balance of \$10,122 (2015 - \$95,582) and current liabilities of \$298,058 (2015 - \$526,667). All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

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

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity prices.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt and therefore is not exposed to risk in the event of fluctuations.

(b) Foreign currency risk

The Company is not exposed to foreign currency risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors commodity prices and the stock market to determine the appropriate course of action to be taken by the Company.

(d) Fair Value

The carrying value of receivables, accounts payable and accounts payable to related parties approximate fair value because of the short term nature of these financial instruments.

The Company classifies its fair value measurements in accordance with the three-level fair value hierarchy as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The fair value of cash and marketable securities are based on level 1 inputs of the fair value hierarchy.

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13. INCOME TAXES (cont'd...)

The significant components of the Company's deferred tax assets that have not been included on the consolidated statements of financial position are as follows:

	August 31 2016	August 31 2015
Deferred Tax Assets		
Exploration and evaluation assets	\$ 1,850,000	\$ 2,351,000
Property and equipment	346,000	321,000
Share issue costs	3,000	1,000
Marketable securities	15,000	21,000
Allowable capital losses	134,000	54,000
Non-capital losses available for future period	<u>2,449,000</u>	<u>2,152,000</u>
	4,797,000	4,900,000
Unrecognized deferred tax assets	(4,797,000)	(4,900,000)
Net deferred tax assets	\$ -	\$ -

No net deferred tax asset has been recognized in respect of the above for the years ended August 31, 2016 and 2015 because the amount of future taxable profit that will be available to realize such assets is not probable.

The Company has non-capital losses for Canadian income tax purposes of approximately \$9,069,000 (2015 - \$8,607,000) which may be carried forward and applied against taxable income in the future. These losses, if not utilized, will expire starting in 2026 through 2036.

Tax attributes are subject to review, and potential adjustment, by tax authorities.

14. SUBSEQUENT EVENT

On October 19, 2016, the Company completed a non-brokered private placement offering of common shares (the "Offering") for gross proceeds of \$224,000. Pursuant to the Offering, the Company issued 2,800,000 common shares at a price of \$0.08 per share.