

**YUKON-NEVADA GOLD CORP.**  
**Management Discussion and Analysis**  
**For the three-month period ending March 31, 2009**

*The following management's discussion and analysis ("MD&A") is intended to supplement the Company's interim consolidated financial statements for the three month period ending March 31, 2009 which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Readers are encouraged to consult the Company's audited consolidated financial statements and corresponding notes to the financial statements for the year ended December 31, 2008 for additional details. Readers are cautioned that the MD&A contains forward-looking statements and that actual events may vary from management's expectations. All figures are in United States dollars unless otherwise noted. The MD&A has been prepared as of May 13, 2009.*

**FIRST QUARTER HIGHLIGHTS**

- Jerritt Canyon received the restart order from the Nevada Division of Environmental Protection ("NDEP") on March 25, 2009, allowing the Company to restart milling operations. The first gold was poured on April 16, 2009.
- The Company issued 27.3 million shares for total proceeds of \$1.2 million.
- The Company had a loss of \$5.2 million in the first quarter of 2009 compared to \$8.9 million in the first quarter of 2008. The reduction is due primarily to the absence of depletion due to the write-off of mineral properties and the lay off of the work force in late 2008.

**OVERVIEW**

Yukon-Nevada Gold is engaged in gold mining and related activities, including exploration and acquisition of gold-bearing properties, extraction, processing and reclamation. The Company's gold production and exploration activities are carried out in Canada and the United States. Gold is produced in the form of dore, which is shipped to refineries for final processing. The profitability and operating cash flow of Yukon-Nevada Gold is affected by various factors, including the amount of gold produced, the market price of gold, operating costs, interest rates, regulatory and environmental compliance, the extent of exploration activity and capital expenditures, general and administrative costs, and other discretionary costs. Yukon-Nevada is also exposed to fluctuations in foreign currency exchange rates and varying levels of taxation that can impact profitability and cash flow. The Company seeks to manage the risks associated with its business operations; however, many of the factors affecting these risks are beyond the Company's control.

Yukon-Nevada Gold receives its revenues through the sale of gold in U.S. dollars, while costs are incurred in both U.S. and Canadian currencies. Therefore, movements in the exchange rate between the Canadian and the U.S. dollars have an impact on profitability.

## Jerritt Canyon

The Jerritt Canyon operation consists of a milling facility and two underground mines, the Smith and the SSX, and is located in Nevada, U.S.

### *Jerritt Canyon Operating Highlights*

*(dollars in thousands except for per ounce amounts)*

	Q1 2009	Q1 2008	Q2 2008	Q3 2008	Q4 2008	2008
Gold - produced from mined ore (troy ounces)	-	8,056	9,187	14,888	-	32,131
Gold - produced from purchased ore (troy ounces)	-	5,414	2,899	4,288	-	12,601
Gold - produced - total (troy ounces)	-	13,470	12,086	19,176	-	44,732
Gold - sold from mined ore (troy ounces)	-	14,890	6,405	14,644	550	36,489
Gold - sold from purchased ore (troy ounces)	-	10,700	2,300	5,500	1,371	19,871
Gold - sold - total (troy ounces)	-	25,590	8,705	20,144	1,921	56,360
Gold sales	\$ -	\$21,789	\$7,773	\$17,162	\$2,257	\$48,981
Cost of gold sold	68	22,408	12,463	20,606	3,265	58,742
Temporary shutdown costs	2,452	4,360	3,497	-	5,258	13,115
Average gold price per ounce	-	851	892	852	888	869

During 2008 the Jerritt Canyon operations were shut down for the majority of the year. Early in 2008, the Company shutdown the mill and the mines for an extended safety, care and maintenance cycle to deal with the effects of a lack of focus in these areas over the last five or more years. During this period, extensive capital projects were undertaken to improve the infrastructure at the mines and the processing facility designed to improve the performance of the site and increase compliance with state safety and environmental regulations. Subsequent to this voluntary shutdown, on March 19, 2008, the Company received a “stop order” from the NDEP due to issues involving the installation and the maintenance of instrumentation necessary to monitor key operating parameters in the emissions control systems.

Although the Company was able to recommence operations by mid-second quarter of 2008, the Company was again forced to shut down the operations at Jerritt Canyon during the third quarter of 2008 due to the increasing costs associated with the existing mining plan and the required infrastructure expenditures remaining to be completed. Subsequent to shutting down, the Company was required to obtain approval from the NDEP for the restart of the Jerritt Canyon operations. This approval was contingent on the Company addressing the requirements outlined in the stop order.

Over the last two quarters the Company has worked to design and install a new mercury emissions system which meets the requirements of the stop order. Management also worked diligently with the NDEP to address fluids and water management concerns raised in the stop order and has submitted a full report to the NDEP to outline the Company’s current compliance status as well as plans and timelines for future compliance. This report was accepted by the NDEP and an approval order was received to restart the process mill at Jerritt Canyon on March 25, 2009.

The Company has recommenced milling operations at Jerritt Canyon in cooperation with many of their critical suppliers. Management will now begin work on a revised mine plan that would involve additional upfront development of the mines but would focus on reducing the dilution and improving the mining results. This mine plan, when completed, will require additional financing in order to fund the initial investment in the mines.

### **Ketza River**

For the Ketza River Project in the first quarter of 2009, assays from 199 of a total of 223 drill holes completed in 2008 were compiled into the central data base. This information will assist in planning the 2009 program and further develop our understanding of the Ketza ore bodies and their complex geology. The remaining drill holes will be sampled and submitted for assay in the second quarter of this year. In addition, all activity reports required by the Yukon government under the Ketza River Operating Plan and the Memorandum of Understanding with the Kaska Nation were submitted. Once sufficient financing is in place, management will continue further exploration and definition of the ore body, focus on completing the Pre-feasibility study, commencement development at the site and the relocate unused wet mill assets currently in place at the Jerritt Canyon operation.

### **Silver Valley**

No work was carried out on the Silver Valley property in 2008 and the first quarter of 2009. Work on this property will commence when additional funding becomes available.

### **Yukon-Shaanxi Mining Company**

During the first quarter of 2009 the Company did not perform any exploration on the property. Yukon-Shaanxi is reviewing other mining interests in the Yukon for further investment. The Company proportionately consolidates its 50% share the accounts of this joint-venture. As at March 31, 2009, Yukon-Shaanxi has spent C\$0.2 million on exploration activities in the Yukon territories.

## SUMMARY OF QUARTERLY RESULTS

(in thousands of dollars, except for share and per share amounts)

	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008	Q4 2007	Q3 2007	Q2 2007
<b>Income Statement</b>								
Gold Sales	\$ -	\$ 2,257	\$ 17,162	\$ 7,773	\$ 21,789	\$ 38,224	\$ 26,236	\$ -
Cost of gold sold	68	3,265	20,606	12,463	22,408	28,535	18,757	926
Gross margin - mining operations	(68)	(1,008)	(3,444)	(4,690)	(619)	9,689	7,479	(926)
Loss from mine operations	(4,733)	(8,182)	(6,866)	(10,352)	(8,872)	7,107	3,248	(926)
Loss before taxes	(5,136)	(14,004)	(77,453)	(12,777)	(13,201)	3,373	547	(2,490)
Net loss	(5,223)	(13,575)	(77,201)	(5,700)	(8,884)	2,404	547	(2,490)
Net loss per share	(0.02)	(68.64)	(0.42)	(0.03)	(0.05)	0.01	-	(0.03)
Weighted average # of shares outstanding (000')	283,191	197,775	185,450	181,887	175,206	174,846	169,622	78,893
<b>Balance Sheet</b>								
Cash and cash equivalents	827	1,106	2,301	4,260	17,620	41,104	48,759	67,122
Total assets	\$ 197,190	\$ 199,636	\$ 207,824	\$ 306,968	\$ 280,500	\$ 296,167	\$ 268,279	\$ 268,198

## RESULTS OF OPERATIONS

The Company incurred a loss of \$5.2 million during the quarter ended March 31, 2009, compared to a loss of \$8.9 million in the quarter ended March 31, 2008. The \$3.7 million reduction is due to a \$4.1 million lower loss from mine operations (including temporary shutdown costs and depreciation) as a result of the significantly reduced activity level in 2009, lower corporate costs, and the absence of a \$3.2 million loss on forward arrangements incurred in the first quarter of 2008, partially offset by a \$4.4 million reduction in the tax recovery as the Company did not recognize any future income tax assets in the first quarter of 2009.

### **Gold sales:**

Gold sales were nil in 2009 as the mill and the mines were shut down during the period. The Company realized gold sales of \$21.8 million during the first quarter of 2008 on sales of 25,590 ounces of gold. Jerritt Canyon ore yielded 14,890 ounces while third party ore yielded 10,700 ounces. The average price realized during the first quarter of 2008 on gold produced from Jerritt Canyon ore was \$851 per ounce.

### **Gross margin – mining operations:**

The Company had a negative gross margin on mining operations of \$0.1 million for the three months ended March 31, 2009 comprised of rent and utility costs at the mine site, partially offset by \$0.2 million adjustment to the net realizable value of inventory. The operations were shut down for most of the quarter until March 25, 2009, when the Company received approval from the NDEP to restart the process mill.

During the three months ended March 31, 2008, the Company had a negative gross margin on gold sales of \$0.6 million and produced 8,055 ounces of gold from Jerritt Canyon ore arising from the period from January 1, 2008 until February 22, 2008, when operations were temporarily shut down.

### **Temporary shutdown costs:**

Temporary shutdown costs were \$2.5 million in the first quarter of 2009 compared to \$4.4 million in the comparable period in 2008. Despite the operations being shutdown for the entire quarter in 2009, compared to

only part of the first quarter of 2008 (February 22 – March 31), the costs were \$2.0 million or 45% lower due to the significantly reduced work force resulting from the shutdown in the third quarter of 2008.

During the temporary shutdown in the first quarter of 2008 the Company incurred significant expenditures, some of which will benefit the operations beyond the upcoming year and have been capitalized accordingly. Expenditures that did not have a future economic benefit to the Company beyond the upcoming year were included in the Statement of Operations as “temporary shutdown costs” in the amount of \$4.4 million for the three months ended March 31, 2008. The Company did not capitalize any shut down costs during 2009.

***Depreciation, depletion and amortization:***

The Company had \$1.5 million in depreciation, depletion and amortization in first quarter of 2009 and \$3.4 million for the three months ended March 31, 2008. Depletion of mineral properties for the first quarter of 2009 is nil compared to \$1.0 million in the first quarter of 2008 period as the mineral properties at Jerritt Canyon were written down to nil in the third quarter of 2008. The depreciation of property, plant and equipment was \$1.5 million in 2009 and \$2.4 million in 2008. The reduction is due to the reduced asset base arising from the sale of assets in 2008 and 2009 as well as the impairment charges taken in 2008.

***General and administrative expenses and stock-based compensation:***

For the three months ended March 31, 2009, the Company incurred general and administrative expenses of \$0.8 million compared with \$1.1 million in the comparable 2008 period. The lower expense arises from the closure of the Jerritt Canyon operations and the subsequent workforce reduction and cost curtailment actions taken by the Company.

Stock-based compensation was nil in the three months ended March 31, 2009 compared to \$0.6 million in the comparable period in 2008, as there were no stock options granted in the first quarter of 2009.

***Interest and other income:***

The Company earned \$0.1 million of interest and other income in the three months ended March 31, 2009 compared to \$0.9 million for the three months ended March 31, 2008 reflecting lower cash balances and a loss on the sale of assets of \$0.2 million in the first quarter of 2009.

***Other items:***

A foreign exchange gain of \$0.3 million in the first quarter of 2009 was due to the weakening of the Canadian dollar relative to the US dollar. The gain related primarily to gains on Canadian denominated monetary liabilities, (primarily future income tax and asset retirement obligations), offset by losses on Canadian denominated monetary assets (primarily restricted cash). In the first quarter of 2008, there was a foreign exchange loss of \$0.3 million due to the strengthening of the Canadian dollar relative to the US dollar.

The first quarter of 2008 had a loss of \$3.2 million on forward sales of gold. During the third quarter of 2008 the Company wound up all remaining forward sale contracts and has not entered into any new contracts subsequently.

***Income taxes:***

The income tax expense was \$0.1 million in 2009. The future income tax assets arising from loss carryforwards are offset with a full valuation allowance until there is sufficient evidence that, more likely than not, the Company will be able to utilize these losses to offset income.

During the three months ended March 31, 2008 the Company recognized a future income tax recovery of \$4.3 million, arising from the recognition of tax losses for the quarter that will be available to offset against future taxable income as well as differences in the timing of the deductibility of forward contract losses within the Company's US subsidiary.

**LIQUIDITY**

In the first quarter of 2009, cash and cash equivalents decreased from approximately \$1.1 million to \$0.8 million. At March 31, 2009 the Company had a working capital deficiency of \$10.4 million, compared to a working capital deficiency of \$7.8 million at December 31, 2008, as a result of the following activities:

**Operations:**

In the first quarter of 2009 the Company recorded a loss of \$5.2 million, which, adjusted for non-cash items, resulted in cash outflows of \$3.1 million before changes in working capital. This is comprised primarily of temporary shut down costs of \$2.5 million and general and administrative costs of \$0.8 million. During the first quarter of 2008 the Company recorded a loss of \$8.9 million, which, adjusted for non-cash items, resulted in cash outflows of \$5.5 million before changes in working capital. This resulted from a \$0.6 million negative gross margin, temporary shutdown costs of \$4.4 million and general and administration costs of \$1.1 million.

Changes in non-cash working capital resulted in a \$2.2 million cash inflow during the three months ended March 31, 2009 compared to cash outflows of \$4.9 million in comparable period in 2008. The inflows in 2009 were due to an increase in accounts payable by \$2.0 million primarily related to the Jerritt Canyon operations. Management has worked closely with critical suppliers during the restart of the operations and continues to communicate with many of the suppliers to ensure that long term relationships are maintained as the Company progresses towards full operations. In 2008 changes to non-cash working capital were due to a reduction in inventories of \$7.5 million offset by an increase in receivables of \$6.6 million and a decrease in the payable for ore purchases of \$5.0 million.

**Investing:***Capital expenditures*

<i>(in thousands)</i>	2009			2008		
	Property, plant and equipment	Mineral properties	Total	Property, plant and equipment	Mineral properties	Total
Mine capital expenditures - Jerritt Canyon mine	\$ -	\$ -	\$ -	\$ -	\$ 4,249	\$ 4,249
Mill and equipment capital expenditures - Jerritt Canyon mine	106	-	106	5,403	-	5,403
Exploration expenditures - Jerritt Canyon mine	-	-	-	-	2,042	2,042
Exploration expenditures - Ketz River project	-	375	375	49	4,312	4,361
Exploration expenditures - Yukon-Shaanxi	-	20	20	-	-	-
Other	-	-	-	26	34	60
	\$ 106	\$ 395	\$ 501	\$ 5,478	\$ 10,637	\$ 16,115

Expenditures on property, plant and equipment and mineral properties were \$0.5 million in the first quarter of 2009 compared to \$16.1 million in the first quarter of 2008. Mine capital and exploration expenditures at Jerritt Canyon were nil in the three months ended March 31, 2009 compared to \$6.3 million in the comparable period in 2008 as management focuses on developing a new mine plan. The mill at Jerritt Canyon was not operating in the three months ended March 31, 2009, with the primary expenditures during the first quarter, \$0.1 million compared to \$5.4 million in 2008, on the development of the calomel system and tailings pond improvements. Exploration at Ketz River has been reduced from \$4.3 million in the first quarter of 2008 to \$0.4 million in the 2009 due to cash restrictions.

**Financing:**

The Company issued 27.3 million shares for proceeds of \$1.2 million in first quarter of 2009. Also in the first quarter of 2008, the Company completed the sale of an asset held under a capital lease. Proceeds of \$0.1 million in cash were received and the remaining balance of the capital lease, \$0.7 million, was terminated.

**CAPITAL RESOURCES:**

The Company had a cash balance of \$0.8 million as of March 31, 2009 and a negative working capital balance of \$10.4 million. The Company had no cash available to be restricted for future exploration as of March 31, 2009. The Company has a remaining funding requirement of C\$12.1 million for future exploration expenditures to be spent from the flow-through financing in May 2008 that provided C\$20.1 million for exploration on the Ketz River project and other exploration activity in Canada. These restricted funds were applied to non-flow-through expenditures during the third quarter of 2008, reducing the amount available to fund this obligation. The remaining requirement must be spent by the Company, in accordance with the flow-through share agreement, by the end of 2009. Management intends to take steps necessary to bring the Company back into compliance with the flow-through agreements during 2009. If it fails to do so, it will be liable to the investors for their additional taxes payable.

The cash on hand at March 31, 2009 is not sufficient to maintain the ongoing operations of the Company for more than six weeks. Management believes that sufficient funding can be obtained from operations and through further financing to ensure the company will continue as a going concern. Should operations be determined to be unprofitable, further curtailment of operations would be undertaken to reduce costs.

## **OUTLOOK**

Management's primary focus during the first quarter of 2009 has been on working with the NDEP to meet all the requirements of the stop order and obtain an order allowing the restart of milling operations at Jerritt Canyon. On March 25, 2009, the Company received the order from the NDEP that allowed the Company to return to full milling operations at Jerritt Canyon. The ability to operate the facility will enable the Company to fund its liabilities and reinvest in the mine plan at Jerritt Canyon and continue work at Ketz River in the Yukon.

The Company's focus over the coming months at Jerritt Canyon will be on the completion of a long term mine plan and obtaining financing, preferably debt, to fund the required development and backfill work to support future mining activities. In developing the new mine plan, the Company has hired a new mine manager, Adam Knight, P.Eng., who brings extensive experience working at Jerritt Canyon during the period that the property was operated by AngloGold and Independence Mining Company. The Company will also continue to pursue additional toll milling agreements with properties in the area to supplement production from the Company's own existing stockpile and future mining activities.

In the Yukon, the Company will be completing the YESSA application using existing drill results and will continue exploration activity at the Ketz River and Silver Valley properties with a plan to commence development toward the end of 2009. These expenditures will be funded through cashflows from Jerritt Canyon as well as external sources of financing. Sources of external financing may include bank borrowings and future equity offerings. There can be no assurance that financing will be available on acceptable terms, or at all. The failure to obtain financing could have a material adverse effect on the Company's growth strategy and or results of operations and financial condition should cashflows be insufficient to support the operations. There can be no assurance that the Company will be able to secure the financing necessary to retain its rights to, or to begin or sustain production at, any of its mineral properties.

The consolidated financial statements are prepared on the basis that the Company will continue as a going concern. The conditions described in the preceding paragraphs raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern and recover its investment in property, plant, and equipment and mineral properties is dependent on its ability to obtain additional financing in order to meet its planned business objectives and generate positive cash flows. However, there can be no assurance that the Company will be able to obtain additional financial resources or achieve profitability or positive cash flows. Failure to continue as a going concern would require that the Company's

assets and liabilities be restated on a liquidation basis, which values could differ significantly from the going concern basis.

At May 13, 2009, the Company had \$1.0 million of cash and cash equivalents.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements as of March 31, 2009.

#### **SUBSEQUENT EVENTS**

On April 24, 2009 the Company closed a C\$0.7 million non-brokered private placement for a total of 12.0 million units (the "Units") at a price of C\$0.06 per Unit. A finder's fee was paid on a portion of the private placement. Each Unit consists of one common share and one share purchase warrant. The share purchase warrant can be exercised to purchase one additional common share at a price of C\$0.08 per share within 24 months of closing of the private placement.

#### **RELATED PARTY TRANSACTIONS**

The Company paid a total of \$0.1 million in the first quarter of 2009 (2008 – \$0.1 million) for legal fees to a law firm in which the Corporate Secretary of the Company is a partner in the firm.

#### **CRITICAL ACCOUNTING ESTIMATES**

The Company prepares its financial statements in accordance with Canadian GAAP. Certain estimates and assumptions must be made by management that affects the reported amounts of assets, liabilities and shareholders' equity for the period. Critical accounting estimates include estimates that are uncertain and changes in such estimates could materially impact the Company's financial statements. Management reviews its estimates and assumptions on an ongoing basis based on the most current information available. The following estimates are critical:

##### **Depletion of mineral properties**

Depletion of producing mineral properties is impacted by the estimation of proven and probable reserves, in accordance with National Instrument 43-101. There are many uncertainties associated with having a reserve estimate completed. The proven and probable reserve estimate is completed once a year, near the calendar year-end, on the Jerritt Canyon property and this estimate is the basis of depletion for the upcoming year. Consequently, the depletion calculation for each period is directly affected by the reserve estimate at year-end.

**Capitalization of long-term mine development costs**

The Company capitalizes mining and drilling expenditures that are deemed to have economic value beyond a one-year period. The magnitude of this capitalization involves a certain amount of judgment and estimation by the mine engineers. The magnitude of this capitalization makes this a critical accounting estimate.

**Impairment testing of long-lived assets**

The Company reviews its mineral properties and property, plant & equipment (for each reporting unit) at least once a year to determine whether the recorded value of the asset in the accounts will be recoverable in the future. This process involves comparing the fair value of the assets in a reporting unit to the carrying value in the accounts. In the event the carrying value of the assets in the accounts exceeds the fair value, the excess amount is charged to operations in the period when this determination has been made.

A National Instrument 43-101 compliant estimate of proven and probable reserves and measured, indicated & inferred resources for each mineral property is a critical estimate in evaluating long-lived assets for impairment. In addition, estimates such as the price of gold and certain capital and operating cost estimates are critical estimates in the evaluation of potential impairment of long-lived assets.

**Purchase price allocations on business combination**

The purchase price allocation of the Queenstake assets and liabilities acquired in the business combination was finalized in the second quarter of 2008. In determining the fair value used in the purchased price, the Company engaged independent professionals to assist in the valuation of (a) the mineral property (b) the processing plant and equipment (c) income tax assets and liabilities and (d) the asset retirement obligation.

Management has used the information provided by the independent professionals to determine the “fair value” of the aforementioned assets and liabilities. All valuation work has a certain amount of assumptions in determining fair value. Management has reviewed major assumptions to ensure they are supportable in the context of today’s operating environment.

**Asset retirement obligation**

Reclamation costs are estimated at their fair value based on the estimated timing of reclamation activities and management’s interpretation of the current regulatory requirements in the jurisdiction in which the Company operates. Changes in regulatory requirements and new information may result in revisions to these estimates. The estimated asset retirement obligations on both the Jerritt Canyon property and the Ketz River property are fully funded at this date.

**Income taxes**

The Company uses the asset and liability method of accounting for income taxes. Under this method, incomes taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized based on temporary differences between accounting and tax bases of assets and liabilities as well as the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that will be in effect when differences are expected to reverse. Future income tax assets and liabilities are evaluated utilizing the guidance provided in FIN 48, *Accounting for Uncertainty in Income Taxes*, which prescribes a minimum recognition threshold that a tax position is required to meet before being recognized in the financial statements.

**Stock-based compensation**

The fair value of stock options granted, using the Black-Scholes option pricing model, is used to measure stock-based compensation expense. The Black-Scholes option pricing model requires the usage of certain estimates, which includes the estimated outstanding life of stock options granted. Management currently uses the entire life of the stock option granted as the estimated outstanding life and will continue using this until enough history relating to prior grants has been established to modify this assumption.

**IMPACT OF ADOPTION OF NEW ACCOUNTING POLICIES****Goodwill and Intangible Assets**

In February 2008, the CICA issued accounting standard Section 3064 Goodwill, and intangible assets, replacing accounting standard Section 3062 Goodwill and other intangible assets and accounting standard Section 3450, Research and development costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. The Section was applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company adopted the standards for its fiscal year beginning January 1, 2009. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. There was no impact on the Company's financial position and results of operations as a result of these new standards.

**RECENT ACCOUNTING PRONOUNCEMENTS**

Recent accounting pronouncements issued which may impact us in the future are as follows:

**International Financial Reporting Standards**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines

the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS) over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the transition date for publicly listed companies to use IFRS, which will replace Canadian GAAP. The effective date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While we have begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

In January 2009, the CICA issued Handbook Sections 1582 – Business Combinations (Section 1582), 1601 – Consolidated Financial Statements (Section 1601) and 1602 – Non-controlling Interests (Section 1602) which replaces CICA Handbook Sections 1581 – Business Combinations and 1600 – Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Sections 1601 and 1602 are applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of these sections is permitted

## **FINANCIAL INSTRUMENTS**

The Company’s financial instruments consist of cash and cash equivalents, marketable securities, accounts receivable, inventory, accounts payable, accrued liabilities, payable on third-party purchased ore, and other long term liabilities. The carrying amounts of financial instruments, except for as noted below, approximate their fair values.

Previously, the Company engaged in the forward sale of gold produced from ore purchased from third parties to ensure the Company achieves an acceptable profit margin on this activity and to protect against a decline in the price of gold. The Company discontinued this practice in August of 2008 and settled all remaining contracts outstanding at that time, resulting in a realized gain on settlement of \$0.3 million.

## **RISK ASSESSMENT**

There are numerous risks involved with gold mining and exploration companies and the Company is subject to these risks. The Company’s major risks (in no particular order) and the strategy for managing these risks are as follows:

### **Gold price volatility**

The price of gold has been historically volatile and this volatility will likely continue both near-term and long-term. Management’s strategy in dealing with this volatility is to expose gold produced by Jerritt Canyon to this volatility (i.e. sell gold at market rates as produced), thus participating in upward movements in price of gold,

while being exposed to downward movements in the price of gold. Third party ore purchases are based on market price of gold at date the Company takes possession of the ore..

### **Estimates of reserves and resources**

Resource estimates involve a certain level of interpretation and professional judgment. The Company has opted to utilize the services of SRK Consulting in its 43-101 work for both the Jerritt Canyon mine and the Ketza River project in the past. This ensures a consistent methodology is utilized from property to property. SRK Consulting has done reserve and resource estimate work for numerous years on the Jerritt Canyon mine and is quite familiar with the property.

### **Environmental risk**

Environmental factors must be taken into account at all stages of project development and during mining operations. The Company understands that it is critical to long-term success to operate in an environmentally conscious manner. Management is currently in the process of working with the Nevada Division of Environmental Protection to develop a plan to ensure long-term compliance of the Jerritt Canyon mine.

### **Safety risk**

The mining business can present some significant safety risks during all phases of project/mine life. The Company has undertaken several safety related capital improvements to the Jerritt Canyon facilities during 2008 to mitigate the impact of these risks.

### **Ability to raise capital**

The availability of capital is dependent on both macroeconomic factors and the Company's track record in utilizing capital. The current tightening of credit and decline in liquidity have presented new challenges to Companies attempting to obtain financing. As well, the significant reduction in the Company's market capitalization has made it difficult to obtain substantial funding through equity issues without significant dilution of the existing shareholders. Management attempts to use capital resources as efficiently as possible, while being aware of the need to invest money in the finding and developing future gold-bearing ore bodies.

### **Exploration for future gold resources and reserves**

Exploration can be a very capital intensive undertaking for the Company. Management understands this risk and attempts to spend as efficiently as possible. The Company determines an appropriate level of exploration expenditures during the budgeting process and the results of these programs are assessed to determine future level of exploration activity.

## OUTSTANDING SHARE DATA

The following is the outstanding share information for Yukon-Nevada Gold as of May 13, 2009:

Common shares issued and outstanding	313,388,763		
Outstanding equity instruments	# Outstanding	Weighted average Exercise price	Weighted average Years to expiration
Shareholder warrants	250,410,465	\$ 0.39	1.1
Agents' options	1,848,725	\$ 2.08	0.6
Stock options	7,020,000	\$ 1.61	2.9

## DISCLOSURE CONTROLS AND PROCEDURES

Based upon the evaluation of the effectiveness of the disclosure controls and procedures regarding the Company's consolidated financial statements for the three months ended March 31, 2009 and this MD&A, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the disclosure controls and procedures were effective to ensure that material information relating to the Company was made known to others within the Company particularly during the period in which this report and accounts were being prepared, and such controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under regulatory rules and securities laws is recorded, processed, summarized and reported, within the time periods specified. Refer below to Internal Control Over Financial Reporting. Management of the Company recognizes that any controls and procedures can only provide reasonable assurance, and not absolute assurance, of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

Management, including the Chief Executive Officer and Chief Financial Officer, has assessed:

- (i) the design and evaluated the effectiveness of the Company's disclosure controls and procedures and
- (ii) the design of the company's internal control over financial reporting as of March 31, 2009, pursuant to the certification requirements of National Instrument 52-109. Management has satisfied itself that no material misstatements exist in the Company's financial reporting at March 31, 2009.

Management is in the process of redesigning certain internal controls relating to the material weaknesses as reported in the December 31, 2008 management discussion and analysis.

1. Control Environment

The Company has effectively designed and communicated the whistleblower policy in place as well as developed a Code of Conduct for the employees, pending approval from the Board of Directors. The Company has also maintained documentation of all reference checks performed and is enforcing the policy throughout the Company. Performance of a complete fraud risk assessment will be performed once the Company has stabilized the operations and completion of the next Annual General Meeting in order to allow for all directors to participate in this assessment.

2. Information and Communication

The Company is continuing to evaluate and develop the procedures around the communication of departures from corporate policies to ensure that departures are responded to on a timely basis and discussed with the Board of Directors. The Insider Trading Policy has been communicated out to employees to enhance their awareness of the Company's trading restrictions.

3. Management review

Management is continuing to evaluate the need to hire additional resources to enhance the management review process. In preparation of the quarterly financial statements, management has hired competent temporary personnel to assist in the preparation and review.

4. Inventory

The Company is in the process of redesigning controls to support the tracking and reporting of inventory movement on a regular basis as well as performing periodic stockpile and materials and supplies counts.

To mitigate the risks senior management exercises a constant degree of oversight. Further remediation of the identified weakness is planned. This will consist of consolidating the financial systems on a common accounting platform and further segregation of duties within the Company.

**ADDITIONAL INFORMATION**

Additional information may be examined or obtained through the internet by accessing the Company's website at [www.yukon-nevadagold.com](http://www.yukon-nevadagold.com) or by accessing the Canadian System for Electronic Data Analysis and Retrieval (SEDAR) website at [www.sedar.com](http://www.sedar.com).

## **FORWARD LOOKING STATEMENTS**

This report contains “forward-looking statements”, including all statements that are not historical facts, and forward looking information within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian Securities legislation. Forward-looking statements include, but are not limited to, statements with respect to the future price of gold, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of deposits, success of exploration activities, permitting time lines, currency exchange rate fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”.

With respect to forward-looking statements and the information included in this MD&A, we have made numerous assumptions, including, among other things, assumptions about the price of gold, anticipated costs and expenditures and our ability to achieve our goals, even though our management believes that the assumptions made and the expectations represented by such statements or information will prove to be accurate. By their nature, forward-looking statements and information are based on assumptions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include among other things the following: gold price volatility; discrepancies between actual and estimated production and mineral reserves and resources; the speculative nature of gold exploration; mining operational and development risk; and regulatory risks. See our Annual Information Form for additional information on risks, uncertainties and other factors related.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

Consolidated Financial Statements  
(Expressed in United States dollars)

**YUKON-NEVADA GOLD CORP.**

For the three months ended March 31, 2009 and 2008

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying consolidated financial statements of Yukon-Nevada Gold Corp. (the Company) have been prepared by management in accordance with generally accepted accounting principles (GAAP) in Canada, and within the framework of the summary of significant accounting policies disclosed in the notes to these consolidated financial statements.

Management is responsible for establishing internal controls over financial reporting for the Company. Management has designed and implemented internal controls over financial reporting (ICFR) that provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

The Audit Committee of the Board of Directors meets periodically with management and the Company's independent auditors to review the scope and results of their annual audit and to review the consolidated financial statements and related financial reporting matters prior to submitting the consolidated financial statements to the Board of Directors for approval. The Audit Committee is appointed by the Board of Directors and all of its members are independent directors. The Audit Committee is responsible for engaging or re-appointing the external auditors.

The consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

These interim unaudited consolidated financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

# YUKON-NEVADA GOLD CORP.

Consolidated Balance Sheets  
(Unaudited)  
(In thousands of US dollars)

	March 31, 2009	December 31, 2008 (Audited) (restated - note 3)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 827	\$ 1,106
Marketable securities		-
Accounts receivable and prepaid expenses	1,742	2,171
Inventories (note 5)	24,272	24,019
Future income taxes (note 11)	895	895
Asset held for resale	-	841
	27,736	29,032
Restricted funds (note 6)	28,462	28,484
Property, plant and equipment (note 7)	92,230	93,850
Mineral properties (note 8)	47,839	47,347
Other assets (note 9)	923	923
	\$ 197,190	\$ 199,636
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 29,900	\$ 28,599
Payable on purchased ore	8,257	8,257
	38,157	36,856
Other long-term liabilities	14	25
Asset retirement obligations	33,248	32,688
Future income taxes (note 11)	9,778	8,419
	81,197	77,988
Shareholders' equity (note 12)		
Share capital	205,778	206,778
Warrants	19,734	19,107
Contributed surplus	8,635	8,694
Accumulated other comprehensive income	2,273	2,273
Deficit	(120,427)	(115,204)
	115,993	121,648
Going concern (note 1)		
Commitments and contingencies (note 14)		
Subsequent event (note 15)		
	\$ 197,190	\$ 199,636

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Graham Dickson" \_\_\_\_\_ Director

"Don MacDonald" \_\_\_\_\_ Director

# YUKON-NEVADA GOLD CORP.

Consolidated Statements of Operations and Comprehensive Loss  
(Unaudited)

(In thousands of US dollars, except for share and per share amounts)

Three months ended March 31, 2009 and 2008

	2009	2008
Gold sales	\$ -	\$ 21,789
Cost of gold sold	68	22,408
Gross margin – mining operations	(68)	(619)
Temporary shutdown costs (note 4)	2,452	4,360
Depreciation, depletion, and amortization	1,495	3,361
Accretion	718	532
Loss from mine operations	(4,733)	(8,872)
General and administration	826	1,088
Stock-based compensation (note 12(d))	-	618
Loss from operations	(5,559)	(10,578)
Other (loss) income:		
Interest and other income	81	948
Loss on forward sales arrangements	-	(3,189)
Foreign exchange gain (loss)	342	(344)
Interest expense	-	(38)
	423	(2,623)
Loss before income taxes	(5,136)	(13,201)
Income tax (expense) recovery (note 11)		
Current	-	-
Future	(87)	4,317
Loss and comprehensive loss for the period	\$ (5,223)	\$ (8,884)
Loss per share – basic and diluted	\$ (0.02)	\$ (0.05)
Weighted average number of shares outstanding (basic and diluted)	283,190,985	175,205,957

See accompanying notes to consolidated financial statements.

# YUKON-NEVADA GOLD CORP.

Consolidated Statements of Shareholders' Equity

(Unaudited)

(In thousands of US dollars, except number of common shares)

	Common shares						
	Shares (000's)	Amount	Warrants	Contributed surplus	Accumulated comprehensive income	Deficit	Total
		Restated (note 3)	Restated (note 3)				
<b>Balance at January 1, 2008</b>	175,133	\$ 188,366	\$ 16,957	\$ 8,092	\$ 2,273	\$ (9,844)	\$ 205,844
Issued on private placement (note 12(b)(ii),(c))	79,800	1,470	1,829				3,299
Issued on private placement, flow through shares (note 12(b)(iii))	10,050	19,901					19,901
Exercise of options	267	356		(147)			209
Share issue costs (note 12(b)(ii),(c))	7,400	(606)	169	(307)			(744)
Flow through share renunciation	-	(2,709)					(2,709)
Stockbased compensation (note 12(d))	-			1,056			1,056
Loss for the year	-					(105,360)	(105,360)
Other	5		152				152
<b>Balance at December 31, 2008</b>	272,655	206,778	19,107	8,694	2,273	(115,204)	121,648
Issued on private placement (note 12(b)(i),(c))	27,334	635	602				1,237
Share issue costs (note 12(b)(i),(c))	1,400	34	25	(59)			-
Flow through share renunciation	-	(1,669)					(1,669)
Loss for the year	-					(5,223)	(5,223)
<b>Balance at March 31, 2009</b>	301,389	\$ 205,778	\$ 19,734	\$ 8,635	\$ 2,273	\$ (120,427)	\$ 115,993

See accompanying notes to consolidated financial statements.

# YUKON-NEVADA GOLD CORP.

Consolidated Statements of Cash Flows  
(Unaudited)  
(In thousands of US dollars)

Three months ended March 31, 2009 and 2008

	2009	2008
Cash provided by (used in):		
Operations		
Net loss for the period	\$ (5,223)	\$ (8,884)
Items not affecting cash:		
Depreciation, depletion, and amortization	1,495	3,361
Accretion	718	532
Stock-based compensation	-	618
Loss (gain) on disposal of asset	188	(30)
Reclamation payments	-	205
Unrealized loss on forward sales	-	2,699
Future income tax recovery	-	(4,317)
Unrealized foreign exchange gain	(301)	341
	(3,123)	(5,475)
Change in non cash working capital (note 13)	2,163	(4,914)
	(960)	(10,389)
Investing		
Restricted funds	(145)	3,468
Short-term investments	-	172
Mineral property expenditures	(395)	(10,637)
Property, plant and equipment expenditures	(106)	(5,478)
Proceeds from sale of assets	112	57
	(534)	(12,418)
Financing		
Notes payable and capital leases	(22)	(243)
Common shares and warrants issued for cash	1,237	-
Share issue costs	-	(6)
Common shares issued upon exercise of stock options	-	82
	1,215	(167)
Effect of exchange rate changes on cash	-	(510)
Decrease in cash and cash equivalents	(279)	(23,484)
Cash and cash equivalents, beginning of the period	1,106	41,104
Cash and cash equivalents, end of the period	\$ 827	\$ 17,620

See accompanying notes to consolidated financial statements.

# YUKON-NEVADA GOLD CORP.

(Formerly YGC Resources Ltd.)

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of US dollars unless otherwise noted)*

For the three months ended March 31, 2009 and 2008

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## 1. Going Concern:

Yukon-Nevada Gold Corp.'s (the Company) business is gold mining and related activities, including exploration, development, extraction, processing and reclamation. Gold has been produced in Nevada, USA (Jerritt Canyon) and gold exploration activities are being carried out in Nevada, USA (Jerritt Canyon) and the Yukon Territory, Canada (Ketz River and Silver Valley).

For properties other than the producing mine at Jerritt Canyon, the Company is in the process of mineral exploration and has yet to determine whether these properties contain reserves that are economically recoverable. The recoverability of the amount shown for mineral properties is dependent upon the existence of economically recoverable reserves, confirmation of the Company's ownership interest in the mining claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition of the mineral properties.

During the third quarter of 2008 the Company determined that under current conditions the Jerritt Canyon mine was not economic, and accordingly the mine was shutdown on August 8, 2008. The company did not have persuasive evidence that the capitalized costs associated with the mineral properties could be recovered. Accordingly, management wrote off all costs (\$69.4 million) related to the mineral property and an additional \$2.2 million of property, plant and equipment and a provision of \$4.7 million related to the increase in the asset retirement obligation (see note 3).

Subsequent to the mine closure, the Company has been working to address a number of key issues related to the stop order issued by the Nevada Division of Environmental Protection ("NDEP") in the first quarter of 2009 in order to receive permission to restart the milling operations. These issues included bringing the recently completed evaporation pond into operational use and begin the drawdown of the tailings pond, finalizing engineering design plans of a new mercury emissions system, and the cleanup of waste materials onsite. The Company has addressed all of these requirements and received approval from the NDEP to restart milling operations on March 25, 2009.

The Company will initially mill the remaining stockpiles on site and recommence toll milling at the Jerritt Canyon site. Further financing is required in order to fund further development of the Jerritt Canyon mines with the intention of returning to mining once the necessary development and backfill work has been completed. Management is currently pursuing financing alternatives and believes it will be able to secure the required financing in the near future. Should such financing be obtained, Management believes that the remaining property, plant, and equipment costs can be fully recovered through a combination of toll milling, a return to mining and possibly eventual use of the wet mill circuit at the Ketz River property.

These interim consolidated financial statements are prepared on the basis that the Company will continue as a going concern. The conditions described in the preceding paragraphs raise substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern and recover its investment in property, plant, and equipment and mineral properties is dependent on its ability to generate positive cash flows and obtain additional financing in order to meet its planned business objectives. However, there can be no assurance that the Company will be able to obtain additional financial resources, achieve profitability or positive cash flows. If the Company is unable to generate positive cash flows or obtain adequate financing, the Company will need to further curtail operations and exploration activities. Failure to

# YUKON-NEVADA GOLD CORP.

(Formerly YGC Resources Ltd.)

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of US dollars unless otherwise noted)

For the three months ended March 31, 2009 and 2008

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continue as a going concern would require that the Company's assets and liabilities be restated on a basis which could differ significantly from the going concern basis.

## 2. Basis of presentation:

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles following the same accounting policies and methods of application used in the Company's audited consolidated financial statements as at and for the year ended December 31, 2008, except for the new accounting policies adopted subsequent to that date, as discussed below. These unaudited interim consolidated financial statements do not include all disclosures required by Canadian generally accepted accounting principles for annual financial statements, and accordingly, they should be read in conjunction with the Company's most recent audited annual consolidated financial statements.

### (a) Basis of consolidation

These unaudited interim consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and balances have been eliminated. The subsidiaries and joint ventures along with percentage of ownership as at March 31, 2009 are:

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Ketza River Holdings Ltd. (Yukon)	100%
YGC Resources Arizona Inc. (Arizona)	100%
Queenstake Resources Ltd. (British Columbia)	100%
Queenstake Resources U.S.A. Inc. (Delaware)	100%
Castle Exploration Inc. (Colorado)	100%
Yukon-Shaanxi Mining Company - Joint Venture (Yukon)	50%

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### (b) Goodwill and Intangible Assets:

On January 1, 2009, the Company adopted a new accounting standard Section 3064, *Goodwill and Intangible Assets*, replacing accounting standard Section 3062, *Goodwill and Intangible Assets*, and accounting standard Section 3450, *Research and Development Costs*. Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. There is no impact on the Company's consolidated financial statements.

### (c) International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (IFRS) over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the transition date for publicly listed companies to use IFRS, which will replace Canadian GAAP. The effective date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While we have begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

# YUKON-NEVADA GOLD CORP.

(Formerly YGC Resources Ltd.)

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of US dollars unless otherwise noted)

For the three months ended March 31, 2009 and 2008

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(d) Other changes

In January 2009, the CICA issued Handbook Section 1582, *Business Combinations*, Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests* which replaces CICA Handbook Section 1581, *Business Combinations* and Section 1600, *Consolidated Financial Statements*. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for business combinations with acquisition dates on or after January 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Sections 1601 and 1602 are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of these sections is permitted.

### 3. Change in Accounting Policy

In the first quarter of 2009, the Company changed the accounting policy used for valuation of warrants issued. Previously units issued by the Company consisting of a combination of common shares and warrants were valued by assigning the proceeds received to the common share and deducting the value of the warrants as determined by a Black Scholes model. The new policy assigns the proceeds to common shares and warrants based on the relative fair value of the common shares and warrants. The fair value of the common shares is determined by the closing price on the date of the transaction and the fair value of the warrants is determined based on a Black Scholes model. As a result of this difference, opening share capital was increased by \$4.3 million, with an offsetting decrease in the warrants. The policy was adopted by the Company as a result of market conditions which resulted in an unreasonable valuation of the warrants relative to the common shares under the previous policy.

### 4. Temporary Suspension of Jerritt Canyon Operations

On February 22, 2008, the Company temporarily suspended mining and processing operations at the Jerritt Canyon mine in order to upgrade and install several components within the mill and the mine facilities. Expenses incurred from this date through to the recommencement of commercial operations on April 30, 2008 were recorded either as capital or, if they were determined to be maintenance or support expenses, as temporary shutdown costs aggregating \$7.9 million for the third quarter of 2008 (\$4.4 million to March 31, 2008).

On August 8, 2008 the Company announced the suspension of underground mining activity at the Jerritt Canyon property, with a suspension of the milling operations occurring the following week. The mill was shut down temporarily with plans to recommence processing available stockpiles in 2009 and continue to pursue toll milling opportunities and financing to continue mining activities.

The revised work program resulted in a work force reduction of 394 employees, all located at the Jerritt Canyon location. The related restructuring charge of \$4.5 million arises from the severance and vacation payments due to former employees of the Company. As of March 31, 2009, the Company had paid \$2.6 million of this obligation. Other expenses incurred relating to the shutdown of the mill, other than normal course operating costs of \$2.4 million (fourth quarter of 2008 - \$5.2 million), have been included in temporary shutdown costs.

# YUKON-NEVADA GOLD CORP.

(Formerly YGC Resources Ltd.)

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of US dollars unless otherwise noted)

For the three months ended March 31, 2009 and 2008

During the three months ended September 30, 2008, the Company determined that the costs associated with the current mine plan for Jerritt Canyon exceeded the projected cash flows. Due to inadequate infrastructure which caused high operating costs and low production, mining at the Jerritt Canyon Mine was halted until further financing could be obtained to enable the Company to perform the necessary development and infrastructure work to support more cost-efficient ore extraction.

Due to the absence of a profitable long term mine plan, the Company wrote down the Jerritt Canyon mineral properties to their estimated fair value, which management determined to be nil based on current market conditions. The impairment expense recorded during the third quarter of 2008 was \$69.4 million for mineral properties. An additional \$2.2 million of property, plant and equipment related to the mine was written off in the fourth quarter of 2008. Also included in the impairment expense in the fourth quarter of 2008 was a provision of \$4.7 million related to the increase in the asset retirement obligation. This impairment charge was a non-cash transaction. The following table illustrates the values used in the write-down of the Jerritt Canyon mineral properties, property, plant and equipment and increase in the asset retirement obligation.

Fair value assigned on acquisition	\$	44,306
Development spending		13,995
Value beyond proven and probable		13,713
Depletion of producing properties		(2,607)
Property, plant and equipment		2,243
Increase in asset retirement obligation		4,713
	\$	76,363

## 5. Inventories:

	March 31, 2009	December 31, 2008
Finished goods	\$ 26	\$ 26
Stockpiled ore	2,878	2,655
Purchased ore	17,872	17,872
Materials and supplies	3,496	3,466
	\$ 24,272	\$ 24,019

All of the Company's inventories on hand are located at the Jerritt Canyon mine in Nevada, USA.

Included in cost of gold sold and depreciation, depletion and amortization expense on the statement of loss are total inventory related costs of nil (December 31, 2008 – \$3.4 million) and nil (December 31, 2008 – \$1.4 million), respectively.

# YUKON-NEVADA GOLD CORP.

(Formerly YGC Resources Ltd.)

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of US dollars unless otherwise noted)

For the three months ended March 31, 2009 and 2008

## 6. Restricted funds:

	March 31, 2009	December 31, 2008
AIG commutation account (i)	\$ 25,360	\$ 25,289
Water use license letter of credit (iii)	2,448	2,535
Workmens' compensation self-insurance	425	423
Cash pledged as security for letters of credit	199	206
Cash restricted for future exploration in Canada (ii)	-	2
Other	30	29
	<u>\$ 28,462</u>	<u>\$ 28,484</u>

- (i) On June 30, 2003, Queenstake purchased from American Insurance Group (AIG) an environmental risk transfer program (the "ERTP") (note 8). As part of the ERTP, \$25.8 million was deposited in an interest-bearing account with AIG (the Commutation Account). The Commutation Account principal plus interest earned on the principal is used to fund Jerritt Canyon mine's ongoing reclamation and mine closure obligations. During 2009 the company earned \$0.1 million in interest revenue.
- (ii) During 2008, the Company raised funds by way of private placements of flow-through shares. Under the conditions of these private placements, the funds must be spent in 2008 and 2009 on Canadian Exploration Expenditures ("CEE") on properties located in Canada. A total of C\$12.1 million of cash is required to fund future exploration under the terms of the flow through share subscription agreements signed in May 2008; however no cash on hand (December 31, 2008 - \$2,000) was available at March 31, 2009 due to the use of cash on non-flow through expenditures. The Company is obligated to fund the remaining C\$12.1 million of expenditures by December 31, 2009 (see note 14(ii)).
- (iii) The Yukon Territorial Government has a letter of credit with the Company for C\$3.1 million to secure payment of potential reclamation work relating to the Ketz River project.

## 7. Property, plant and equipment:

	March 31, 2009			December 31, 2008		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Jerritt Canyon mine USA	\$ 103,902	\$ 12,518	\$ 91,384	\$ 103,935	\$ 11,036	\$ 92,899
Ketz River project, Canada	1,643	877	766	1,643	780	863
Corporate and other, Canada	185	105	80	185	97	88
	<u>\$ 105,730</u>	<u>\$ 13,500</u>	<u>\$ 92,230</u>	<u>\$ 105,763</u>	<u>\$ 11,913</u>	<u>\$ 93,850</u>

# YUKON-NEVADA GOLD CORP.

(Formerly YGC Resources Ltd.)

Notes to Consolidated Financial Statements

(Tabular amounts in thousands of US dollars unless otherwise noted)

For the three months ended March 31, 2009 and 2008

## 8. Mineral properties:

	March 31, 2009	December 31, 2008
Non depletable properties		
Ketza River project, Canada	\$ 45,712	\$ 45,240
Silver Valley project, Canada	1,334	1,334
Arizona project, USA	589	589
Yukon-Shaanxi project, Canada	189	169
Other Yukon and BC projects, Canada	15	15
	\$ 47,839	\$ 47,347

## 9. Other assets:

	March 31, 2009	December 31, 2008
Environmental Risk Transfer Program	\$ 923	\$ 923

The insurance premium paid for the ERTF in June 2003 is being amortized over the estimated proven and probable reserves from inception of the policy. Amortization of the insurance premium is calculated based on each respective period's production ounces with respect to the estimated proven and probable reserves.

## 10. Related party transactions:

During the three months ended March 31, 2009, the Company was charged a total of C\$0.1 million (2008 - C\$0.1 million) in legal fees by a law firm in which the corporate secretary of the Company is a partner. The amount owing at March 31, 2009 is C\$0.1 million.

## 11. Income taxes:

	March 31, 2009
Future income tax liability, opening	\$ 8,419
Renunciation of qualifying eligible expenditures under Canadian flow-through share program	1,669
Impact of foreign exchange on Canadian dollar future income tax liability	(310)
	\$ 9,778

The Company renounced C\$6.9 million of qualifying exploration expenditures under the Canadian flow-through share program in March of 2009. The result of this renunciation was that the Cumulative Canadian Exploration Expenses pool of the Company was reduced and a liability for future income taxes was recorded on the date the renunciation was made.

# YUKON-NEVADA GOLD CORP.

(Formerly YGC Resources Ltd.)

Notes to Consolidated Financial Statements

*(Tabular amounts in thousands of US dollars unless otherwise noted)*

For the three months ended March 31, 2009 and 2008

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## 12. Share capital:

(a) Authorized share capital consists of an unlimited number of common shares

(b) Common shares issued and outstanding:

(i) On February 27, 2009 the Company closed two non-brokered private placement as follows:

10.0 million units ("Unit 2") were issued at a price of C\$0.05 per Unit 2 for proceeds of \$0.4 million. Each Unit 2 consists of one common share (a "Share") and two series of Share purchase warrants. The first warrant (the "Series "A" Warrant") can be exercised to purchase one additional Share (the ""A" Warrant Share") at a price of C\$0.07 per share within 12 months of closing of the private placement and the second warrant (the "Series "B" Warrant") can be exercised to purchase one additional Share (the ""B" Warrant Share") at a price of C\$0.09 per share within 18 months of closing of the private placement. In accordance with securities legislation currently in effect, the Shares, the "A" Warrants, the "B" Warrants, the "A" Warrant Shares and the "B" Warrant Shares will be subject to "hold period" of four months plus one day. In addition, 1.0 million units were issued as a finder's fee in connection with the private placement which consists of one common share and one Series A warrant.

17.3 million units ("Unit 1") were issued at a price of C\$0.06 per Unit 1 for proceeds of \$0.8 million. In addition, 0.4 million Unit 1 units were issued as a finder's fee in connection with the private placement. Each Unit 1 consists of one common share (a "Share") and one Share purchase warrant (the "Warrant"). The Warrant can be exercised to purchase one additional Share (the "Warrant Share") at a price of C\$0.08 within 24 months of closing of the private placement. In accordance with securities legislation currently in effect, the Shares, the Warrants and the Warrant Shares will be subject to a "hold period" of four months plus one day.

(ii) On December 19, 2008, the Company closed a non-brokered private placement for a total of 79.8 million units (the "Units") for proceeds of \$3.3 million. In addition, 7.4 million units were issued as a finder's fee in connection with the private placement. Each Unit consists of one common share and two series of Share purchase warrants. The first warrant (the "Series "A" Warrant") can be exercised to purchase one additional Share (the ""A" Warrant Share") at a price of C\$0.07 per share within 12 months of closing of the private placement and the second warrant (the "Series "B" Warrant") can be exercised to purchase one additional Share (the ""B" Warrant Share") at a price of C\$0.09 per share within 18 months of closing of the private placement. In accordance with securities legislation currently in effect, the Shares, the "A" Warrants, the "B" Warrants, the "A" Warrant Shares and the "B" Warrant Shares will be subject to "hold period" of four months plus one day.

(iii) On May 2, 2008, the Company closed a non-brokered private placement of 10.1 million flow-through shares at a price of C\$2.00 per share for proceeds of \$19.9 million.

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(e) Warrants:

Where the warrants are issued as part of a unit comprised of common shares and warrants, the value is assigned to common shares and warrants based on the relative fair value. The fair value of the common shares is determined by the closing price on the date of the transaction and the fair value of the warrants is determined based on a Black Scholes pricing model. Where the warrant is issued and not attached to a common share, they are valued using the Black Scholes pricing model. The following are shareholder warrants outstanding as of December 31, 2008 and March 31, 2009:

Expiry date	Note	Exercise price (C\$)	Thousands of units			Values assigned\$	
			December 31, 2007	Warrants exercised	Warrants issued		December 31, 2008
January 16, 2009		1.80	1,000	-	-	1,000	655
April 12, 2010		5.50	2,851	-	-	2,851	1,172
June 20, 2012		3.00	21,176	-	250	21,426	15,282
December 19, 2009	12(b)(ii)	0.07	-	-	87,200	87,200	1,033
June 19, 2010	12(b)(ii)	0.09	-	-	87,200	87,200	965
			25,027	-	174,650	199,677	19,107

Expiry date	Note	Exercise price (C\$)	Thousands of units			Value assigned \$	
			December 31, 2008	Warrants expired	Warrants issued		March 31, 2009
January 16, 2009		1.80	1,000	(1,000)	-	-	655
April 12, 2010		5.50	2,851	-	-	2,851	1,172
June 20, 2012		3.00	21,426	-	-	21,426	15,282
December 19, 2009	12(b)(iii)	0.07	87,200	-	-	87,200	1,033
June 19, 2010	12(b)(iii)	0.09	87,200	-	-	87,200	965
February 27, 2011	12(b)(i)	0.08	-	-	17,733	17,733	369
February 27, 2010	12(b)(i)	0.07	-	-	11,000	11,000	140
August 27, 2010	12(b)(i)	0.09	-	-	10,000	10,000	118
			199,677	(1,000)	38,733	237,410	19,734

(i) During the three months ended June 30, 2008 the Company issued 0.3 million warrants in connection with obtaining \$4.5 million in short term financing which was subsequently repaid during the month of July. The fair value of \$0.2 million was recorded in general and administration expense.

(d) Stock options:

The Company has a stock option plan (the Plan) in place under which the Board of Directors may grant options to acquire common share of the Company to directors, employees and service providers. Under the terms of the Plan, the number of securities issuable to insiders, at any time under security based agreements, cannot exceed 10% of the issued and outstanding securities.

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Under the fair value method, the total fair value of the stock based compensation granted to directors, officers and service providers was nil for the three months ended March 31, 2009 (March 31, 2008 - \$0.6 million) and is disclosed as stock-based compensation on the statement of operations.

There were no options granted in the three months ended March 31, 2009. All outstanding options are vested and exercisable. The options outstanding at March 31, 2009 are as follows:

	Options outstanding (000's)	Weighted average exercise price (C\$/option)
At January 1, 2008	11,534	1.90
Granted	1,050	1.37
Exercised	(3,715)	2.21
At December 31, 2008 and March 31, 2009	8,869	1.71

Exercise Price (C\$)	Options outstanding (000's)	Weighted average exercise price (C\$/option)	Weighted average remaining contractual life (years)
0.60-0.82	1,995	0.62	1.3
1.06-1.60	325	1.46	3.1
1.61-1.74	3,125	1.72	3.4
2.10-2.25	2,174	1.99	0.3
2.77-5.70	1,250	2.77	2.8
	8,869	1.71	2.1

### 13. Supplemental information:

Net change in non-cash working capital comprise of:

	March 31, 2009	March 31, 2008
Accounts receivable and prepaid expenses	\$ 379	\$ (6,551)
Inventories	(253)	7,514
Accounts payable and accrued liabilities	2,037	(852)
Payable on ore purchases	-	(5,025)
	\$ 2,163	\$ (4,914)

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## 14. Commitments and contingencies:

### (a) Commitments:

- (i) Pursuant to a stop order received from the State of Nevada, Division of Environmental Protection in March of 2008, the Company is committed to the design and installation of a Calomel-based mercury emissions control system for improving the removal of mercury from the west and east roasters at the Jerritt Canyon mill facility. The total cost of installing and testing this system to the standards required within the stop order will be \$0.1 million. The Company has completed the design and begun construction of the Calomel system as a condition of receiving approval from the NDEP to restart milling operations.
- (ii) The Company is required to spend C\$12.1 million on future exploration expenditures pursuant to the flow-through financing arranged in May 2008 that provided C\$20.1 million for exploration on the Ketzka River project and other exploration activity in Canada. These restricted funds were applied to non-flow-through expenditures during the last six months of 2008, reducing the amount available to fund this requirement. These restricted funds must be spent by the Company, in accordance with the flow-through share agreement, by the end of 2009. Management intends to take steps necessary to bring the Company back into compliance with the flow-through agreements. If it fails to do so, it will be liable to the investors for their additional taxes payable.

### (b) Contingencies:

- (i) On April 22, 2009 the Company received a notice of complaint from the U.S. Department of Justice representing the Environmental Protection Agency alleging the Company had violated specific provisions of the Resource Conservation and Recovery Act relating to the generation, storage, handling, and disposal of hazardous wastes at the Jerritt facility. The Company is currently reviewing the complaint and the specific allegations and will respond accordingly. The final outcome and the extent of any liability is not yet determinable.

## 15. Subsequent event:

On April 24, 2009 the Company closed a C\$720,000 non-brokered private placement for a total of 12.0 million units (the "Units") at a price of C\$0.06 per Unit. A finder's fee of 0.4 million units was paid on the private placement. In accordance with Section 607(g)(i) of the TSX Company Manual, as the maximum aggregate number of securities issuable by the Company pursuant to private placements closed on February 27, 2009 and this private placement aggregate 93,199,998 shares (including any finder's fees), or 34.18% of the Company's issued and outstanding share capital prior to completion of the above private placements, closing of the private placement was subject to shareholder approval, which has been received.

Each Unit will consist of one common share and one share purchase warrant (the "Warrant"). The Warrant can be exercised to purchase one additional common share at a price of C\$0.08 per share within 24 months of closing of the private placement.

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