Yukon-Nevada Gold Corp.
Management Discussion and Analysis
For the three-month and six-month period ending June 30, 2008
(in 000s of US Dollars except for per ounce numbers, unless otherwise stated)

INTRODUCTION

The following management's discussion and analysis (''MD&A'') relates to the financial condition and results of operations of Yukon-Nevada Gold Corp. (the "Company" or "Yukon-Nevada") together with its wholly owned subsidiaries as of August 8, 2008, and is intended to supplement and complement the Company's interim consolidated financial statements for the three month period ending June 30, 2008. The MD&A is prepared to conform to National Instrument 51-102F1 and has been approved by the Company's Audit Committee and Board of Directors prior to release. 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, 2007 for additional details, which are available on the Company's website www.yukon-nevadagold.com and on www.sedar.com. Readers are cautioned that the MD&A contains forward-looking statements and that actual events may vary from management's expectations. The consolidated financial statements and MD&A are presented in United States dollars and have been prepared in accordance with Canadian generally accepted accounting principles (''Canadian GAAP'').

The Company's shares are listed on the TSX (trading symbol – "YNG") and the Frankfurt Stock Exchange (trading symbol – "NG6") and at the date of writing the Company had 185,450,430 shares outstanding.

OVERALL PERFORMANCE

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 principally in the United States and Canada. 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 level of exploration 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.

In the face of continuing cost pressures the present underground mining plan was not producing the kind of profits required to continue or expand underground mining operations as planned at Jerritt Canyon. Subsequent to the end of Q2 2008, it was shown that the mines were not able to meet the projected production envisaged in the mine expansion plan and continued to operate at a loss. As a result, a decision was made to suspend the underground mining operations at Jerritt Canyon as of August 8, 2008. In order to perform repair work on a critical part that malfunctioned in the drying circuit, the mill has also been shutdown however operations are expected to commence again once the work is completed. To preserve cash the Company has laid off all remaining staff however a professional engineering firm has been engaged to provide essential on-site activities including environmental monitoring.

On August 14, 2008 Newmont USA Limited (Newmont) has exercised its rights under the terms of the Security Agreement dated March 29, 2006 between Newmont USA Limited (Newmont) and Queenstake Resources USA, Inc. These rights include a restriction of use of cash held in the main account at Queenstake as well as on gold located at the refinery. The Company is currently in discussion with Newmont on this matter however it is currently not yet determinable when these restrictions will be removed.

Yukon-Nevada Gold receives its revenues through the sale of gold in U.S. dollars. Yukon-Nevada has its operations in the U.S. and Canada. Therefore, movements in the exchange rate between the currencies of these countries have an impact on profitability. The Canadian dollar weakened against the U.S. dollar in the second quarter of 2008.

Jerritt Canyon

During this quarter the following developments occurred at the Jerritt Canyon mine site:

- The mill continued with its shut down for a safety, care and maintenance cycle restarting in early May.
- The mines continued with a program of safety, care and maintenance.

The Company planned to increase production of gold from its own mines by increasing the grade and tonnages of its own mined ore. The continued success of its near mine exploration put renewed emphasis on the necessity and advantage of focusing the majority of our exploration expenditures in these areas.

The Company took delivery of new underground production equipment.

The mill at the Jerritt Canyon mine resumed commercial gold production in early May 2008. The Nevada Department of Environmental Protection "NDEP" issued a "stop order" on March 19, 2008 due to issues involving the installation and the maintenance of instrumentation necessary to monitor key operating parameters in the emissions control systems. Management has worked diligently with the NDEP to comply with the stop order and has seen positive results from its efforts.

The Company has invested in excess of $18M in the processing facilities at Jerritt Canyon during Q2 2008. These expenditures were made in the areas of:

- Infrastructure upgrades; improving the productivity and efficiency of the milling facility.
- Safety; dealing with items identified by management and the wives' safety committee..
- Instrument installation; to assist with monitoring emissions control systems.

During Q2 2008, the two producing gold mines at Jerritt Canyon (the Smith mine and the SSX mine) resumed commercial mining operations in late April 2008. Both mines ceased commercial production in late February 2008 to address infrastructure and safety concerns.

Due to expected higher costs in the mining sector and the need for more development of the underground mines the opportunity to increase mine production was investigated. The mining department at Jerritt Canyon produced plans for mine expansion which were subsequently approved. It was determined that the expansion plan required capital investment above and beyond cash flow expectations from the mines in the first eighteen months of operation. It was then decided that debt financing would be the vehicle of choice to provide this investment.

Yukon-Nevada continues to pursue alternative scenarios for continuing its operations at Jerritt Canyon.

Operating Highlights

	Q1 2008	Q2 2008
Gold – produced from mined ore (troy ounces)	8,055	9,094
Gold – produced from purchased ore (troy ounces)	6,237	-
Gold – sold from mined ore (troy ounces)	14,890	6,405
Gold – sold from purchased ore (troy ounces)	10,700	2,300
Gold – produced – total (troy ounces)	14,292	9,094
Gold – sold – total (troy ounces)	25,590	8,705
Gold sales	$ 21,789	$ 7,773
Cost of gold sold	$ 22,408	$ 12,463
Mine and mill shutdown costs	$ 4,360	$ 3,497
Depreciation, depletion & amortization	$ 3,361	$ 1,634
Accretion	$ 532	$ 531
Loss from mine operations	$ (8,872)	$ (10,352)
Cash provided by operations before change in non-cash working capital	$ (5,475)	$ (10,789)
Average executed gold price per ounce – produced from mined ore	$ 906	$ 896
Cash cost per ounce produced (a)	$ 1,428	nm

(a) Executed price per ounce differs slightly from what was realized in the financial statements. As it usually takes approximately 20 days from the date of shipment of gold from Jerritt Canyon until it has been refined to a marketable level of purity by the external refinery, the average price agreed upon for shipments in a time period is referred to as "executed gold price". This facilitates a comparison of price the Company was able to sell gold to the average price during a given timeframe. Due to the shutdown over the beginning of the quarter, the calculation of cash cost per ounce does not provide a meaningful number for comparative purposes in the second quarter of 2008.

(b) Cash cost per ounce from mined ore is a non-GAAP financial measure. The Company calculates cash cost as the total cost of producing an ounce of gold in the period, which differs from cost of sales which matches the cost of gold sold to the gold sales in the period. Cash cost per ounce does not include the cost attributable to third party ore purchases or depletion, depreciation and amortization. See "Non-GAAP financial measures" section of this MD&A for a reconciliation of cash cost per ounce to cost of sales.

Ketza River

In the second quarter the Company focused on completing the geotechnical work required for mine planning, metallurgical test work and on completing its highly successful exploration program. The expansion of deposits within the projected open pits will add value to the expected Pre-feasibility Study. The project group will efforts will now be on the completion of that study.

Silver Valley

No work was carried out on the Silver Valley property in the second quarter of 2008.

Yukon-Shaanxi

The formation of the joint venture company Yukon-Shaanxi was advanced by the completion of banking documents and the receipt of funds from NWME ($C1.5M) and Yukon-Nevada Gold Corp. ($C1.5M). An option agreement to acquire 298 claims, in the Mount Nansen area of the Yukon ("Mount Nansen"), was signed and an exploration program for this summer for this property has been agreed upon. The Company proportionately consolidates the accounts of this joint-venture. As of the date of this writing, Yukon-Shaanxi has spent slightly over C$0.1M on exploration activities at Mount Nansen.

SUMMARY OF QUARTERLY RESULTS

Income Statement	**Q2 2008**	**Q1 2008**	**Q4 2007**	**Q3 2007**	**Q2 2007**	**Q1 2007**	**Q4 2006**	**Q3 2006**
Gold Sales	$ 7,773	$ 21,789	$ 38,224	$ 26,236	NA	NA	NA	NA
Cost of gold sold	$ 12,463	$ 22,408	$ 28,535	$ 18,757	NA	NA	NA	NA
Gross margin - gold sales	$ (4,690)	$ (619)	$ 9,689	$ 7,479	NA	NA	NA	NA
Earnings (loss) from mine operations	$ (10,352)	$ (8,872)	$ 7,304	$ 3,248	$ (926)	NA	NA	NA
Net earnings (loss)	$ (5,700)	$ (8,884)	$ 2,404	$ 547	$ (2,490)	$ (2,360)	$ (404)	$ (224)
Earnings (loss) from mine operations	$ (0.03)	$ (0.05)	$ 0.01	$ 0.00	$ (0.03)	$ (0.04)	$ (0.01)	$ (0.00)
Weighted average # of shares outstanding	181,886,630	175,205,957	174,845,767	169,622,435	78,893,333	60,590,466	58,857,710	56,710,213
Balance Sheet								
Cash and cash equivalents	$ 4,260	$ 17,620	$ 41,104	$ 48,759	$ 67,122	$ 8,120	$ 4,342	$ 5,365
Total assets	$ 306,968	$ 280,500	$ 296,167	$ 268,279	$ 268,198	$ 36,029	$ 31,912	$ 28,805

RESULTS OF OPERATIONS

The Company incurred a pre-tax loss of $12,777 during the quarter ending June 30, 2008. This compares to a pre-tax loss during the quarter ending June 30, 2007 of $2,490.

The Company incurred a net loss of $5,700 after income taxes during quarter ending June 30, 2008. The income tax recovery recorded reflects the increase in tax losses recorded as future tax assets available to offset against future taxable income. Income taxes are a non-cash item, and due to the availability of these loss carryforwards there will likely be no requirement to pay income taxes in the foreseeable future. Income taxes did not impact the quarter ending June 30, 2007 – the pre-tax loss of $2,490 was identical to the after-tax loss of $2,490.

During the second quarter of 2008, the Company maintained the shut-down toward the end of April of both the mining and processing operations at Jerritt Canyon.

All gold production ceased during the shut-down of the mining and milling operations. During this period, all expense items in the Statement of Operations are classified as “mine shutdown costs”, as opposed to “cost of gold sold” (where these costs are captured in the Statement of Operations during normal production periods).

As the Company was not operating a producing goldmine during the majority of the three and six months ended June 30, 2008, certain comparisons to that period are not valid. The Company began operating a producing goldmine on June 20, 2007 (the date the Company acquired Queenstake and its Jerritt Canyon mine).

<u>Gold sales:</u>
During the second quarter of 2008, the Company realized gold sales of $7,773 on sales of 8,705 ounces of gold. Jerritt Canyon ore yielded 6,405 ounces while third party ore yielded 2,300 ounces. The average price realized during Q2 2008 on gold produced from Jerritt Canyon ore was $896 per ounce, while the average price realized during Q2 2008 on gold produced from third party ore was $884 per ounce.

For the six months ended June 30, 2008, the Company realized gold sales of $29,562 on sales of 34,295 ounces of gold. Jerritt Canyon ore yielded 21,295 ounces at an average price of $885 per ounce, while third party ore yielded 13,000 ounces at an average price of $824 per ounce.

<u>Gross margin – mining operations:</u>
The Company had a negative gross margin on gold sales of $4,690 in Q2 2008. The Company produced 9,094 ounces of gold from Jerritt Canyon ore during Q2 2008.

The Company had a negative gross margin on gold sales of $5,309 for the six months ended June 30, 2008. The Company produced 17,149 ounces of gold from Jerritt Canyon ore during the six months ended June 30, 2008.

Temporary shutdown costs:
The Company incurred certain expenditures during the mine and mill shutdown period that will benefit the operations beyond the upcoming year and these costs have been capitalized (see "Investing activities" section at the end of this section). Expenditures that do not have a future economic benefit to the Company beyond the upcoming year have been included in the Statement of Operations as "temporary shutdown costs" in the amount of $3,497 and $7,857 for the three and six months ended June 30, 2008, respectively.

Depreciation, depletion and amortization:
The Company had $1,634 in depreciation, depletion and amortization in Q2 2008 and $4,995 for the six months ended June 30, 2008. Depletion for Q2 2008 is significantly less than Q3 2007 and Q4 2007 (the first two full quarters that Jerritt Canyon mining operations were included in the financial statement of the Company) as depletion is driven by the number of ounces mined during the quarter from Jerritt Canyon underground mines and there were only 8,894 ounces mined during Q2 2008 and a total of 21,695 for the six months ended June 30, 2008 as a result of the shutdown. This compares with 31,939 ounces mined in Q3 2007 and 25,892 ounces mined in Q4 2007 (combined 57,831 ounces).

Depreciation expense was not impacted by the shutdown of the mines and mill during the six months ended June 30, 2008 as this expense is not driven by production, but by the passage of time.

General and administrative expenses:
For the three and six months ended June 30, 2008, the Company incurred general and administrative expenses of $1,343 and $2,431, respectively, compared with $1,264 and $1,711 in the comparable 2007 periods. The operations of the Company are much more complex in the first half of 2008 than they were in 2007 (Queenstake was not acquired until late Q2 2007). Increased costs associated with administering a business in two countries, the addition of numerous employees, an increase in financial and taxation compliance and an increase in legal and corporate governance costs have all been major factors in the increased general and administrative expense of the Company.

Investment and Other Income:
The Company earned $538 of interest income in Q2 2008 ($1,486 for the six months ended June 30, 2008) compared to $379 in Q2 2007 ($509 for the six months ended June 30, 2007). This is driven by two factors – (1) the Company had a larger average treasury balance in the current year compared with 2007 and (2) the Company earned interest on the commutation account (restricted funds) in 2008 and had no such fund for most of 2007 as this was acquired in the Queenstake combination in late June 2007.

Income taxes:
The Company has recorded an income tax recovery of $7,077 during Q2 2008. The majority of this recovery relates to the recognition of additional loss carryforwards available to offset future taxable income along with adjustments to the current year tax assets due changes that were made to the underlying tax values of assets and liabilities acquired with the Queenstake acquisition. These adjustments were made as part of the finalization of the purchase price allocation originally recorded on June 19, 2007 and reflect management's revised valuation of the tax assets and liabilities that were acquired.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY:

During Q2 2008, the Company had a decrease in cash and cash equivalents of approximately $13,360 as a result of the following activities:

Operations:
The Company recorded a net loss of $5,700 in Q2 2008 which, adjusted for non-cash items, resulted in cash outflows of $10,789 before changes in working capital.

The Company had a negative working capital balance of $11,716, including cash of $4,260 and accounts receivable and prepaid expenses of $2,167, a decrease of $41,813 from the first quarter. The decrease in working capital was primarily due to cash expenditures on the property, plant and equipment in Jerritt Canyon as well as exploration expenditures incurred in both Jerritt Canyon and Ketza River. The loss from operations, after adjustments for non-cash items, combined with the change in non-cash working capital, resulted in cash inflows from operating activities of $11,583.

Investing:

Jerritt Canyon:

The Company continued to incur higher than anticipated expenditures in Q2 2008 on investing activities at Jerritt Canyon as a result of the mine and mill shutdown. The shutdown, while having an adverse impact on cash flow, enabled the Company to address aspects of the mining and milling operations in need of capital investment.

Capital spending on the mines, mill and equipment during Q2 2008 at Jerritt Canyon totaled $22,025. The capital expenditures were as follows:

Property, Plant and Equipment - $15,828 comprised of the following:

> Mill facilities expenditures of approximately $8,474 – this includes the acquisition of certain equipment and the capitalization of a portion of costs during the shutdown period that resulted in betterments to the facility.

> Mine facility upgrades of approximately $3,775 – this includes significant electrical upgrades and work on the batch plants that provide backfill for the two Jerritt Canyon underground mines.

> Investment in mobile equipment for underground mining of approximately $2,373.

> Other capital investments of approximately $1,205.

Mine Capital and Exploration - $6,196 comprised of the following:

> Underground mine development of approximately $3,422 – this is mostly underground drifting towards ore bodies with a smaller component of underground diamond drilling to delineate the ore bodies.

> Exploration expenditures at Jerritt Canyon totaled approximately $2,774 during Q2 2008. The majority of these expenditures were near mine in an effort to identify new ore bodies that would be accessible within the next couple of years.

Ketza River:

Exploration expenditures at the Ketza River project during the three months ended June 30, 2008 totaled $4,733. These expenditures were funded by “cash restricted for future exploration” and therefore, had no impact on unrestricted cash.

Comparative Summary of Capital Expenditures – Q2 2008 and YTD 2008:

	Q2 2008	Q2 2007	YTD 2008	YTD 2007
Mine capital expenditures - Jerritt Canyon mine	3,422	NA	7,671	NA
Mill and equipment capital expenditures - Jerritt Canyon mine	15,828	NA	23,743	NA
Exploration expenditures - Jerritt Canyon mine	2,774	NA	4,816	NA
Exploration expenditures - Ketza River project	4,733	3,897	9,378	6,174
Exploration expenditures - Yukon-Shaanxi	55	-	55	-
	26,812	3,897	45,663	6,174

Financing:
During Q2 2008 the Company received $18,922 in cash ($19,901 net of $979 in issuance costs) as a result of the private placement of 10,050,000 flowthrough shares at C$2.00 per share in May 2008.

CAPITAL RESOURCES:

The Company had a cash balance of $4,260 as of June 30, 2008 and a negative working capital balance of $10,264. In June 2008, the Company received pre-payment on approximately 6,900 ounces of gold to be shipped in July 2008, resulting in deferred revenue of $6,001 as of June 30, 2008.

The Company had $16,613 in "cash restricted for future exploration" (part of "Restricted funds" on the balance sheet) as of June 30, 2008. This represents the unspent portion of the flow-through financing in May 2008 that provided C$20.1M for exploration on the Ketza River project and other exploration activity in Canada. Subsequent to the period, certain of these restricted funds were applied to non-flow-through. 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.

OUTLOOK

Jerritt Canyon

The Company does not believe that the present mining plan can produce grade and tonnage sufficient to sustain a profitable mining operation at Jerritt Canyon. The Company does not at this time possess sufficient capital resources to continue the mine development program that is required to enable the output from the mining operations at Jerritt Canyon to be profitable. As of the date of this writing, the Company is exploring all potential alternatives to remedy the current resource constraints of the situation while preserving the current asset base (see OUTLOOK section of this MD&A).

Ketza River

The Company has ceased the drilling program in early August 2008 at Ketza River as part of the focus on permitting. Management is planning to undertake a full geological review of the information obtained from the drilling activity from June 2005 to August 2008. This information will be incorporated into the permitting process with the YESSA Board.

Financing
The Company is examining several different scenarios in its efforts to move forward and maximize its current shareholder value.

Gold prices
(all information relating to gold prices is based on the London pm fix)

The average price of gold in the past 8 quarters is as follows ($US per troy ounce):

Q3 2006	$622
Q4 2006	$614
Q1 2007	$650
Q2 2007	$667
Q3 2007	$680
Q4 2007	$786
Q1 2008	$925
Q2 2008	$896

During Q2 2008, the price of gold (per the London pm fix) ranged from a low of $853 to a high of $946. The price of gold closed relatively flat at the end of Q2 2008 compared to the end of Q1 2008. Management is encouraged by the continued strength in the price of gold.
For the six months ended June 30, 2008, the price of gold (per the London pm fix) ranged from a low of $846.75 to a high of $1,011.25, with the closing price at June 30, 2008 12% higher than the closing price in Q4 2007.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as of June 30, 2008.

SUBSEQUENT EVENTS

Sale of forward contracts
Effective August 7, 2008 the Company closed out the remaining forward gold sales contracts. The wind up of the forward contracts resulted in a realized gain of $0.3 million and the return of funds held on deposit related to these contracts.

Resignation of Chief Financial Officer
Effective August 14, 2008 Chris Oxner, the Company's Chief Financial Officer since 2005, resigned. Mr. Shaun Heinrichs, Corporate Controller, has been appointed interim Chief Financial Officer until a permanent replacement CFO is hired.

NON-GAAP FINANCIAL MEASURES

Cash cost per ounce is a measure management uses to monitor the cost of producing an ounce of gold extracted from the Company's property in Jerritt Canyon. This does not include the impact on costs of ore purchased from third parties, nor does it include inventory adjustments required to match cost of sales to sales. For the three months ended June 30, 2008 the cash cost per ounce does not provide a meaningful figure for comparative purposes and has been excluded from this analysis.

RELATED PARTY TRANSACTIONS

The Company paid a total of $nil in Q2 2008 (2007 - $41) for management services to a company owned by the President of the Company. Effective June 1, 2007, the President's compensation has been included in the "general and administration" category on the statement of operations.

The Company paid a total of $87 in Q2 2008 (2007 – $151) 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 has been finalized as of June 30, 2008. 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. The income tax asset acquired on acquisition has been adjusted due to the results of a FIN 48 review of the Company's US tax position conducted by external taxation professionals, resulting in a $8.0 million increase in the assets and liabilities acquired.

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 Ketza 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

Capital disclosures

On January 1, 2008 the Company adopted the recommendations of The Canadian Institute of Chartered Accountants (CICA) Handbook) Handbook Section 1535, Capital Disclosures (section 1535). The new standard requires an entity to disclose information to enable users of its financial statements to evaluate the entity's objectives, policies, and processes for managing capital. As the standard under section 1535 are for disclosure purposes only, the adoption did not have an impact Company's operating results.

Financial instruments

On January 1, 2008 the Company adopted the recommendations of CICA Handbook Section 3862, Financial Instruments - Disclosures (section 3862) and CICA Handbook Section 3863 – Financial Instruments – Presentation (section 3863). Section 3862 provides standards for disclosures about financial instruments, including disclosures about fair value and the credit, liquidity and market risks associated with the financial instruments. Disclosure requirements pertaining to this section are in note 15. Section 3863 provides standards for presentation of financial instruments and non-financial derivatives. The adoption of these standards did not have an impact on the Company's operating results.

Inventories

On January 1, 2008 the Company adopted the recommendations of CICA Handbook Section 3031, Inventories. This section provides additional guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value, and disclosures made within the financial statements. This section also provides guidance on the reversal of write-downs previously taken and introduces the requirement for the allocation of overhead cost based on normal capacity. Due to the mill closure during the quarter, the Company experience below normal production levels and $7.4 million of operating costs that would have previously been capitalized to inventory were expensed under this standard.

RECENT ACCOUNTING PRONOUNCEMENTS

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

International Financial Reporting Standards

In January 2006, CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011.

We are continuing to monitor developments in the IFRS standards and assessing the impact of convergence of Canadian GAAP and IFRS.

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 new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new 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. The Company has not yet determined the effect these new standards will have on its financial position and results of operations.

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, forward sales contracts, and other long term liabilities. The carrying amounts of financial instruments, except for as noted below, approximate their fair values.

The Company engages in the forward sale of gold produced from ore purchased from third parties. This practice ensures the Company achieves an acceptable profit margin on this activity and to protect against a decline in the price of gold. Under CICA Section 3855, *Financial Instruments*, these forward contracts qualify as derivative financial instruments and should be recorded at fair value on the balance sheet, with changes in fair value recorded in the statement of operations. As of June 30, 2008 the Company had entered into forward gold sales contracts to deliver 52,000 ounces of gold at a weighted average price of $869 per ounce with a mark-to-market loss of $3,162. The fair value is based on forward contracts with similar maturity dates as at June 30, 2008.

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:

<u>Gold price volatility</u>:
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. Management sells gold that is projected to be produced from this ore in an effort to insulate the Company from downward pressure in the price of gold, subsequent to the date of purchase.

<u>Potentially fallibility of gold reserve and resources estimates:</u>
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 as of December 31, 2007. This ensures a consistent methodology is utilized from property to property. SRK Consulting has done reserve and resource estimate work for numerous years prior to 2007 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 Department 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 taken steps to mitigate these risks, of which the most significant has been the hiring of David Drips, the Company's new VP Mining, effective February 4, 2008. One of his first orders of business was to take a safety based approach to all aspects of the Jerritt Canyon operation and empowering the Safety Manager at Jerritt Canyon to suspend any facet of the Jerritt Canyon operation if there are safety concerns.

Political risk:
The mining business is subject to political risk, which varies considerably from country to country and, on a lesser scale, from jurisdiction to jurisdiction within a given country. Management has mitigated this risk by limiting its operations to North America. While no jurisdiction is perfect, North America is very politically stable.

Human resource constraints:
The mining business has seen a boom in activity in the past few years due to large commodity price increases for virtually all commodities. This has resulted in a shortage of qualified mining personnel, exploration personnel and contractors for certain mining and exploration services. The Company has mitigated this risk by adopting an attitude of team-building in an effort to make the Company an attractive place to work.

Ability to raise capital:
The availability of capital is dependent on both macroeconomic factors and the Company's track record in utilizing capital. Management attempts to use capital resources as efficiently as possible, while being aware of the need to invest money in the location of 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 August 11, 2008:

Common shares issued and outstanding	185,450,430

Outstanding equity instruments	# Outstanding	Weighted average Exercise price	Weighted average Years to expiration
Shareholder warrants	25,277,132	$ 3.23	3.73
Agents' options	1,848,725	$ 2.08	0.86
Stock options	9,903,000	$ 1.73	3.36
Fully diluted common shares	222,479,287		

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company maintains a system of disclosure controls and procedures designed to ensure the reliability, completeness and timeliness of the information disclosed in this MD&A and other public disclosure documents. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in reports filed with securities regulatory agencies is recorded, processed, summarized and reported on a timely basis, as required by law, and is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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

Management has identified, in the past, an internal control weakness caused by a lack of segregation of duties regarding the production, authorization and recording of journal entries to the accounts of the Company. This weakness is not uncommon, given the size of the Company. Management does not believe that there is a reasonable possibility of a material error in the Company's financial statements as a result of the aforementioned ICFR weakness. This weakness was identified as of December 31, 2006 and has been mitigated during 2007 and the first quarter of 2008 by adding additional finance staff at the Company's corporate head office.

With respect to the acquisition of Queenstake, management has documented the financial processes in place and will be testing them as part of their National Instrument 52-109 procedures in 2008.

Management has determined that there have been no changes in ICFR that have materially affected, or are reasonably likely to materially affect, the reliability of financial reporting and the preparation of financial statements, subsequent to the completion of the interim period ending June 30, 2008.

ADDITIONAL INFORMATION

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

FORWARD LOOKING STATEMENTS

Statements in this MD&A that are forward-looking are subject to various risks and uncertainties concerning specific factors. Such forward-looking information represents management's best judgment based on information currently available. No forward-looking statement can be guaranteed and actual figures may vary materially. The Company does not assume the obligation to update any forward looking statement.

Consolidated Financial Statements
(Expressed in United States dollars)

YUKON-NEVADA GOLD CORP.

For the three and six months ended June 30, 2008 and 2007

(Unaudited)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying interim unaudited 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.

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)

	June 30, 2008	December 31, 2007
		(Audited)
Assets		
Current assets:		
Cash	$ 4,260	$ 41,104
Marketable securities	–	173
Accounts receivable and prepaid expenses	2,167	7,778
Inventories (note 4)	36,388	37,995
Future income taxes	1,453	1,453
	44,268	88,503
Restricted funds (note 5)	50,757	36,669
Property, plant and equipment (note 6)	100,390	81,809
Mineral properties (note 7)	110,603	88,212
Other assets (note 8)	950	974
	$ 306,968	$ 296,167
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 30,808	$ 15,273
Payable on purchased ore	17,723	18,847
Deferred revenue	6,001	–
	54,532	34,120
Other long-term liabilities	1,201	1,148
Asset retirement obligations	27,310	26,528
Future income taxes (note 10)	13,681	28,527
	96,724	90,323
Shareholders' equity:		
Share capital (note 11(b))	202,643	184,720
Warrants (note 11(c))	20,755	20,603
Contributed surplus (note 11(d))	9,001	8,092
Accumulated other comprehensive income (note 11(e))	2,273	2,273
Deficit	(24,428)	(9,844)
	210,244	205,844
Commitments and contingencies (note 16)		
Subsequent events (note 17)		
	$ 306,968	$ 296,167

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

"Graham C. Dickson" Director **"R.J. MacDonald"** Director

YUKON-NEVADA GOLD CORP.

Consolidated Statements of Operations
(Unaudited)
(In thousands of US dollars, except for share and per share amounts)

	Three months ended June 30		Six months ended June 30,	
	2008	2007	2008	2007
Gold sales	$ 7,773	$ –	$ 29,562	$ –
Cost of gold sold	12,463	926	34,871	926
Gross margin - mining operations	(4,690)	(926)	(5,309)	(926)
Temporary shutdown costs (note 12)	3,497	–	7,857	–
Depreciation, depletion, and amortization	1,634	84	4,995	88
Accretion	531	74	1,063	109
Loss from mine operations	(10,352)	(1,084)	(19,224)	(1,123)
General and administration (note 9)	1,343	1,264	2,431	1,711
Stock-based compensation	438	119	1,056	2,123
Loss from operations	(12,133)	(2,467)	(22,711)	(4,957)
Other income (expense):				
Interest and other income	538	379	1,486	509
Loss on forward sales	(713)	–	(3,902)	–
Foreign exchange gain (loss)	79	(359)	(265)	(359)
Interest expense	(548)	(43)	(586)	(43)
Loss before taxes	(12,777)	(2,490)	(25,978)	(4,850)
Income tax recovery	7,077	–	11,394	–
Net loss	(5,700)	(2,490)	$ (14,584)	$ (4,850)
Loss per share – basic and diluted	$ (0.03)	$ (0.03)	$ (0.08)	$ (0.07)
Weighted average number of shares outstanding – basic and diluted	181,886,630	78,893,333	178,527,839	69,792,460

Consolidated Statements of Deficit
(Unaudited)
(Expressed in thousands of United States dollars)

	Three months ended June 30		Six months ended June 30,	
	2008	2007	2008	2007
Deficit, beginning of period	$ (18,728)	$ (10,305)	$ (9,844)	$ (7,945)
Loss for the period	(5,700)	(2,490)	(14,584)	(4,850)
Deficit, end of period	$ (24,428)	$ (12,795)	$ (24,428)	$ (12,795)

See accompanying notes to consolidated financial statements.

YUKON-NEVADA GOLD CORP.

Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(In thousands of US dollars)

	Three months ended June 30		Six months ended June 30,	
	2008	2007	2008	2007
Net loss	$ (5,700)	$ (2,490)	$ (14,584)	$ (4,850)
Foreign exchange adjustment	–	2,314	–	2,599
Comprehensive loss for the period	$ (5,700)	$ (176)	$ (14,584)	$ (2,251)

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 June 30, 2008	Three months ended June 30, 2007	Six months ended June 30, 2008	Six months ended June 30, 2007
Cash (used in) provided by:				
Operations				
Net loss	$ (5,700)	$ (2,490)	$ (14,584)	$ (4,850)
Reclamation payments	(10)	–	195	–
Items not involving cash:				
Depreciation, depletion, and amortization	1,634	149	4,995	185
Accretion	531	74	1,063	109
Stock-based compensation	438	119	1,056	2,123
Gain on disposal of assets	(29)	–	(59)	–
Unrealized (gain) loss on forward sales	(489)	–	2,210	–
Future income tax recovery	(7,077)	–	(11,393)	–
Unrealized foreign exchange (gain) loss	(87)	–	253	–
	(10,789)	(2,148)	(16,264)	(2,433)
Change in non-cash working capital	22,372	(3,616)	17,458	(3,247)
	11,583	(5,764)	1,194	(5,680)
Investing				
Acquisition of Queenstake, net of cash acquired of $2,450 (note 2)	–	(233)	–	(233)
Restricted funds	(18,091)	3,026	(14,623)	5,597
Marketable securities	–	1,070	172	1,044
Mineral property expenditures	(10,929)	(4,117)	(21,566)	(6,427)
Deferred acquisition costs	–	–	–	(111)
Purchase of property, plant and equipment	(15,166)	(541)	(20,644)	(614)
Proceeds from sale of assets	140	–	197	–
	(44,046)	(795)	(56,464)	(744)
Financing				
Due to related parties	–	–	–	(11)
Decrease in notes payable	–	(8,112)	–	(8,112)
Capital lease obligations	(219)	–	(462)	–
Common shares issued for cash	19,901	69,388	19,901	69,388
Share issue costs	(979)	(3,816)	(985)	(3,821)
Common shares issued upon exercise of shareholder warrants	–	3,720	–	6,726
Common shares issued upon exercise of agents' options and warrants	–	183	–	479
Common shares issued upon exercise of stock options	127	255	209	518
	18,830	61,618	18,663	65,167
Effect of exchange rate changes on cash	273	3,943	(237)	4,037
(Decrease) increase in cash	(13,360)	59,002	(36,844)	62,780
Cash, beginning of period	17,620	8,120	41,104	4,342
Cash, end of period	4,260	67,122	$ 4,260	$ 67,122

See accompanying notes to consolidated financial statements.

(In thousands of US dollars)

1. Nature of operations:

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

These interim consolidated financial statements are prepared on the basis that the Company will continue as a going concern, notwithstanding that subsequent to June 30, 2008 the Company announced that it was suspending certain of its underground mining operations at Jerritt Canyon (note 17). Management recognizes that the Company will need to generate positive cash flows or 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 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. Business combination:

Effective June 20, 2007 the Company acquired 100% of the outstanding common shares of Queenstake. This business acquisition has been accounted for as a purchase transaction, with the Company being identified as the acquirer and Queenstake as the acquiree. These consolidated financial statements include 100% of Queenstake's operating results for the period from June 20, 2007.

The purchase price was calculated as follows:

Purchase price:		
Share consideration (58,436,531 shares at C$1.62 per share)	$	89,049
Fair value of share purchase warrants and stock options		1,944
Acquisition costs		2,683
	$	93,676

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

The final purchase price allocation, determined in the three months ended June 30, 2008, is as follows:

Net assets acquired:	December 31, 2007	Purchase Price Adjustments	June 30, 2008
Cash	$ 2,450	$ –	$ 2,450
Accounts receivable and prepaid expenses	3,764	–	3,764
Marketable securities	32	–	32
Inventories	21,809	–	21,809
Restricted funds	27,589	–	27,589
Property, plant and equipment	79,868	1,558	81,426
Mineral properties	44,733	1,008	45,741
Other assets	1,110	–	1,110
Accounts payable and accruals	(45,498)	(7,122)	(52,620)
Future income taxes	(17,419)	4,556	(12,863)
Long-term liabilities	(24,762)	–	(24,762)
	$ 93,676	–	$ 93,676

The change in the purchase price allocation arises from adjustments to the tax assets and liabilities that were acquired with the Queenstake purchase.

3. 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, 2007, 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 at June 30, 2008 are as follows:

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	50%

(b) Capital management disclosures:

Effective January 1, 2008 the Company adopted the recommendations of The Canadian Institute of Chartered Accountants (CICA) Handbook Section 1535, *Capital Disclosures*. The new standard requires an entity to disclose information to enable users of its financial statements to evaluate the entity's objectives, policies, and processes for managing capital. Disclosure requirements pertaining to this section are in note 14.

(c) Financial instruments:

Effective January 1, 2008 the Company adopted the recommendations of CICA Handbook Section 3862, *Financial Instruments - Disclosures* (section 3862) and CICA Handbook Section 3863 – *Financial Instruments – Presentation (*section 3863). Section 3862 provides standards for disclosures about financial instruments, including disclosures about fair value and the credit, liquidity and market risks associated with the financial instruments. Disclosure requirements pertaining to this section are in note 15. Section 3863 provides standards for presentation of financial instruments and non-financial derivatives.

(d) Inventories:

Effective January 1, 2008 the Company adopted the recommendations of CICA Handbook Section 3031, *Inventories*. This section provides additional guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value, and disclosures made within the financial statements. This section also provides guidance on the reversal of write-downs previously taken and introduces the requirement for the allocation of overhead cost based on normal capacity.

Further upon adoption of this standard, the Company changed its valuation of materials and supplies from the lower of average cost and replacement cost, net of a provision for obsolescence with respect to identified inventory items, to the lower of average cost and net realizable value. The adoption of this standard had no impact on the financial statements.

(e) Investment in joint venture:

The Company conducts a portion of its exploration business through the joint venture Yukon-Shaanxi Mining Company (YSMC). The joint venture is bound by a contractual agreement which establishes the joint control for each of the venturers. The Company records its proportionate share of the joint ventures assets, liabilities, revenues and operating costs.

As at June 30, 2008, the Company recorded $1.5 million in assets from YSMC and a nominal amount of interest income.

(f) Deferred revenue:

The Company received an advance payment of $6.0 million for gold to be delivered at a future date. Once the revenue recognition criteria have been met this deferred revenue will be recognized as gold sales.

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

4. Inventories:

	June 30, 2008	December 31, 2007
Finished goods	$ 1,909	$ 7,749
Stockpiled ore	3,352	1,827
Purchased ore	22,175	21,408
Work-in-process	3,781	2,962
Materials and supplies	5,171	4,049
	$ 36,388	$ 37,995

Included in cost of gold sold and depreciation, depletion, and amortization expense on the statement of loss are total inventory related costs of $3.4 million (2007 – NA) and $0.5 million (2007 – NA), respectively.

5. Restricted funds:

	June 30, 2008	December 31, 2007
AIG commutation account	$ 29,648	$ 26,970
Cash restricted for future exploration in Canada	16,613	5,485
Water use license letter of credit	3,028	3,114
Other restricted cash	1,468	1,100
	$ 50,757	$ 36,669

6. Property, plant and equipment:

	June 30, 2008			December 31, 2007		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Jerritt Canyon mine, USA	$ 107,843	$ 8,594	$ 99,249	$ 84,948	$ 4,306	$ 80,642
Ketza River project, Canada	1,635	597	1,038	1,533	415	1,118
Corporate and other, Canada	182	79	103	114	65	49
	$ 109,660	$ 9,270	$ 100,390	$ 86,595	$ 4,786	$ 81,809

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

7. Mineral properties:

	June 30, 2008				December 31, 2007			
	Cost depletable	Cost non-depletable	Accumulated depletion	Net book value	Cost depletable	Cost non-depletable	Accumulated depletion	Net book value
Jerritt Canyon mine, USA	$ 17,555	$ 52,274	$ 2,453	$ 67,376	$ 9,551	$ 46,782	$ 2,085	$ 54,248
Ketza River project, Canada	–	41,245	–	41,245	–	32,129	–	32,129
Silver Valley project, Canada	–	1,321	–	1,321	–	1,297	–	1,297
Arizona project, USA	–	587	–	587	–	519	–	519
Yukon-Shaanxi project, Canada	–	55	–	55	–	–	–	–
Other Yukon and BC projects, Canada	–	19	–	19	–	19	–	19
	$ 17,555	$ 95,501	$ 2,453	$110,603	$ 9,551	$ 80,746	$ 2,085	$ 88,212

8. Other assets:

	June 30, 2008	December 31, 2007
Environmental Risk Transfer Program	$ 950	$ 974

The insurance premium paid for the ERTP in June 2003 is being amortized over the estimated proven and probable reserves at the 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.

9. Related party transactions:

During the three and six months ended June 30, 2008, the Company was charged a total of C$0.1 million for both periods combined (three and six months ended June 30, 2007 - C$0.2 million and C$0.3 million) in legal fees by a law firm in which the corporate secretary of the Company is a partner in the firm. A portion of these fees are included in share issue costs and the remainder included under general and administrative expenses. In 2007, a portion of these costs were also included in the transaction costs associated with the Queenstake business combination.

10. Future income taxes:

		June 30, 2008
Future income tax liability, opening	$	28,527
Non-capital loss carryforwards		(8,204)
Adjustments to acquisition tax assets and liabilities arising from final adjustments to the Queenstake purchase price allocation		(4,556)
Adjustments to non-capital loss carryforwards arising from final adjustments to the Queenstake acquisition		(2,698)
Renunciation of qualifying eligible expenditures under Canadian flow-through share program		1,330
Impact of foreign exchange on Canadian dollar future income tax liability		(226)
Other		(492)
	$	13,681

The Company renounced C$4.5 million of qualifying exploration expenditures under the Canadian flow-through share program in March of 2008. 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.

11. Share capital:

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

(b) Common shares issued and outstanding are as follows:

In Thousands	Number of shares		Amount
Balance, December 31, 2007	175,133	$	184,720
Flow-through shares issued, May 2008 private placement *(i)*	10,050		19,901
Shares issued upon exercise of stock options	267		209
Fair value of stock options exercised	–		147
Flow-through share renunciation	–		(1,349)
Share issue costs	–		(985)
Balance, June 30, 2008	185,450	$	202,643

(*i*) 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.

(c) Warrants:

The following warrants are outstanding as of June 30, 2008:

Units in Thousands	Expiry date	Exercise price	December 31, 2007 Number outstanding	Warrants exercised	Warrants expired	Warrants issued	June 30, 2008 Number outstanding
Shareholder warrants	January 16, 2009	1.80	1,000	–	–	–	1,000
Shareholder warrants	April 12, 2010	5.50	2,851	–	–	–	2,851
Shareholder warrants	June 20, 2012	3.00	21,176	–	–	250	21,426
			25,027	–	–	250	25,277

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, recorded in general and administration expense, was determined using the Black-Scholes pricing model as follows:

Risk-free interest rate	3.24%
Dividend yield	0%
Weighted average expected life	4
Volatility	96%

(d) Contributed surplus:

Contributed surplus as of June 30, 2008 is comprised of the following:

Balance, December 31, 2007	$	8,092
Stock-based compensation (*i*)		1,056
Transfer to share capital for exercise of stock options		(147)
	$	9,001

(*i*) The Company issued the following stock options to employees and contractors during the six months ended June 30, 2008:

(a) 0.1 million options on February 22, 2008 with an exercise price of C$1.51, expiring on February 21, 2010.

(b) 0.5 million options on March 28, 2008 with an exercise price of C$1.60, expiring on March 28, 2013.

(c) 0.5 million options on June 19, 2008 with an exercise price of C$1.12, expiring on June 19, 2013.

The fair value of the stock options granted is included in stock-based compensation expense in the statement of operations and credited to contributed surplus.

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

The fair value of these options has been assigned a fair value using the Black-Scholes pricing model as follows:

Grant Date	February 22, 2008	March 28, 2008	June 19, 2008
Risk-free interest rate	3.22%	3.35%	3.24%
Dividend yield	0%	0%	0%
Weighted average expected life of options	2	5	5
Volatility	70%	98%	96%

The following stock options are outstanding as of June 30, 2008:

Expiry date	Exercise price	December 31, 2007 Number of stock options outstanding	Stock options issued	Stock options exercised/ expired	June 30, 2008 Number of stock options outstanding
April 13, 2010	0.60	880	–	–	880
October 1, 2010	0.60	1,092	–	37	1,055
January 25, 2011	0.82	370	–	230	140
March 28, 2011	1.06	75	–	–	75
December 12, 2011	2.25	75	–	–	75
January 5, 2012	2.77	1,275	–	–	1,275
April 3, 2012	1.61	55	–	–	55
June 25, 2012	1.63	450	–	110	340
July 5, 2012	1.58	450	–	73	377
August 10, 2012	1.74	3,410	–	200	3,210
September 14, 2009	2.10	300	–	–	300
August 17, 2008	3.70	10	–	–	10
May 12, 2010	2.15	345	–	114	231
August 23, 2010	2.15	10	–	–	10
April 6, 2011	4.20	516	–	175	341
July 27, 2008	3.85	145	–	90	55
June 20, 2008	5.70	72	–	72	–
July 5, 2009	5.70	66	–	24	42
October 25, 2009	5.70	49	–	21	28
May 3, 2010	2.25	50	–	–	50
November 13, 2012	1.70	40	–	–	40
March 28, 2013	1.60	–	500	–	500
June 19, 2013	1.12	–	500	–	500
		9,735	1,000	1,146	9,589

The following agents' options are outstanding as of June 30, 2008:

Expiry date	Exercise price	December 31, 2007 Number of agents' options outstanding	Agents' options issued	Agents' options exercised/ expired	June 30, 2008 Number of agents' options outstanding
June 20, 2009	2.10	1,799	–	–	1,799
February 22, 2010	1.51	–	50	–	50
		1,799	50	–	1,849

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

(e) Accumulated other comprehensive income (loss):

	June 30, 2008	December 31, 2007
Balance, beginning of year	$ 2,273	$ (326)
Foreign exchange translation adjustments	–	2,599
	$ 2,273	$ 2,273

12. Temporary shutdown costs:

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 part of temporary suspension costs.

13. Segmented information:

All of the Company's operations are related to the gold mining industry. As of June 30, 2008 the Company had one gold producing property (Jerritt Canyon) located in Nevada, USA. The Company has exploration properties in Canada and the USA.

Assets and liabilities held by geographic location are follows:

	June 30, 2008	December 31, 2007
Assets:		
Canada	$ 66,095	$ 86,288
USA	239,420	209,879
	$ 305,515	$ 296,167
Liabilities:		
Canada	$ 13,984	$ 12,200
USA	101,900	78,123
	$ 115,884	$ 90,323

14. Capital Management:

The Company manages its cash and cash equivalents, common shares, stock options and warrants as capital. The Company's objectives in managing capital are to safeguard its ability to continue as a going concern to provide returns for shareholders and benefits for other stakeholders. To meet this objective the Company will ensure it has sufficient cash resources to pursue the exploration and development of its mineral properties and fund potential acquisitions and ongoing production in its Jerritt Canyon operations.

To support these objectives the Company manages its capital structure and makes changes adjustments to it in light of changes in economic conditions and risk characteristics of underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. In order to maximize the exploration and development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company is not subject to any externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the three and six months ended June 30, 2008.

15. Financial Instruments:

The Company is exposed to the certain risks through its use of financial instruments, including market risk (currency risk, interest rate risk and commodity price risk), credit risk, and liquidity risk.

The Company's manages its exposure to risk through the identification and analysis of risks faced by the Company, setting appropriate risk limits and controls, and monitoring those risks and adherence to the limits and controls that are established. Risk management is carried out by senior management under the approval of the Board of Directors. Risk management practices are reviewed regularly by senior management and the Audit Committee to reflect changes in market conditions and the Company's activities.

a) Market risk:

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. The market price movements that could adversely affect the value of the Company's financial assets, liabilities and expected future cash flows include foreign currency exchange risk, interest rate risk and commodity price risk.

(i) Currency risk:

The Company has integrated operations in Canada and is exposed to foreign exchange risk due to fluctuations in the Canadian currency. Foreign exchange risk arises from purchase transactions as well as financial assets and liabilities denominated in Canadian dollars.

The Company manages this risk by maintaining funds in Canadian dollars to support the cash requirements of those operations. The Company does not use any foreign exchange contracts to hedge these currency risks.

As at June 30, 2008, the Company is exposed to currency risk through its cash and cash equivalents, accounts receivable, restricted funds and accounts payable and accrued liabilities denominated in Canadian dollars as follows, based on notional amounts:

In thousands of CAD	June 30, 2008	December 31, 2007
Cash and cash equivalents	$ 1,379	$ 39,756
Marketable securities	–	154
Accounts receivable and prepaid expenses	1,019	2,610
Restricted funds	20,278	8,704
Accounts payable and accrued liabilities	2,046	1,350

Based on the above net exposures as at June 30, 2008, a 10% appreciation or depreciation in the Canadian dollar against the US dollar, assuming all other variables remain constant, would result in an $8.4 million increase or decrease, respectively, in operating results and shareholder equity. These fluctuations in the Canadian dollar would not impair or enhance the Company's ability to pay its foreign currency denominated expenses as these costs would be similarly impacted.

(ii) Interest rate risk:

This is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash and cash equivalents contain highly liquid investments that earn interest at market rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company's results from operations due to the short term to maturity of the investments held.

(iii) Commodity price risk:

The profitability of the Company is directly related to the market price of gold because revenues are derived primarily from gold mining. Gold prices are affected by numerous factors beyond the Company's control, including central bank sales, producer hedging activities, the relative exchange rate of the US dollar with other major currencies, global and regional demand and political and economic conditions. Worldwide gold production levels also affect gold prices, and the price of gold is occasionally subject to rapid short-term changes due to speculative activities. The Company has not hedged any of its own gold production. Forward sales contracts are entered into for gold produced under its current tolling arrangements with third parties. Currently these forward contracts are recorded at fair value as they are not designated as hedging instruments, with gains and losses recorded in income. For the three and six months ended June 30, 2008, a 10% increase or decrease in the price of gold would have resulted in an increase and decrease of $0.8 million and $3.0 million, respectively, in gold sales and a $1.0 million and $3.8 million increase and decrease, respectively, on forward sales losses.

b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

(i) Cash and cash equivalents and marketable securities

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

The Company manages its credit risk on cash and cash equivalent balances and marketable securities by maintaining balances with Tier 1 Canadian banks with a Standard & Poor's rating of AA. Short-term investments (included in cash and cash equivalents as well as marketable securities) are composed of financial instruments issued by Canadian banks and companies with high investment-grade ratings. These investments mature at various dates over the current operating period.

(ii) Accounts receivables and prepaid expenses

Substantially all of the Company's trade receivables are based in the US and are with a single counterparty. The Company has transacted with this counterparty for several years and there is no history of loss arising from receivable amounts.

The Company also maintains funds of $29.6 million, included in restricted funds (note 5), with a third party insurer with a Standard & Poor's rating of AA+ to fund future reclamation costs at Jerritt Canyon. The Company maintains title to these funds should the third party be in default of their obligations or enters into bankruptcy protection.

Other significant deposits and receivables are either held by or due from government agencies and relate to the funding of future closure costs at Jerritt Canyon or goods and services input tax credits.

The Company does not have any receivables or deposits that would be considered impaired or otherwise uncollectible, therefore no allowance for doubtful accounts is required.

c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through forecasting its cash flows from operations and anticipating investing and financing activities. Senior management is actively involved in the review and approval of planned expenditures and typically ensures that it has sufficient cash on demand to meet expected operating expenses for 60 days.

The following are the contractual maturities of the undiscounted cash flows of financial liabilities at June 30, 2008:

	Less than 3 months	1 to 2 Years	Greater than 2 Years
Account payable and accrued liabilities	$ 30,807	$ –	$ –
Payable on purchased ore	2,050	15,673	–
Deferred revenue	6,001	–	–
Forward sales contracts	30,828	17,545	–
Capital lease obligations	328	1,966	250

16. Commitments and contingencies:

(a) Forward gold sales:

In order to protect its profits from the production of gold from ore purchased from third parties, as of June 30, 2008, the Company had entered into forward gold sales contracts to deliver 52,000 ounces of gold at an average price of $869 per ounce at various dates through to January 30, 2009. This approximates the number of ounces of gold contained in ore purchased from third parties as of June 30, 2008.

In conjunction with the receipt of advance payment on gold sales (note 3(f)) the Company committed to the delivery of an additional 3,100 ounces of gold at $877 per ounce to be delivered during the third quarter.

(b) Emissions control system:

Pursuant to a stop order received from the State of Nevada, Division of Environmental Protection, the Company is committed to the design and installation of a Calomel-based mercury emissions control system for 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 is not determinable at this time.

17. Subsequent events:

(a) Suspension of operations at Jerritt Canyon

On August 8, 2008 the Company announced the suspension of underground mining activity at the Jerritt Canyon property and the intention to continue to operate the mill facility with the intention of increasing toll milling for third parties and milling any stockpiled ore currently on-site. Subsequent to this announcement the Company has temporarily suspended mill operations in order to perform repair work on a critical part that has malfunctioned in the drying circuit and in order to preserve cash has laid off all remaining staff. The Company has engaged a professional engineering firm to provide essential activities including environmental monitoring.

The Company is continuing to review alternatives for the mine reserves that are on the property with the intention of developing a profitable mine plan. With this change in operations management of the Company will conduct an ongoing review of the carrying values of its mineral properties based on the mine plan that is developed. Any impairments that are determined to arise from the change in the mine plan will be recorded when the amount of any such adjustment can be reasonably estimated.

(b) Restriction of assets

On August 14, 2008 Newmont USA Limited (Newmont) has exercised its rights under the terms of the Security Agreement dated March 29, 2006 between Newmont USA Limited (Newmont) and Queenstake Resources USA, Inc. These rights include a restriction of use of cash held in the main account at Queenstake as well as on gold located at the refinery. The Company is currently in discussion with Newmont to have these restrictions removed however it is currently not yet determinable when these restrictions will be removed.

(c) Sale of forward contracts

Effective August 7, 2008 the Company closed out the remaining forward gold sales contracts. The wind up of the forward contracts resulted in a realized gain of $0.3 million and the return of funds held on deposit related to these contracts.