

Yukon-Nevada Gold Corp.
Management Discussion and Analysis
For the three month period ending September 30, 2007
(in 000s of US Dollars except for per ounce numbers, unless otherwise stated)

INTRODUCTION

The following interim 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 November 9, 2007, and is intended to supplement and complement the Company's interim consolidated financial statements for the period ended September 30, 2007. 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 cautioned that the MD&A contains forward-looking statements and that actual events may vary from management's expectations. 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, 2006 for additional details, which are available on the Company's website www.yukon-nevadagold.com and on www.sedar.com. The interim 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 175,113,430 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.

The largest single factor in determining profitability and cash flow from the Company's operations is the price of gold. The average market price of gold during the third quarter of 2007 was \$680 per ounce, ranging in price from a low of \$650 per ounce to a high of \$743 per ounce. The Company realized an average price of \$686 per ounce on its sales of its gold, produced from its own ore, during the third quarter. The company does not hedge its production of gold produced from its own ore but does sell gold forward to protect its profits from the production of gold from ores purchased from third parties.

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 was stronger against the U.S. dollar in the third quarter of 2007.

Although the pressure of rising development and operating costs with respect to labor, energy and consumables in general has eased slightly, containing industry-wide cost pressures continues to be a key focus of the Company. Energy prices, both in the form of fuel and electricity, can have a significant impact on operations since mining is an energy intensive activity. Increases in the prices of consumables, such as steel, cyanide, concrete and tires, have also impacted earnings. Yukon-Nevada continues to look for opportunities to mitigate the impact of higher consumable prices by extending the life of capital assets and

improve on the efficient use of materials and supplies.

There is a shortage of skilled labor in the industry at the present time, and the need to address this concern is a constant for both our production and exploration activities. The corporate culture at Jerritt Canyon has historically acted as a buffer against this shortage and we continue to promote activities and attitudes that enhance this effect. The safety of our workforce continues to be an important focus of senior management, operational management and the workforce as a whole.

Jerritt Canyon

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

- Installation and run in of the new bull gear on the ball mill was completed.
- Successful stack testing for mercury emissions was completed on the roasting facility.
- Planning for increased drying capacity is ongoing.
- Planning for increased dry grinding capacity is ongoing.

The new bull gear has allowed greater tonnages to be processed during the third quarter and the full capacity of the ball mill, 4,500 tons per day will be utilized once the upgraded operating permits are in hand. The stack testing recently completed allows the roasters to operate at a rate of 4,100 tons per day. Further stack tests will be carried out in the first quarter of 2008 to increase this rating towards a planned for capacity of 6,000 tons per day.

Increased drying capacity is planned to enable the roasters to operate at full capacity twelve months a year. This should be installed by the end of the first quarter of 2008. Presently the throughput of the milling facility can be negatively impacted by wet weather. Increased dry grinding is contemplated to be installed during the second quarter of 2008.

Although increased tonnages and reductions in manpower have allowed costs in the third quarter to be substantially reduced, the effects of the near mine exploration and increased underground development are not expected to have a significant impact on the bottom line for at least another twelve months.

Operating Highlights

	Q3 2007	Q3 2006
Gold – produced from mined ore (troy ounces)	34,636	N/A
Gold – produced from purchased ore (troy ounces)	13,693	N/A
Gold – sold from mined ore (troy ounces)	26,474	N/A
Gold – sold from purchased ore (troy ounces)	12,502	N/A
Gold – produced – total (troy ounces)	48,329	N/A
Gold – sold – total (troy ounces)	38,976	N/A
Gold sales	\$26,236	N/A
Cost of gold sold	\$18,757	N/A
Accretion	\$340	N/A
Depreciation, depletion and amortization	\$3,891	N/A
Earnings from mine operations	\$3,248	N/A
Cash provided by operations before change in non-cash working capital	\$7,552	N/A
Average realized gold price per ounce – produced from mined ore	\$686	N/A
Cash cost per ounce produced (a)	\$354	N/A

(a) 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.

The Company expects 2007 annual gold production rate from Jerritt Canyon to meet the forecasted rate of 120,000 ounces per annum with 32,000 ounces produced in the third quarter. Gold production is expected to be around 120,000 ounces in 2008 and increase in 2009 as new projects come on stream

During the quarter, \$3,039 was spent on exploration in the Jerritt Canyon district. About half of this amount was spent on exploration within and adjacent to existing ore bodies and the remainder on exploration for new ore bodies. Four surface reverse circulation drill rigs and one surface diamond drill rig were active on the property during the quarter. Approximately 10,000 meters were drilled in Q3 2007 on the Jerritt Canyon property. Near-mine exploration focused on additions to the Smith-Mahala ore bodies; encouraging results were reported in Yukon-Nevada Gold News Release dated September 24, 2007. Further encouraging results were reported from drilling in the greater Mahala area where exploration efforts are seeking to identify possible new ore bodies between the Smith and SSX Mines. For the remainder of the year, exploration will continue to focus on extensions to known reserves at SSX, Smith and Starvation canyon as well as continuing reconnaissance exploration on new targets.

Ketza River

During the quarter, approximately \$3,538 was spent on exploration on the Ketza River property; about 13,400 meters were drilled by three diamond drill rigs active on the property during the quarter. Encouraging results from several zones were reported in news releases during the quarter. These results are both from carbonate-hosted mineralization in the Manto Zones and from vein and breccia mineralization in the Shamrock Zone. Drilling will be continued as aggressively as weather permits until the end of the year. The Company will be compiling the results of recent and ongoing exploration into a revised resource model for Ketza River early in the New Year.

Permitting continues at Ketza River. During the third quarter Ketza River Holdings received a Class A water license for the continued operation of the Ketza River mine site and tailings facility. The Class A water license for the renewal of mining and milling activities at the site is still being pursued. It is hoped that this license will be received in 2009 allowing for production of gold at the site to restart in that year.

Silver Valley

Diamond drilling on the Silver Valley silver-lead-gold-copper property was put on hold at the end of May. Drilling to date has focused on the moderate to deep portions of the vein. Drill hole SV-07-62 was the last one drilled, and returned 913.0 g/t Ag and 23.3% Pb over a true thickness of 1.83 meters. This intercept also contained 0.48 g/t Au and 0.9% Cu. Hole SV-07-59 contained three intercepts, including 1170 g/t Ag and 12.9% Pb over a true thickness of 0.67 meters, which also contained 0.72 g/t Au and 1.0% Cu.

Holes drilled to date at Silver Valley are on only one portion of one exposed vein within the geologically prospective project area. A ground geophysical survey was carried to identify extensions of this vein system. Two other ground geophysical grids covered the Silver Rain and Silver Belle targets, 2.25 and 3.75 kilometers southeast of the current area of drilling respectively. An airborne geophysical survey was recently completed over the Silver Valley property, which covers approximately 2,400 hectares.

SUMMARY OF QUARTERLY RESULTS

	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006	Q4 2005
Gold sales	\$26,236	NA	NA	NA	NA	NA	NA	NA
Cost of gold sold	\$18,757	NA	NA	NA	NA	NA	NA	NA
Gross margin – gold sales	\$7,479	NA	NA	NA	NA	NA	NA	NA
Earnings (loss) from mine operations	\$3,248	(\$926)	NA	NA	NA	NA	NA	NA
Net earnings (loss)	\$547	(\$2,490)	(\$2,360)	(\$404)	(\$224)	(\$203)	(\$358)	(\$295)
Earnings (loss) per share - basic	\$0.003	(\$0.032)	(\$0.039)	(\$0.007)	(\$0.004)	(\$0.004)	(\$0.008)	(\$0.006)
Weighted average # of shares outstanding	169,622,435	78,893,333	60,590,466	58,857,710	56,710,213	50,874,682	46,941,768	46,643,428
Cash and cash equivalents	\$48,759	\$67,122	\$8,120	\$4,342	\$5,365	\$5,356	\$4,816	\$4,603
Total assets	\$268,279	\$268,198	\$36,029	\$31,912	\$28,805	\$28,175	\$17,101	\$16,661

FINANCIAL OVERVIEW

Yukon-Nevada Gold earned a gross margin of \$7,479 on gold sales of \$26,236. The earnings from mine operations were \$3,248 (defined as gross margin on gold sales less amortization, depletion, depreciation, reclamation and accretion of mine reclamation liability).

Gold Sales

The three month period ending September 30, 2007 was the first period during which Yukon-Nevada has sold gold. Therefore, a comparison of sales, cost of gold sold, gross margin and depletion to prior periods is not applicable to this MD&A.

Yukon Nevada Gold sold 26,474 ounces of gold from Jerritt Canyon production in Q3 2007. It is worth noting that the Company's accounting policy on revenue recognition does not recognize a sale until the metal has been transferred in 0.9999 gold from the account at the refinery in Salt Lake City to the account of the party to whom gold is sold. As a result, the last shipment of gold from Jerritt Canyon that could be recognized in Q3 2007 left Nevada on September 7th. Three shipments of gold were shipped from Nevada in the last 3 weeks of September that will be recognized as gold sales in Q4 2007.

Cost of Gold Sold

Yukon Nevada had cost of gold sold in Q3 2007 of \$18,757 which includes the total cost associated with the selling of both gold produced from the Jerritt Canyon property and gold produced from ore purchased from third parties. The Company had a cash cost per ounce of \$354 in Q3 2007 for gold produced from the Jerritt Canyon property.

Depletion, Depreciation and Amortization

Yukon-Nevada's Jerritt Canyon property incurred approximately \$3,891 of depletion and depreciation. The majority of this expense is depletion associated with the ounces of gold mined from both the SSX and the Smith mines on the property.

Depletion and depreciation are a function of the cost to be depleted/depreciated and the method by which the cost is depleted/depreciated. The cost being depleted/depreciated does not include the impact of allocating the purchase price discrepancy on the business combination effected on June 20, 2007. Management has engaged independent specialists to value the mineral property and the processing facility

and related equipment at Jerritt Canyon. It is anticipated that this work will be completed to facilitate an allocation of the purchase price discrepancy to certain assets by the time the audited annual financial statement for the year ending December 31, 2007 have been finalized. Any resulting adjustments to the purchase price allocation will impact depletion and depreciation in Q4 2007.

General and Administrative Expenses

General and Administrative expenses were \$1,015 in Q3 2007, compared to \$151 in Q3 2006. Certain non-recurring expenses associated with the combination of administrative functions of Yukon-Nevada and Queenstake were included in general and administrative expenses during Q3 2007.

The Company had almost three times as many people employed during Q3 2007 compared with Q3 2006. The addition of mining operations in Nevada employing approximately 300 people has added a significant workload to the administrative function of the Company, with the emergence of issues associated with operating in two countries, Canada and since June 20, 2007, the USA.

Stock-Based Compensation

Yukon-Nevada Gold issued 4,410,000 options to directors, officers, Jerritt Canyon employees and consultants during Q3 2007. Using the Black-Scholes model to calculate the fair value of these grants, the stock based compensation expense was \$3,395. There were no stock options granted in Q3 2006, therefore, no stock-based compensation expense.

Investment and Other Income

The Company earned \$998 of Investment and other income in Q3 2007 compared to \$156 in Q3 2006.

The majority of this account is due to interest earned on excess cash invested in short-term investments, mostly with a maturity date of less than 90 days from date of purchase (these investments are classified as "cash" on balance sheet). All investments are in "Bearer Deposit Notes" or Bankers Acceptances issued by major Canadian chartered banks. The Company does NOT have asset-backed securities in its investment portfolio. The Company has avoided this pitfall that has plagued certain Canadian companies as of late. The Company maintains a mix of Canadian and US dollars in its treasury as dictated by estimated future cash requirements.

The investments yielded approximately \$690 of interest income during Q3 2007. This is strictly a function of the treasury balance and the interest rates received by the Company on funds invested. Investments yielded the Company interest revenue of \$138 in Q3 2006.

The Company is also entitled to the interest earned on the restricted funds in the AIG commutation account, which had a balance of \$26,646 at September 30, 2007. Interest earned on these restricted funds was \$322 in Q3 2007.

Foreign Exchange gain (loss)

The Canadian dollar strengthened relative to the US dollar in the period ending September 30, 2007. In fact, the Canadian dollar closed on Friday September 28, 2007 at a premium to the US dollar (\$1 CAD = \$US 1.0052). The US dollar declined in value approximately 7% in Q3 2007 relative to the Canadian dollar.

Beginning in Q2 2007, the Company began reporting its financial statements in the US dollar. Yukon-Nevada Gold has certain entities that have predominantly Canadian assets and operate in Canada. A weakening US dollar resulted in a foreign exchange gain of \$1,021 which is included in the earnings of the Company for Q3 2007.

LIQUIDITY AND CAPITAL RESOURCES

The working capital position of the Company at September 30, 2007 was \$59,401. In Q3 2007 Yukon-Nevada Gold generated cash flow from operating activities of \$7,552 when non-cash expenses are added to the net earnings for the period. Planned sustaining capital expenditures are less than \$7,552 per quarter in the near-term, therefore, liquidity is not an issue with the Company at this time. Recent increases in the price of gold will have a positive impact on cash flow in Q4 2007.

The Company had an unrestricted cash balance of \$48,759 at September 30, 2007. During the period ending September 30, 2007, Yukon-Nevada Gold completed its exploration spending requirement related to the flow-through shares issued in 2006. Funds relating to the issue of flow-through shares are separately disclosed on the balance sheet as "restricted funds". The Company secured an additional \$CAD 9,500 (net of share issue costs) on October 6, 2007 via the issue of flow-through shares. These proceeds will be used to further explore Ketz River and Silver Valley in the Yukon, Canada (under the terms of the flow-through share program, funds must be spent on qualifying Canadian exploration expenditures). Therefore, a major portion of Yukon related expenditures prior to December 31, 2008 will not have an impact on the unrestricted cash balance on hand at September 30, 2007.

Yukon-Nevada Gold has sufficient capital resources available for utilization on mine development in Jerritt Canyon and further exploration of the Jerritt Canyon property. Management is planning for a sustainable mine on the Jerritt Canyon property and therefore intends to invest resources in a manner that provides positive cash-flow in the near-term, while maximizing the long-term value of the property.

OUTLOOK

Jerritt Canyon

During the fourth quarter we can expect production from our own ores to continue at the rate of 120,000 ounces per year and the production of gold form ore purchased from third parties to 75,000 ounces per year, whilst recognizing that this amount is heavily dependent on the grade of the ore delivered for purchase.

Unfavorable climatic conditions may still have an impact on production through the drying circuit at this time although steps are being taken to minimize their possible impact. Management will continue with the planning of the implementation of the expansion of both the drying and dry grinding circuits.

The internal promotion of one of our mining engineers to focus on the feasibility study required for the start up of Starvation Canyon is seen as a key move on the path towards production expansion.

Exploration of both near mine and for new ore bodies will continue in the fourth quarter at about the same rate as in the third quarter.

Ketz River

We will continue with the various studies required for the permitting of this project. The internal promotion of one of our mining engineers to focus on the feasibility studies required for the start up of Starvation Canyon and the Ketz River Mine is seen as a key move on the path towards restarting production at the Ketz River mine site. The internal promotion of one of our more experienced employees to become Manager of Employee Training will ensure that we have the qualified employees for this production operation when they are required.

Exploration on the both the Manto and Shamrock zones will continue in the fourth quarter at about the same rate as in the third quarter.

Silver Valley

Geophysical work during the third quarter produced very promising results that will enable us to look forward to a very successful exploration season starting in the second quarter of 2008. We do not expect to be drilling on this property before that time.

Financing

No further equity financing is planned for the fourth quarter of 2007 subject to review if a prime acquisition target presents itself in this quarter.

Acquisitions

The corporate strategic plan calls for growth by acquisition of late stage development or operating properties.

Gold prices

The average price of gold in the past 8 quarters is as follows (\$US per troy ounce, based on London pm fix):

Q4 2005	\$485
Q1 2006	\$575
Q2 2006	\$628
Q3 2006	\$622
Q4 2006	\$614
Q1 2007	\$650
Q2 2007	\$667
Q3 2007	\$680

OFF-BALANCE SHEET ARRANGEMENTS

Tax credits

Under the provisions of the Yukon Minerals Exploration Tax Credit Program (“YMETC”), a corporation is eligible to receive a refundable corporate income tax credit equal to 25% of eligible mineral exploration expenditures incurred conducting exploration in the Yukon. Based on exploration expenditures incurred by the Company on the Ketz River project in 2006, a tax refund of approximately CAD\$ 800K is anticipated. The Company does not recognize this amount as an asset in the accounts until the funds are received. In 2006, the Company received approximately CAD \$1.0 million relating to exploration expenditures conducted in the Yukon in 2005.

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.

The following is a reconciliation of cash cost per ounce produced from mined ore to Cost of Gold Sold in the Statement of Operations for Q3 2007:

Cost of gold sold	\$18,757
less: costs attributable to third party ore processing	(\$8,466)
plus: costs attributable to Jerritt Canyon gold inventory changes	\$1,970
Cash cost of producing Jerritt Canyon mined gold	\$12,261
Ounces of gold produced from Jerritt Canyon property	34,636
Cash cost per ounce produced from mined ore	\$354

RELATED PARTY TRANSACTIONS

The Company paid a total of \$nil in Q3 2007 (2006 - \$40) 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 \$53K in Q3 2007 (2006 - \$21K) 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 affect 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 and impairment 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.

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 initial allocation of the purchase price to Queenstake assets and liabilities acquired in the business combination completed on June 20, 2007 has been determined based on management's best estimates using information available at the time. Independent valuation of certain assets and liabilities is being performed by professionals qualified to do work of this nature and this work is expected to be completed near the end of 2007. Management will re-evaluate the initial allocation of the purchase price based on the results of this valuation work.

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 regulatory requirements in the jurisdiction in which the Company operates. Estimated asset retirement obligations on both the Jerritt Canyon property and the Ketz River property are fully funded at this date.

Income taxes

Future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities. Future income tax assets and liabilities are measured using enacted tax rates and laws that will be in effect when differences are expected to reverse. Future income tax assets are recorded in the accounts only if realization is considered more likely than not.

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

The Canadian Institute of Chartered Accountants (CICA) issued Section 3855, *Financial Instruments - Recognition and Measurement*, Section 3861, *Financial Instruments - Disclosure and Presentation*, Section 3865, *Hedges* and Section 1530, *Comprehensive Income*, all applicable for annual or interim periods beginning on or after October 1, 2006. Sections 3855 and 3861 require all financial assets, financial liabilities and non-financial derivatives to be recognized on the balance sheet at the appropriate measurement and properly disclosed in the notes to the consolidated financial statements. Section 3865 sets out hedge accounting prerequisites and rules and builds on existing Canadian GAAP guidance by specifying how hedge accounting is applied and disclosed. Section 1530 introduces new standards for the presentation and disclosure of components of comprehensive income. Comprehensive income is defined as the change in net assets of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources.

Prior to April 1, 2007, the Company's operations were measured in Canadian dollars and the consolidated financial statements were expressed in Canadian dollars. Due to circumstances arising from the acquisition of Queenstake Resources Ltd. (Queenstake) on June 20, 2007, it has been determined that the Company's functional currency is the US dollar. Concurrent with this change in functional currency, the Company has adopted the US dollar as its reporting currency, effective June 30, 2007.

In accordance with Canadian GAAP, the Company is required to restate all amounts presented for comparative purposes into US dollars using the current rate method as follows: all assets and liabilities are translated into US dollars at the exchange rate prevailing at the balance sheet date; all revenue and expense items, shareholders' equity items and cash flows are translated at the average rates that were in effect during these periods, with the exception of the June 20, 2007 shares issued associated with the private-placement financing and the plan of arrangement with Queenstake, these two capital stock transactions were translated at the spot rate on June 20, 2007; and the resulting translation adjustment is recorded as a separate component of shareholders' equity in accumulated other comprehensive income. The magnitude of this translation adjustment was \$2,273 as of September 30, 2007.

FINANCIAL INSTRUMENTS

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. As of September 30, 2007 the Company had entered into forward gold sales contracts to deliver 36,000 ounces of gold at an average price of \$675 per ounce.

Section 3855 of the CICA Handbook , *Financial Instruments - Recognition and Measurement*, is not applicable to contracts that were entered into and continue to be held for the purpose of delivery of a non-financial item with the entity's expected sale requirements ("normal purchase and sale exemption"). All forward sales that the Company enters into are designed to fix a price to sell gold produced from the processing of ore purchased from third parties. While it is often difficult to predict the timing of the sale of gold, the Company intends to deliver every ounce of gold in which it has committed to a forward sale.

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 are the volatility of the price of gold, the ability to locate and economically extract ore containing gold, poor drilling results, the potential fallibility of resource estimates, political risk, environmental risk, metallurgical risk, the inability to raise capital to finance the Company and the availability of human resources required for exploration, development and production.

OUTSTANDING SHARE DATA

The following is the outstanding share information for Yukon-Nevada Gold as of November 9, 2007:

Common shares issued and outstanding	175,113,430		
		Weighted average	Weighted average
Outstanding equity instruments	# Outstanding	Exercise price	Years to expiration
Shareholder warrants	25,027,132	\$3.24	4.25
Agents' options	1,798,725	\$2.10	1.63
Stock options	8,889,000	\$1.72	3.89
Fully diluted common shares	210,828,287		

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 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 continues to exist as of September 30, 2007. The Company has added two additional full-time employees to the finance function in Q3 2007 which has helped mitigate the internal control weakness due to the lack of segregation of duties. Management is planning to further strengthen the financial function in the near-term by adding more qualified people. Management will continue to assess the ICFR as the Company evolves and will be conscious of this aspect of the business going forward.

With respect to the acquisition of Queenstake, management is in the process of assessing the effectiveness of the internal controls over financial reporting of this entity.

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 period ending September 30, 2007.

ADDITIONAL INFORMATION

Additional information may be examined or obtained through the internet by accessing the Company's website at www.yngc.ca 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 thousands of United States dollars)

YUKON-NEVADA GOLD CORP.
(Formerly YGC Resources Ltd.)

Three and nine month periods ended September 30, 2007
(Unaudited)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

YUKON-NEVADA GOLD CORP.

(Formerly YGC Resources Ltd.)

Consolidated Balance Sheets

(Unaudited)

(Expressed in thousands of United States dollars)

	September 30, 2007	December 31, 2006
	(Unaudited)	(Audited)
Assets		
Current assets:		
Cash	\$ 48,759	\$ 4,342
Short-term investments	-	1,026
Marketable securities	36	-
Accounts receivable and prepaid expenses	5,755	600
Inventories (note 6)	35,794	-
	90,344	5,968
Restricted funds (note 7)	30,840	7,838
Property, plant and equipment (note 8)	22,009	540
Mineral properties (note 9)	124,058	17,566
Other assets (note 10)	1,028	-
	\$ 268,279	\$ 31,912
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 30,943	\$ 673
Due to related parties (note 11)	-	11
	30,943	684
Other long-term liabilities (note 12)	1,385	-
Future income taxes (note 13)	5,656	3,729
Asset retirement obligations (note 14)	26,200	1,903
	64,184	6,316
Shareholders' equity:		
Share capital (note 15)	185,479	32,025
Warrants (note 15)	20,543	687
Contributed surplus (note 15)	8,048	1,155
Accumulated other comprehensive income (loss)	2,273	(326)
Deficit	(12,248)	(7,945)
	204,095	25,596
Subsequent events (note 18)		
	\$ 268,279	\$ 31,912

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.

(Formerly YGC Resources Ltd.)

Consolidated Statements of Operations

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Gold sales	\$ 26,236	\$ -	\$ 26,236	\$ -
Cost of gold sold	18,757	-	19,683	-
Gross margin - mining operations	7,479	-	6,553	-
Depreciation and depletion	3,891	8	3,979	14
Accretion	340	36	449	108
Income (loss) from mine operations	3,248	(44)	2,125	(122)
General and administration	1,015	151	1,868	476
Corporate communications and development	176	167	498	312
Exploration	-	-	536	-
Stock-based compensation	3,395	-	5,518	130
Income (loss) from operations	(1,338)	(362)	(6,295)	(1,040)
Other income (expense):				
Interest and other income	998	138	1,507	255
Foreign exchange gain	1,021	-	662	-
Interest expense	(134)	-	(177)	-
	1,885	138	1,992	255
Net earnings (loss)	\$ 547	\$ (224)	\$ (4,303)	\$ (785)
Earnings (loss) per share – basic	\$ 0.003	\$ (0.004)	\$ (0.042)	\$ (0.015)
Earnings (loss) per share – diluted	\$ 0.003	NA	NA	NA
Weighted average number of shares outstanding (basic)	169,622,435	56,710,213	103,434,796	51,526,426
Weighted average number of shares outstanding (diluted)	170,555,432	NA	NA	NA

Consolidated Statements of Deficit

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Deficit, beginning of period	\$ (12,795)	\$ (7,317)	\$ (7,945)	\$ (6,756)
Net earnings (loss)	547	(224)	(4,303)	(785)
Deficit, end of period	\$ (12,248)	\$ (7,541)	\$ (12,248)	\$ (7,541)

See accompanying notes to consolidated financial statements.

YUKON-NEVADA GOLD CORP.

(Formerly YGC Resources Ltd.)

Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended September 30, 2007	Nine months ended September 30, 2007
Net earnings (loss)	\$ 547	\$ (4,303)
Foreign exchange adjustment (note 5(a))	-	2,599
Comprehensive income (loss) for the period	\$ 547	\$ (1,704)

See accompanying notes to consolidated financial statements.

YUKON-NEVADA GOLD CORP.

(Formerly YGC Resources Ltd.)

Consolidated Statements of Cash Flows

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months		Nine months	
	September 30,		September 30,	
	2007	2006	2007	2006
Cash provided by (used in):				
Operations:				
Net earnings (loss)	\$ 547	\$ (224)	\$ (4,303)	\$ (785)
Items not involving cash:				
Depreciation	3,891	8	3,979	14
Accretion expense	340	36	449	108
Stock-based compensation	3,395	-	5,518	130
Gain on disposal of assets	-	(1)	-	(1)
Write off of deferred acquisition costs	-	30	-	30
Unrealized foreign exchange gain	(621)	-	(621)	-
	7,552	(151)	5,022	(504)
Change in non-cash working capital	(16,649)	(490)	(19,896)	(884)
	(9,097)	(641)	(14,874)	(1,388)
Financing:				
Increase in due to related parties	-	-	(11)	(9)
Decrease in note payable	(78)	-	(8,190)	-
Common shares issued for cash, June 2007 private placement	-	-	69,388	9,187
Share issue costs	(49)	(42)	(3,870)	(501)
Common shares issued upon exercise of shareholder warrants	928	450	7,654	1,786
Common shares issued upon exercise of agents' options and warrants	265	418	744	1,141
Common shares issued upon exercise of stock options	-	-	518	61
	1,066	826	66,233	11,665
Investments:				
Acquisition of Queenstake, net of cash acquired of \$2,450 (note 3)	-	-	(233)	-
Restricted cash	(816)	2,063	4,781	(3,767)
Short-term investments	49	3,775	1,093	3,622
Mineral property expenditure	(8,262)	(1,163)	(14,592)	(4,645)
Deferred acquisition costs	-	(13)	(111)	(36)
Purchase of property, plant and equipment	(2,347)	(11)	(2,961)	(217)
Proceeds from sale of assets	-	11	-	11
	(11,376)	4,662	(12,023)	(5,032)
Effect of exchange rate changes on cash	1,044	(150)	5,081	(141)
Increase (decrease) in cash	(18,363)	4,697	44,417	5,104
Cash, beginning of period	67,122	448	4,342	41
Cash, end of period	\$ 48,759	\$ 5,145	\$ 48,759	\$ 5,145

See accompanying notes to consolidated financial statements.

YUKON-NEVADA GOLD CORP.

(Formerly YGC Resources Ltd.)

Notes to Consolidated Financial Statements

(Unaudited)

(Expressed in thousands of United States dollars)

Three and nine month periods ended September 30, 2007

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), acquired on June 20, 2007. There are gold exploration activities being carried out in Nevada, USA (Jerritt Canyon) and the Yukon Territory, Canada (Ketz River and Silver Valley).

The Company is in the process of mineral exploration on its properties in the Yukon Territory 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.

2. Change in functional and reporting currency:

Prior to April 1, 2007, the Company's operations were measured in Canadian dollars and the consolidated financial statements were expressed in Canadian dollars. Due to circumstances arising from the acquisition of Queenstake Resources Ltd. (Queenstake) on June 20, 2007, it has been determined that the Company's functional currency is the US dollar. Concurrent with this change in functional currency, as well as facilitating the comparison of the Company's financial statements with other gold producing companies in the mining industry, the Company has adopted the US dollar as its reporting currency, effective June 30, 2007.

In accordance with Canadian generally accepted accounting principles (GAAP), the Company is required to restate all financial statement amounts presented for comparative purposes into US dollars using the current rate method as follows: all assets and liabilities are translated into US dollars at the exchange rate prevailing at the balance sheet date; all revenue and expense items, shareholders' equity items and cash flows are translated at the average rates that were in effect during these periods, with the exception of shares issued on June 20, 2007 associated with the Plan of Arrangement with Queenstake and the private-placement financing - these transactions were translated into US dollars using the Bank of Canada closing \$US/\$CAD exchange rate on the date of these transactions. The accumulated foreign exchange adjustment resulting from change in the reporting currency of the Company was a \$326 foreign exchange loss as at December 31, 2006 contained in "accumulated other comprehensive income" section of the shareholders' equity section of the balance sheet. As at September 30, 2007 a \$2,273 foreign exchange gain is included in the "accumulated other comprehensive income" section of shareholders' equity.

YUKON-NEVADA GOLD CORP.

(Formerly YGC Resources Ltd.)

Notes to Consolidated Financial Statements
(Unaudited)
(Expressed in thousands of United States dollars)

Three and nine month periods ended September 30, 2007

2. Change in functional and reporting currency (continued):

The Company used the temporal method subsequent to the original translation of the consolidated accounts into United States dollars on June 30, 2007. The temporal method requires the Company to translate monetary assets and liabilities denominated in Canadian dollars into US dollars at the closing exchange rate in effect as of September 30, 2007. Non-monetary assets and liabilities are translated from Canadian dollars to US dollars using the historical rates in effect when assets and liabilities were recorded. Items in the statement of operations and statement of cash flows were translated at the average exchange rate in the three month period ending September 30, 2007, with the exception of stock-based compensation amounts. The fair value of stock-based compensation was translated at the closing exchange rate on the date the underlying options were granted.

3. Business combination:

Effective June 20, 2007 the Company acquired 100% of the outstanding common shares of Queenstake. This business combination has been accounted for as a purchase transaction, with the Company being identified as the acquirer and Queenstake as the acquiree in accordance with CICA Handbook 1581 *Business Combinations*. These consolidated financial statements include 100% of Queenstake's operating results for the period from June 20 to September 30, 2007.

The preliminary allocation of the purchase price of 100% of the outstanding common shares of Queenstake is summarized in the following table, based on the information currently available to management. The Company has engaged independent professionals to perform an appraisal of certain Queenstake assets, including the valuation of income tax assets and liabilities associated with the transaction. The Company plans on having the independent valuation process completed in time to finalize the allocation upon issuance of the financial statement for the year ending December 31, 2007. Based on the results of these appraisals, the allocation of the purchase price to the net assets acquired by the Company may change and this change may be material.

Purchase price:		
Share consideration (58,436,531 shares at CDN\$1.76 per share)	\$	96,744
Fair value of share purchase warrants and stock options		1,944
Acquisition costs		2,683
	\$	101,371

YUKON-NEVADA GOLD CORP.

(Formerly YGC Resources Ltd.)

Notes to Consolidated Financial Statements

(Unaudited)

(Expressed in thousands of United States dollars)

Three and nine month periods ended September 30, 2007

3. Business combination (continued):

Net assets acquired:		
Cash	\$	2,450
Accounts receivable and prepaid expenses		3,764
Marketable securities		32
Inventories		22,675
Restricted cash		27,589
Property, plant and equipment		20,636
Mineral properties		93,182
Other assets		1,110
Accounts payable and accruals		(45,360)
Long-term liabilities		(24,707)
	\$	101,371

4. Basis of presentation:

These interim consolidated financial statements do not include all disclosures required by Canadian generally accepted accounting principles for annual financial statements, and accordingly, these interim consolidated financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements. These interim consolidated financial statements follow 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, 2006, except for the new accounting policies adopted subsequent to that date, as discussed in note 5.

Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany transactions and balances have been eliminated. The subsidiaries and percentage of ownership at September 30, 2007 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%

Certain of the comparative figures have been reclassified to conform with the presentation adopted in the current year.

YUKON-NEVADA GOLD CORP.

(Formerly YGC Resources Ltd.)

Notes to Consolidated Financial Statements
(Unaudited)
(Expressed in thousands of United States dollars)

Three and nine month periods ended September 30, 2007

5. Adoption of new accounting policies:

(a) Financial instruments:

The Canadian Institute of Chartered Accountants (CICA) issued Section 3855, *Financial Instruments - Recognition and Measurement*, Section 3861, *Financial Instruments - Disclosure and Presentation*, Section 3865, *Hedges* and Section 1530, *Comprehensive Income*, all applicable for annual or interim periods beginning on or after October 1, 2006. Sections 3855 and 3861 require all financial assets, financial liabilities and non-financial derivatives to be recognized on the balance sheet at the appropriate measurement and properly disclosed in the notes to the consolidated financial statements. Section 3865 sets out hedge accounting prerequisites and rules and builds on existing Canadian GAAP guidance by specifying how hedge accounting is applied and disclosed. Section 1530 introduces new standards for the presentation and disclosure of components of comprehensive income. Comprehensive income is defined as the change in net assets of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources.

(b) Accounting changes:

The CICA issued Section 1506, *Accounting Changes*, applicable for annual or interim periods beginning on or after January 1, 2007.

Section 1506 revised the standards on changes in accounting policy, estimates or errors to require a change in accounting policy to be applied retrospectively, unless doing so is impracticable, changes in estimates to be recorded prospectively, and prior period errors to be corrected retrospectively. Voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information. In addition, these revised standards call for enhanced disclosures about the effect of changes in accounting policies, estimates and errors on the financial statements. The impact of this standard cannot be determined until such time as the Company makes a change in accounting policy other than one resulting from implementation of new CICA Handbook standards.

(c) Mineral properties:

Gold production property - Jerritt Canyon – Nevada, USA

The Company has segregated mineral properties into the following:

(i) Depletable mineral property:

Costs assigned to the reserves of a mineral property are depleted as ore containing gold is mined from the orebody that was included in the last proven and probable reserve calculation.

YUKON-NEVADA GOLD CORP.

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Notes to Consolidated Financial Statements

(Unaudited)

(Expressed in thousands of United States dollars)

Three and nine month periods ended September 30, 2007

5. Adoption of new accounting policies (continued):

(c) Mineral properties (continued):

(ii) Non-depletable mineral property:

Costs assigned to "value beyond proven and probable reserves" are not subject to depletion. These costs include \$67,555 from the business combination that have been allocated to the mineral property at Jerritt Canyon but will not be subject depletion until the results of independent valuation of certain assets acquired has been completed.

Exploration costs are also included in non-depletable mineral property until the costs are either included in the depletable cost base or written off, depending on the future results from the exploration activity. The Jerritt Canyon property includes \$3,039 of exploration costs that have been deferred in this account.

Mineral properties are carried at cost less accumulated depletion. Cost includes acquisition and related costs, capitalized asset retirement costs, long-term development costs incurred on existing ore bodies, and development costs incurred to further define reserves deemed capable of subsequent commercial production. Depletion of mineral properties including deferred development costs is charged on a units-of-production basis over proven and probable reserves.

(d) Revenue recognition:

Revenue is recognized when there is pervasive evidence that a metal sale contract exists, delivery to the customer has occurred, legal title has passed and the sales price and timing of payment has been agreed upon with the purchaser.

(e) Inventories:

Work-in-process inventories are valued at the lower of average production cost and net realizable value, after a reasonable allowance for further processing and sales costs. Purchased ore is recorded at cost based upon the contracted purchase price.

Finished goods inventories are valued at the lower of cost and net realizable value. Cost valuations are based on the related three-month period's average costs. Net realizable value is after a reasonable allowance for sales costs.

Materials and supplies inventories are valued at the lower of average cost and replacement cost, net of a provision for obsolescence with respect to identified inventory items.

Stockpiles represent ore that has been mined or purchased and is available for future processing. Stockpiles are measured by estimating the number of tons added and removed from the stockpile, the number of contained ounces (based on assay data) and the estimated metallurgical recovery rates (based on expected processing method). Stockpile ore tonnages are verified by periodic surveys. Costs are allocated to stockpiles based on relative values of material stockpiled and processed using current mining costs incurred up to the point of stockpiling the ore, including depreciation and depletion.

YUKON-NEVADA GOLD CORP.

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Notes to Consolidated Financial Statements
(Unaudited)
(Expressed in thousands of United States dollars)

Three and nine month periods ended September 30, 2007

5. Adoption of new accounting policies (continued):

(f) Marketable securities:

Short-term investments in publicly traded marketable securities are valued at the lower of cost and quoted market value.

6. Inventories:

	September 30, 2007	December 31, 2006
Finished goods	\$ 8,431	\$ -
Stockpiled ore	1,835	-
Purchased ore	17,437	-
Work-in-process	4,410	-
Materials and supplies	3,681	-
	<u>\$ 35,794</u>	<u>\$ -</u>

All of the Company's inventories on hand as of September 30, 2007 are located at the Jerritt Canyon mine in Nevada, USA.

7. Restricted funds:

	September 30, 2007	December 31, 2006
AIG commutation account	\$ 26,646	\$ -
Cash restricted for future exploration in Canada	-	7,709
Cash pledged as security for letters of credit	4,194	129
	<u>\$ 30,840</u>	<u>\$ 7,838</u>

On June 30, 2003, Queenstake purchased from American Insurance Group (AIG) an environmental risk transfer program (the ERTTP) (see note 10). As part of the ERTTP, \$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 identified as at June 30, 2003.

In 2006, 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 2006 and 2007 on Canadian Exploration Expenditures (CEE) on properties located in Canada. As at September 30, 2007, the Company has spent those funds.

YUKON-NEVADA GOLD CORP.

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Notes to Consolidated Financial Statements

(Unaudited)

(Expressed in thousands of United States dollars)

Three and nine month periods ended September 30, 2007

8. Property, plant and equipment:

September 30, 2007	Cost	Accumulated amortization	Net book value
Jerritt Canyon mine, USA	\$ 22,432	\$ 1,593	\$ 20,839
Ketza River project, Canada	1,452	351	1,101
Corporate and other, USA	25	3	22
Corporate and other, Canada	105	58	47
	\$ 24,014	\$ 2,005	\$ 22,009

December 31, 2006	Cost	Accumulated amortization	Net book value
Ketza River project, Canada	\$ 672	\$ 173	\$ 499
Corporate and other, Canada	83	42	41
	\$ 755	\$ 215	\$ 540

9. Mineral properties:

	Cost depletable	Cost non-depletable	Total	Accumulated depletion	Net book value
Jerritt Canyon mine, USA	\$ 27,537	\$ 70,594	\$ 98,131	\$ 4,142	\$ 93,989
Ketza River project, Canada	-	28,248	28,248	-	28,248
Silver Valley project, Canada	-	1,297	1,297	-	1,297
Arizona project, USA	-	505	505	-	505
Other Yukon and BC projects, Canada	-	19	19	-	19
	\$ 27,537	\$ 100,663	\$ 128,200	\$ 4,142	\$ 124,058

The cost subject to depletion in the Jerritt Canyon mine is depleted as ounces are removed from estimated proven and probable reserves.

The cost not subject to depletion at the Jerritt Canyon property is related to (a) the purchase price discrepancy of \$67,555 which is being assigned temporarily to the non-depletable cost until independent, expert appraisals are obtained and (b) exploration expenditures incurred at Jerritt Canyon during the quarter of \$3,039 that were outside of current mine workings.

YUKON-NEVADA GOLD CORP.

(Formerly YGC Resources Ltd.)

Notes to Consolidated Financial Statements
(Unaudited)
(Expressed in thousands of United States dollars)

Three and nine month periods ended September 30, 2007

9. Mineral properties (continued):

December 31, 2006	Cost	Accumulated amortization	Net book value
Ketza River project, Canada	\$ 16,958	\$ -	\$ 16,958
Silver Valley project, Canada	159	-	159
Arizona project, USA	433	-	433
Other Yukon and BC projects, Canada	16	-	16
	\$ 17,566	\$ -	\$ 17,566

10. Other assets:

	September 30, 2007	December 31, 2006
Environmental Risk Transfer Program	\$ 1,028	\$ -

(a) Environmental Risk Transfer Program / Reclamation cost cap insurance:

The ERTP that Queenstake purchased from AIG (see note 14) also includes a reclamation and mine closure cost cap insurance policy. The insurance policy provides coverage for future reclamation and mine closure costs in existence at June 30, 2003, if they exceed those funded by the Commutation Account (note 7). If these reclamation costs are less than the amount in the Commutation Account, the Company would be refunded the excess cash. In the event that these reclamation costs are more than the Commutation Account balance, the cost cap insurance policy will pay the excess costs up to a defined maximum.

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.

(b) Pollution legal liability:

The ERTP also includes a pollution legal liability insurance coverage for third-party damage claims against the Company for both pre-existing pollution conditions and new pollution conditions, for a period of five years commencing June 30, 2003.

YUKON-NEVADA GOLD CORP.

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Notes to Consolidated Financial Statements
(Unaudited)
(Expressed in thousands of United States dollars)

Three and nine month periods ended September 30, 2007

11. Related party transactions:

(a) Due to related parties:

	September 30, 2007	December 31, 2006
Loan from shareholders	\$ -	\$ 11

The amount showing as due to shareholders at December 31, 2006 was non-interest bearing, unsecured and due on demand.

(b) Other related party transactions:

During the period, the Company was charged a total of nil (2006 - \$40) in management fees by a company owned by a director of the Company.

During the period, the Company was charged a total of \$53 (2006 - \$21) 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 both the transaction costs associated with the Queenstake business combination and share issue costs for the June 2007 private placement, with the remainder included under general and administrative expenses.

12. Other long-term liabilities:

	September 30, 2007	December 31, 2006
Capital leases	\$ 2,272	\$ -
Current portion	(887)	-
	\$ 1,385	\$ -

13. Future income taxes:

Future income tax liability - mineral property, balance as of December 31, 2006		\$ 3,729
Renunciation of qualifying eligible expenditures under Canadian flow-through share program		1,167
Impact of foreign exchange on Canadian dollar future income tax liability		760
		\$ 5,656

YUKON-NEVADA GOLD CORP.

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Notes to Consolidated Financial Statements
(Unaudited)
(Expressed in thousands of United States dollars)

Three and nine month periods ended September 30, 2007

13. Future income taxes (continued):

The Company renounced CDN\$3.661 million of qualifying exploration expenditures under the Canadian flow-through share program in April of 2007. The result of this renunciation was that the Cumulative Canadian Exploration Expenses pool of the Company was reduced per CICA EIC-146 and a liability for future income taxes was recorded on the date the renunciation was made.

The Company is in the process of obtaining independent valuations of assets acquired and liabilities assumed in the business combination with Queenstake described in note 3, including the valuation of income tax assets and liabilities. Upon completion of the valuation exercise, the Company will adjust tax accounts as required.

14. Asset retirement obligation:

	September 30, 2007	December 31, 2006
Jerritt Canyon mine, USA	\$ 23,100	\$ -
Ketza River project, Canada	3,100	1,903
	<u>\$ 26,200</u>	<u>\$ 1,903</u>

Federal, state and local laws and regulations concerning environmental protection affect the Company's operations. Under current regulations, the Company is required to meet performance standards to minimize environmental impact from operations and to perform site restoration and other closure activities. The Company's provisions for future site closure and reclamation costs are based on known requirements. It is not currently possible to estimate the impact on operating results, if any, of future legislative or regulatory developments. The Company's estimate of the present value of the obligation to reclaim the Jerritt Canyon property is based upon existing reclamation standards at September 30, 2007.

During the period ending September 30, 2007, the Company received a water use permit for the Ketza River project. One of the conditions of the license was that the Company set aside funds that are secured by a letter of credit in favor of the Yukon government. These funds represent a current estimate of the reclamation liability of the Ketza River property. The funds secured by the letter of credit are "restricted cash" on the balance sheet.

YUKON-NEVADA GOLD CORP.

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Notes to Consolidated Financial Statements
(Unaudited)
(Expressed in thousands of United States dollars)

Three and nine month periods ended September 30, 2007

15. Share capital:

- (a) Authorized share capital consists of an unlimited number of common shares
- (b) Common shares issued and outstanding:

	Number of shares	Amount
Balance, December 31, 2006	58,950,169	\$ 32,025
Shares issued for cash, June 2007 private placement (i)	42,351,864	71,709
Shares issued to Queenstake shareholders, June 2007 business combination (ii)	58,436,531	96,744
Shares issued upon exercise of shareholder warrants	8,579,581	7,654
Shares issued upon exercise of agents' options and warrants	812,285	744
Shares issued upon exercise of stock options	973,000	518
Shares issued to optionor pursuant to Silver Valley option agreement	5,000	-
Fair value of shareholder warrants exercised	-	720
Fair value of stock options and agents' options exercised	-	337
Flow through share renunciation	-	(1,167)
Fair value assigned to shareholder warrants, June 2007 private placement (iii)	-	(18,809)
Fair value assigned to agents' options, June 2007 private placement (iv)	-	(1,127)
Share issue costs	-	(3,869)
	170,108,430	\$ 185,479

- (i) On June 20, 2007 the Company closed a private-placement of 42,351,864 common share units at a price of CDN\$1.80 per unit. Each unit contains one common share of the Company and one-half of one share purchase warrant that entitles the holder to purchase one common share of the Company for CDN\$3.00. The share purchase warrants expire on June 20, 2012.
- (ii) On June 20, 2007 the Plan of Arrangement to combine the operations of the Company and Queenstake was executed. Pursuant to the Plan of Arrangement, the Company issued one common share for 10 shares of Queenstake for 100% of the outstanding shares of Queenstake. The consideration for each 10 Queenstake shares was valued at CDN\$1.76, the closing price of the Company's shares on the TSX on June 19, 2007. The value of the shares of the Company issued to Queenstake shareholders has been included in the purchase price consideration (see note 3).

YUKON-NEVADA GOLD CORP.

(Formerly YGC Resources Ltd.)

Notes to Consolidated Financial Statements

(Unaudited)

(Expressed in thousands of United States dollars)

Three and nine month periods ended September 30, 2007

15. Share capital (continued):

(b) Common shares issued and outstanding (continued):

(iii) The Company issued 21,175,932 share purchase warrants to investors that participated in the private-placement referred to in (i). The fair value of these share purchase warrants, using the Black-Scholes pricing model, was \$18.809 million. The following assumptions have been used to assign a fair value to the share purchase warrants:

Risk-free interest rate	4.25%
Dividend yield	0%
Weighted average expected life of warrants	5
Volatility	79%

(iv) The Company issued 1,798,725 agents' options to brokers in connection with the brokered portion of the June 20, 2007 private placement. Each agents' option entitles the holder to purchase one common share of the Company for CDN\$2.10. The agents' options expire on June 20, 2009. The following assumptions have been used to assign a fair value of \$1.127 million to the agents' options, using the Black-Scholes pricing model:

Risk-free interest rate	4.25%
Dividend yield	0%
Weighted average expected life of warrants	2
Volatility	79%

(c) Warrants:

	Number of warrants	Amount
Balance, December 31, 2006	8,840,327	\$ 687
Warrants exercised by shareholders	(8,579,585)	(720)
Warrants expired	(35,500)	-
Warrants issued upon exercise of agents' options	148,228	-
Warrants exercised by brokers	(373,470)	-
Warrants issued to Queenstake shareholders, June 2007 business combination (i)	3,851,200	1,767
Warrants issued to shareholders, June 2007 private placement	21,175,932	18,809
	25,027,132	\$ 20,543

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15. Share capital (continued):

(c) Warrants (continued):

- (i) Pursuant to the terms of the Plan of Arrangement, the Company issued one share purchase warrant for every 10 Queenstake share purchase warrants outstanding as of the date of the business combination, June 20, 2007. The strike price of the Queenstake warrants was multiplied by 10 to calculate the exercise price of the warrants issued by the Company for the Queenstake warrants. The fair value of these warrants issued by the Company was assigned a fair value using the Black-Scholes pricing model with the following assumptions:

	January 16, 2009 expiring	April 10, 2012 expiring
Risk-free interest rate	4.25%	4.25%
Dividend yield	0%	0%
Weighted average expected life of warrants	1.58	2.81
Volatility	79%	79%

The fair value of the warrants of \$1.767 million issued to Queenstake warrant holders has been included as part of the purchase price consideration (see note 3).

The following is a summation of the warrants outstanding as of September 30, 2007:

	Expiry date	Exercise price	December 31, 2006 Number outstanding	Warrants exercised	Warrants expired	Warrants issued	September 30, 2007 Number outstanding
Shareholder warrants	January 31, 2007	2.40	20,000	-	(20,000)	-	-
Shareholder warrants	April 13, 2007	1.00	5,724,084	(5,724,084)	-	-	-
Shareholder warrants	July 29, 2007	1.00	2,405,001	(2,405,001)	-	-	-
Shareholder warrants	August 26, 2007	1.00	466,000	(450,500)	(15,500)	-	-
Shareholder warrants	January 16, 2009	1.80	-	-	-	1,000,000	1,000,000
Shareholder warrants	April 12, 2010	5.50	-	-	-	2,851,200	2,851,200
Shareholder warrants	June 20, 2012	3.00	-	-	-	21,175,932	21,175,932
Broker warrants	April 13, 2007	1.05	193,720	(246,408)	-	52,688	-
Broker warrants	July 29, 2007	1.05	31,522	(127,062)	-	95,540	-
			8,840,327	(8,953,055)	(35,500)	25,175,360	25,027,132

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15. Share capital (continued):

(d) Contributed surplus:

Contributed surplus as of September 30, 2007 is comprised as follows:

As at December 31, 2006	\$	1,155
Stock-based compensation (i)		5,989
Transfer to share capital for exercise of stock and agents' options		(337)
Fair value of stock options issued to Queenstake option holders		113
Fair value of agents' options issued with June 2007 private placement		1,128
	\$	8,048

(i) The Company issued the following stock options to employees and contractors during the period ending September 30, 2007:

- (A) 65,000 options on April 3, 2007 with an exercise price of CDN\$1.61, expiring on April 3, 2012
- (B) 500,000 options on June 25, 2007 with an exercise price of CDN\$1.74, expiring on June 25, 2012.
- (C) 500,000 options on July 5, 2007 with an exercise price of CDN\$1.58, expiring July 5, 2012.
- (D) 3,410,000 options on August 10, 2007 with an exercise price of CDN\$1.74, expiring August 10, 2012.
- (E) 300,000 options issued on September 14, 2007 with an exercise price of CDN\$2.10, expiring September 14, 2009.

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

	April 3, 2012 expiring	June 25, 2012 expiring	July 5, 2012 expiring	August 10, 2012 expiring	September 14, 2009 expiring
Risk-free interest rate	4.24%	4.25%	4.72%	4.53%	4.14%
Dividend yield	0%	0%	0%	0%	0%
Weighted average expected life of options	5	5	5	5	2
Volatility	81%	79%	78%	78%	78%

The fair value of the stock options granted is included in the stock based compensation expenses in the statement of operations or included in the cost of mineral properties (cost allocated to fair value of options granted to Ketz River project contractors) and credited to contributed surplus.

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15. Share capital (continued):

(d) Contributed surplus (continued):

Continuity of stock options outstanding for the year to date ending September 30, 2007:

Expiry date	Exercise price	December 31,	Stock options issued	Stock options exercised	Stock options expired	September 30,
		2006				2007
		Number of stock options outstanding				Number of stock options outstanding
April 13, 2010	0.60	1,390,000	-	(510,000)	-	880,000
May 17, 2010	0.60	450,000	-	(450,000)	-	-
October 1, 2010	0.60	1,115,000	-	(3,000)	-	1,112,000
January 25, 2011	0.82	370,000	-	-	-	370,000
March 28, 2011	1.06	85,000	-	(10,000)	-	75,000
November 10, 2011	1.71	10,000	-	-	(10,000)	-
December 12, 2011	2.25	105,000	-	-	(30,000)	75,000
January 5, 2012	2.77	-	1,275,000	-	-	1,275,000
April 3, 2012	1.61	-	65,000	-	(10,000)	55,000
June 25, 2012	1.74	-	500,000	-	(25,000)	475,000
July 5, 2012	1.58	-	500,000	-	(25,000)	475,000
August 10, 2012	1.74	-	3,410,000	-	-	3,410,000
September 14, 2009	2.10	-	300,000	-	-	300,000
August 17, 2007	3.70	-	15,000	-	-	15,000
November 3, 2007	2.15	-	5,000	-	-	5,000
July 27, 2008	3.85	-	145,000	-	-	145,000
July 5, 2009	5.70	-	90,500	-	-	90,500
October 25, 2009	5.70	-	96,500	-	-	96,500
May 3, 2010	2.25	-	50,000	-	-	50,000
		3,525,000	6,452,000	(973,000)	(100,000)	8,904,000

Continuity of agents' options outstanding for the year to date ending September 30, 2007:

Expiry date	Exercise price	December 31,	Agents' options issued	Agents' options exercised	Agents' options expired	September 30,
		2006				2007
		Number of agents' options outstanding				Number of agents' options outstanding
April 13, 2007	0.65	105,380	-	(105,380)	-	-
July 28, 2007	0.75	191,085	-	(191,085)	-	-
May 30, 2007	1.55	273,017	-	(142,350)	(130,667)	-
June 20, 2009	2.10	-	1,798,725	-	-	1,798,725
		569,482	1,798,725	(438,815)	(130,667)	1,798,725

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16. Segmented information:

All of the Company's operations are related to the gold mining industry. As of the end of September 30, 2007 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:

	September 30, 2007	December 31, 2006
Assets:		
Canada	\$ 84,106	\$ 31,479
USA	184,173	433
	\$ 268,279	\$ 31,912
Liabilities:		
Canada	\$ 10,541	\$ 6,316
USA	53,643	-
	\$ 64,184	\$ 6,316

17. Commitments and contingencies:

(a) Commitments:

Effective July 1, 2007 Queenstake Resources USA, Inc. signed an amended and restated agreement for the purchase and sale of ore and concentrate with Newmont USA Limited (Newmont). This agreement supersedes the original agreement dated March 29, 2006 and amended December 22, 2006.

Per the terms of this agreement, the Company shall exercise its best efforts to process 1,000,000 tons of ore delivered by Newmont by December 31, 2008.

(b) Forward gold sales:

In order to protect its profits from the production of gold from ore purchased from third parties, as of September 30, 2007 the Company had entered into forward gold sales contracts to deliver 36,000 ounces of gold at an average price of \$675 per ounce. This approximates the number of ounces of gold contained in ore purchased from third parties as of September 30, 2007.

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17. Commitments and contingencies (continued):

(c) Legal:

Queenstake filed suit on January 19, 2007 against American International Specialty Lines Insurance Company, a subsidiary of AIG, (the Insurance Company) in United States District Court for the District of Colorado. The suit seeks \$8.4 million for construction of the evaporation pond at the Company's Jerritt Canyon operations in Nevada plus an unspecified amount for additional damages as a result of the Insurance Company's failure to reimburse Queenstake under its reclamation costs insurance policy. The matter has been referred to arbitration. Queenstake is being represented in this matter by Anderson Kill & Olick, P.C. of New York.

18. Subsequent events:

- (a) On October 9, 2007, the Company completed an agreement between YNG and Northwest Non-Ferrous International Investment Company Limited (NWI), a Chinese investment company 100% owned by NWME, to form a new Canadian company which will explore for and develop mineral resources in the Yukon Territory, Canada. The new company will, subject to governmental approvals, be named Yukon-Shaanxi Gold Company Inc. (Yukon-Shaanxi), and will initially be owned by YNG and NWI, each as to a 50% shareholding. The initial Board of Directors of Yukon-Shaanxi will comprise of six Directors, with equal representation from each of YNG and NWI.
- (b) On October 5, 2007, the Company closed a non-brokered private placement for a total of 5,000,000 flow-through shares to net the treasury an aggregate of CAD\$9,500,000.