

**EMPIRE MINING CORPORATION**  
(a development stage company)

**Interim Financial Statements**

**For the Six Month Period Ended  
November 30, 2005**

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(Unaudited and Prepared by Management)

# EMPIRE MINING CORPORATION (a development stage company)

Balance Sheet

As at

	November 30, 2005		May 31 2005
<b>Assets</b>			
Current assets:			
Cash	\$342,978	\$	189,280
Accounts receivable	14,660		10,910
Deferred costs (note 3)	-		10,000
	\$357,638	\$	210,190
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$21,708	\$	6,396
Due to related parties (note 5)	-		3,210
	21,708		9,606
Shareholders' equity:			
Share capital (note 4)	415,000		210,000
Deficit	(79,070)		(9,416)
	335,930		200,584
	\$357,638	\$	210,190

See accompanying notes to financial statements.

On behalf of the Board:

/s/ Robert Giustra Director

/s/ Kenneth Judge Director

# EMPIRE MINING CORPORATION (a development stage company)

## Statement of Loss and Deficit

	Three Months Ended	Six Months Ended
	November 30,2005	November 30,2005
Expenses:		
Administrative fees	\$ 12,639	\$ 21,814
Bank charges and interest	(337)	(258)
Investor Relations	3,503	5,291
Professional fees	21,730	21,730
Regulatory	14,402	18,077
Rent	1,500	3,000
Loss and deficit for the period	\$ 53,437	\$ 69,654

See accompanying notes to financial statements.

# EMPIRE MINING CORPORATION (a development stage company)

## Statement of Cash Flow

	Three months ended	Six months ended
	November 30,2005	November 30,2005
Cash provided by (used in):		
Operations:		
Loss for the period	\$ (53,437)	\$ (69,654)
Change in non-cash working capital:		
Accounts receivable	(12,715)	(3,750)
Deferred costs	45,716	10,000
Accounts payable	(1,336)	15,312
Due to related parties	-	(3,210)
	<u>(21,772)</u>	<u>(51,302)</u>
Financing		
Issuance of shares, net of costs	205,000	205,000
Increase in cash and cash equivalents	183,228	153,698
Cash and cash equivalents, beginning of period	159,750	189,280
Cash and cash equivalents, end of period	<u>\$ 342,978</u>	<u>\$ 342,978</u>

See accompanying notes to financial statements.

# **EMPIRE MINING CORPORATION** (a development stage company)

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## **1. Nature of operations**

The Company was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the *Business Corporations Act* (British Columbia) on January 4, 2005.

The Company has applied to become a Capital Pool Company as its principal business is the identification and evaluation of companies, assets or business with a view to completing a Qualifying Transaction in accordance with Policy 2.4 of the TSX Venture Exchange (the "Exchange").

## **2. Significant account policies**

### **(a) Measurement uncertainty**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates used in the financial statements.

### **(b) Financial instruments**

The carrying amounts of cash, amounts receivable, deferred costs, accounts payable and accrued liabilities and due to related parties approximate fair value because of the short-term maturity of these items.

## **3. Deferred costs**

Deferred costs are recorded at cost and include costs relating to the listing of the Company on the Exchange and undertaking an initial public offering. Upon successful completion of the initial public offering, these costs will be recorded as a reduction of share capital. If the initial public is not successfully completed, these costs will be charged to income. See note 6.

## **4. Share capital**

### **(a) Authorized**

Unlimited common shares without par value.

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**(b) Issued and fully paid**

	Number of Shares	Amount
Balance May 31, 2005	4,200,000	\$ 210,000
Issued for cash October 2005	2,500,000	250,000
Share issuance costs	-	(45,000)
Balance November 30, 2005	6,700,000	\$ 415,000

Pursuant to a prospectus filing on October 4, 2005, an aggregate of 2,500,000 common shares were issued. Issuance costs of \$45,000 were recorded against this issue and Broker warrants of 250,000 at \$0.10 per warrant were issued.

**5. Related party transactions**

During the period, the Company incurred administrative fees of \$7,500 and rent of \$1,500 to a company controlled by a director of the Company.

# **EMPIRE MINING CORPORATION**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE SIX MONTH PERIOD ENDED NOVEMBER 30, 2005**

## **Introduction**

The following discussion of performance and financial condition should be read in conjunction with the interim unaudited financial statements of the Company for the quarter ended November 30, 2005 and the audited financial statements for the year ended May 31, 2005. The Company's financial statements are prepared in accordance with Canadian GAAP. The Company's reporting currency is Canadian dollars unless otherwise stated. The date of this Management's Discussion and Analysis is January 30, 2006.

## **Description of Business**

Empire Mining Corporation (the "Company") was incorporated under the Canada Business Corporations Act on January 4, 2005. The Company is listed on the TSX Venture Exchange (the "Exchange") as a capital pool company ("CPC") under the trading symbol – EPC.P.

The Company was incorporated with the purpose of identifying and evaluating businesses and assets with a view to completing a qualifying transaction (the "Qualifying Transaction"). Any proposed Qualifying Transaction must be accepted by the Exchange and in the case of a Non Arm's Length Qualifying Transaction is also subject to shareholder approval in accordance with CPC Policy. The Company has not conducted commercial operations other than to enter into discussions for the purpose of identifying potential acquisitions or interests.

## **Qualifying Transaction**

The Company has not yet identified a property that would become a qualifying transaction.

## **Results of Operations – Current Period**

The Company incurred a \$53,437 loss during the current quarter. The costs incurred during this quarter are composed mainly of professional fees, consulting fees, and administration costs utilized in the identification and evaluation of a Qualifying Transaction.

## **Results of Operations – Year to Date**

The Company incurred a \$69,654 loss during the current period. There is no comparable amount in the prior period as the Company was only incorporated on January 4, 2005. This loss is attributable to professional fees and administration incurred in the identification and evaluation of a Qualifying Transaction.

## **Selected Quarterly Financial Data (\$)**

	Nov. 30 2005	Aug. 31 2005	May 31 2005
<b>Financial results:</b>			
Net loss for the period	53,437	16,217	9,416
Basic/Diluted loss per share	-	-	-
Resource expenditures	-	-	-

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Six Month Period Ended November 30, 2005

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**Balance sheet data:**

Cash	342,978	159,750	189,280
Resource properties	-	-	-
Total assets	357,638	207,411	210,190
Shareholders' equity	335,930	184,367	200,584

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**Liquidity**

The Company does not currently own or have an interest in any producing mineral properties and does not derive any revenues from operations. The Company's activities have been funded through equity financing and the Company expects that it will continue to be able to utilize this source of financing until it develops cash flow from operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of finance cannot be obtained, then the Company will be forced to curtail its activities to a level for which funding is available and can be obtained.

As at November 30, 2005, the Company had working capital of \$335,930 which included a cash balance of \$342,978. Management believes the Company currently has sufficient capital with which to fund the proposed property acquisitions, the initial exploration budget and general working capital requirements for the remainder of the year.

**Capital Resources**

On October 31, 2005, the Company had its prospectus approved and closed its placement of 2,500,000 common shares for gross proceeds of \$250,000.

During the prior year, the Company raised \$210,000 through an initial public offering.

**Commitments**

The Company had no significant commitments during the quarter.

**Outstanding Share Data**

- a) Authorized Share capital: unlimited common shares without par value
- b) Issued and Outstanding:

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	Number of Common Shares	Amount
Balance at May 31, 2005	4,200,000	\$ 210,000
Public offering	2,500,000	250,000
Less: Share Issue Costs		(45,000)
Balance at November 30, 2005	6,700,000	\$ 415,000

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- c) Number of shares held in escrow: 4,200,000 common shares which are subject to a standard 3 year release schedule

**Options**

A summary of stock options outstanding at November 30, 2005 is as follows:

Expiry Date	Number of Shares	Weighted Average Exercise Price
October 4, 2010	660,000	\$0.10
Total	660,000	\$0.10

**Warrants**

A summary of warrants outstanding at November 30, 2005 is as follows:

Expiry Date	Number of Shares	Weighted Average Exercise Price
October 31, 2007	250,000	\$0.10
Total	250,000	\$0.10

**Related Party Transactions**

During the period ended November 30, 2005, the Company paid \$18,000 in management services fees to a company owned by a director.

**Subsequent Events**

There were no material events that occurred subsequent to the end of the period.

**Financial and Other Instruments**

The Company's financial assets and liabilities consist of cash and cash equivalents, receivables and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these instruments approximates their carrying value due to the short term nature of their maturity.

### **Critical Accounting Estimates**

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the Financial Statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

### **Changes in Accounting Policies**

The Company did not implement any accounting policy changes during the period.

### **Off-Balance Sheet Arrangements**

The Company did not enter into any off-balance sheet arrangements during the period.

### **Risks and Uncertainties**

The Company is entering the mineral exploration and development business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include the following:

- a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates.
- b) The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development. Management was successful in accessing the equity markets during the period, but there is no assurance that such sources will be available on acceptable terms in the future.
- c) Any future equity financings by the Company for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.
- d) The Company must comply with environmental regulations governing air and water quality and land disturbance and provide for mine reclamation and closure costs.
- e) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to undertake its exploration and development activities in the future.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.

**Management's Responsibility for Financial Statements**

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

**Caution Regarding Forward Looking Statements**

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.