



EMPIRE
MINING CORPORATION

Suite 910 – 475 Howe Street
Vancouver, B.C.
V6C 2B3

FINANCIAL STATEMENTS

MAY 31, 2007 and 2006

AUDITORS' REPORT

To the Shareholders of Empire Mining Corporation:

We have audited the balance sheet of Empire Mining Corporation. (The "Company") as at May 31, 2007 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at May 31, 2006 and for the year then ended were audited by predecessor auditors who expressed an opinion without reservation on those statements in their report dated September 5, 2006.

PriceWaterhouseCoopers LLP

Vancouver, BC
July 5, 2007

CHARTERED ACCOUNTANTS

Empire Mining Corporation

(A Capital Pool Company)

Balance Sheets

As at

(Canadian Funds)

	May 31, 2007	May 31, 2006
ASSETS		
Current assets		
Cash	\$ 69,104	\$ 50,399
Term deposit (note 7)	-	200,000
Prepays and deposits	18,630	9,419
Receivables	23,334	2,582
	\$ 111,068	\$ 262,400
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 61,343	\$ 26,983
Due to related parties (note 4)	10,238	-
	71,581	26,983
Shareholders' equity		
Share capital (note 3)	404,112	400,546
Contributed surplus (note 3)	63,337	47,260
Deficit	(427,962)	(212,389)
	39,487	235,417
	\$ 111,068	\$ 262,400

Nature of operations and going concern (note 1)

Commitments (note 8)

On behalf of the Board:

/s/ Ken Judge

Ken Judge - Director

/s/ Robert Giustra

Robert Giustra - Director

The accompanying notes are an integral part of these financial statements

Empire Mining Corporation

(A Capital Pool Company)

Statements of Operations and Deficit

(Canadian Funds)

	For the Year Ended May 31, 2007	For the Year Ended May 31, 2006
Expenses		
Consulting fees	\$ 37,752	\$ 16,838
Corporate administration fees	51,186	40,396
Office and general	27,198	18,652
Professional fees	56,519	35,047
Shareholder relations	3,103	14,515
Stock-based compensation (note 3d)	17,143	41,929
Telecommunications	980	1,547
Transfer agent and filing fees	6,228	32,052
Travel	21,741	4,763
Loss before the following	(221,850)	(205,739)
Interest income	5,748	3,088
Foreign exchange gain (loss)	529	(322)
Net loss for the year	(215,573)	(202,973)
Deficit, beginning of year	(212,389)	(9,416)
Deficit, end of year	\$ (427,962)	\$ (212,389)
Basic and diluted loss per common share	\$ (0.03)	\$ (0.03)
Weighted average number of common shares outstanding (Basic and Diluted)	6,843,220	5,889,727

Nature of operations and going concern (note 1)

The accompanying notes are an integral part of these financial statements

Empire Mining Corporation

(A Capital Pool Company)

Statements of Cash Flows

(Canadian Funds)

	For the Year Ended May 31, 2007	For the Year Ended May 31, 2006
Cash Flows Used in Operating Activities		
Loss for the year	\$ (215,573)	\$ (202,973)
Item not affecting cash:		
Stock-based compensation	17,143	41,929
Changes in non-cash working capital items:		
Increase in prepaids and deposits	(9,211)	(9,419)
Decrease (increase) in receivables	(20,752)	8,328
Increase in accounts payable	34,360	8,520
Increase (decrease) in due to related parties	10,238	(3,210)
Net cash used in operating activities	(183,795)	(156,825)
Cash Flows used in Investing Activities		
Redemption (purchase) of term deposit	200,000	(200,000)
Net cash provided by (used in) investing activities	200,000	(200,000)
Cash Flows from Financing Activities		
Proceeds from the issuance of share capital	-	250,000
Exercise of agent's options	2,500	12,500
Share issuance costs incurred	-	(44,556)
Net cash provided by financing activities	2,500	217,944
Change in cash during the year	18,705	(138,881)
Cash, beginning of year	50,399	189,280
Cash, end of year	\$ 69,104	\$ 50,399
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for taxes	\$ -	\$ -

The significant non-cash transactions during the prior year were the Company incurring \$12,067 and \$10,663 in share issuance costs through accounts payable and the issuance of agent's options, respectively.

Nature of operations and going concern (note 1)

The accompanying notes are an integral part of these financial statements

Empire Mining Corporation

(A Capital Pool Company)

Notes to the Financial Statements

May 31, 2007 and 2006

1. NATURE OF OPERATIONS AND GOING CONCERN

Empire Mining Corporation (the "Company" or "Empire") was incorporated under the Business Corporations Act (B.C.) on January 4, 2005. The Company is classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange (the "TSX-V" or "Exchange") Listings Policy 2.4. The Company completed an initial public offering and commenced trading on the TSX-V on October 31, 2005.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due.

For the year ended May 31, 2007, the Company reported a loss of \$215,573 and an accumulated deficit of \$427,962 at that date. The Company must secure sufficient funding for existing working capital requirements. These circumstances lend substantial doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. In recognition of these circumstances, the Company has subsequently announced a financing of up to \$1,500,000 to fund operations.

The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an investment in properties, assets or businesses (a "Qualifying Transaction"). The Company has not yet completed its Qualifying Transaction.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

Income Taxes

Income taxes are accounted for using the asset and liability method. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on future taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

Empire Mining Corporation

(A Capital Pool Company)

Notes to the Financial Statements

May 31, 2007 and 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loss Per Share

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

Stock-Based Compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of the options is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

3. SHARE CAPITAL

- a) **Authorized** – Unlimited number of common shares without par value.
- b) **Issued and Outstanding**

	Number of shares	Amount	Contributed Surplus
As at May 31, 2005	4,200,001	210,000	-
Initial public offering ⁽¹⁾	2,500,000	250,000	-
Stock options issued	-	-	41,929
Agent's options exercised	125,000	12,500	-
Fair value of agent's option exercised	-	5,332	(5,332)
Less: Share issuance costs	-	(77,286)	10,663
As at May 31, 2006	6,825,001	400,546	47,260
Stock options issued	-	-	17,143
Agent's options exercised	25,000	2,500	-
Fair value of agent's option exercised	-	1,066	(1,066)
As at May 31, 2007	6,850,001	\$ 404,112	\$ 63,337

Empire Mining Corporation

(A Capital Pool Company)

Notes to the Financial Statements

May 31, 2007 and 2006

3. SHARE CAPITAL (continued)

⁽¹⁾ On October 31, 2005, the Company completed its initial public offering of 2,500,000 common shares for gross proceeds \$250,000. A total of 250,000 agent's options were issued in connection with the offering.

e) Escrowed Shares

There are 4,200,001 common shares that are subject to an escrow agreement and will be released from escrow 10% upon completion of the Company's Qualifying Transaction and an additional 15% every six months thereafter.

d) Stock Options

The following table summarizes information about stock options outstanding at May 31, 2007:

Number of Stock Options	Exercise Price	Expiry Date
610,000	\$0.10	October 31, 2010
60,000	\$0.35	July 17, 2011

The following is a summary of the changes in the Company's stock options during the year:

	Options Outstanding	Weighted Average Exercise Price Per Share	Weighted Average Time to Expiry
Balance – May 31, 2005	-	\$ -	-
Granted during the year	660,000	0.10	5.00 yrs
Balance – May 31, 2006	660,000	\$0.10	4.42 yrs
Granted during the year ¹	60,000	0.35	5.00 yrs
Cancelled during the year	(50,000)	0.10	-
Balance – May 31, 2007	670,000	\$0.12	3.49 yrs

During the year, 50,000 options of a former officer were cancelled and an additional 60,000 options were granted to current officers of the Company. A fair value of \$17,143 was determined on the grant date. All options vest immediately in accordance with the Company's stock option plan.

Empire Mining Corporation

(A Capital Pool Company)

Notes to the Financial Statements

May 31, 2007 and 2006

3. SHARE CAPITAL (continued)

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

<u>Assumption</u>	<u>Value</u>
Expected dividend yield ¹	0.00%
Expected stock price volatility ¹	110%
Risk-free interest rate ¹	4.10%
Expected life of options ¹	5 years

On October 31, 2005, the Company granted incentive options to purchase up to 660,000 common shares of the Company's stock to employees and non-employees of the Company at an exercise price of \$0.10 and a term of 5 years. A fair value of \$41,929 was determined on the grant date and has been recorded in the Company's loss from operations for the year.

e) Agent Options

The following is a summary of the Company's agent options outstanding at May 31, 2007:

Number of Agent Options	Exercise Price	Expiry Date
100,000	\$ 0.10	October 31, 2007

The following is a summary of the changes in the Company's agent options during the year:

	Warrants outstanding	Weighted average exercise price per share	Weighted Average Time to Expiry
Balance – May 31, 2005	-	\$ -	-
Granted during the year ²	250,000	0.10	2.00 yrs
Exercised during the year	(125,000)	0.10	-
Balance – May 31, 2006	125,000	\$0.10	1.42 yrs
Exercised during the year	(25,000)	0.10	-
Balance – May 31, 2007	100,000	\$0.10	0.42 yrs

During the year 25,000 agent's options were exercised for total proceeds of \$2,500. A total of \$1,066 has been transferred to common shares based on historical stock option compensation value of \$0.0427.

Empire Mining Corporation

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Notes to the Financial Statements

May 31, 2007 and 2006

3. SHARE CAPITAL (continued)

On October 31, 2005, the Company granted agent options to purchase up to 250,000 common shares of the Company's stock to Graydon Elliott at an exercise price of \$0.10 and a term of 2 years. A fair value of \$10,663 was determined on the grant date and has been recorded as share issuance costs in the Company's accounts. On January 18, 2006, 125,000 of these options were exercised at \$0.10 for total cash proceeds of \$12,500.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

<u>Assumption</u>	<u>Value</u>
Expected dividend yield ²	0.00%
Expected stock price volatility ²	75%
Risk-free interest rate ²	3.75%
Expected life of options ²	2 - 5 years

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

f) Share Purchase Warrants

The Company does not have any share purchase warrants issued or outstanding.

4. RELATED PARTY TRANSACTIONS

During the years ended May 31, 2007 and 2006:

- The Company incurred \$nil (2006 - \$27,000) in corporate administration fees, accounting fees and office rent to a company controlled by a former officer.
- The Company incurred \$92,661 (2006 - \$37,676) to HRG Management Ltd ("HRG") for office rent, administration, accounting, corporate secretarial, chief financial officer, investor relations and other related services. HRG is a management company jointly owned by the Company and certain other public companies, all of which share office space and staff on a cost recovery basis. The Company shares two directors in common with HRG.
- The Company incurred \$10,331 (2006 - \$nil) in fees to a director for consulting services and expense reimbursements.

Empire Mining Corporation

(A Capital Pool Company)

Notes to the Financial Statements

May 31, 2007 and 2006

4. RELATED PARTY TRANSACTIONS (continued)

As at May 31, 2007, \$10,238 (2006 - \$nil) is owed to a director for consulting fees and reimbursement of expenses.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, term deposits, and accounts payable. 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 financial instruments approximates their carrying values, unless otherwise noted.

6. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	2007	2006
Loss for the period	\$ (215,573)	\$ (202,973)
Tax rate	34.12%	34.12%
Expected income tax recovery	\$ (73,554)	\$ (69,254)
Non-taxable items	5,849	14,306
Deductible taxable items	(4,546)	(4,546)
Unrecognized benefit of non-capital loss	72,251	59,494
Total income tax recovery	\$ -	\$ -

Details of the Company's future income tax assets are as follows:

	2007	2006
Non-capital loss carryforwards	\$ 134,813	\$ 62,707
Share issuance costs	13,639	18,185
Valuation allowance	(148,452)	(80,892)
Net future income tax assets	\$ -	\$ -

The Company has available for deduction against future taxable income non-capital losses of \$395,115. These losses, if not utilized, will expire beginning in 2015.

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Notes to the Financial Statements

May 31, 2007 and 2006

6. INCOME TAXES (continued)

Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance.

7. TERM DEPOSITS

The Company invests any excess cash in risk-free guaranteed investment certificates (“GIC’s”).

	<u>2007</u>	<u>2006</u>
Maturity date	N/A	May 24, 2007
Interest rate	N/A	3.80%
Balance at May 31	\$ Nil	\$ 200,000

8. COMMITMENTS

Effective February 1, 2006, and amended on February 1, 2007, the Company entered into a services agreement with HRG in which the Company will pay a monthly corporate administration fee of approximately \$9,000 that includes office rent, administration, accounting, corporate secretarial, chief financial officer and other related services. HRG is a management company jointly owned by the Company and certain other public companies, all of which share office space and staff on a cost recovery basis. The agreement will expire December 31, 2008 and requires 180 days notice prior to termination by either party. The Company shares two directors in common with HRG.

9. SUBSEQUENT EVENTS

The Company announced a non-brokered financing of up to \$1,500,000 through the issuance of common shares at \$0.30 per share.



EMPIRE
MINING CORPORATION

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MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE YEAR ENDED
MAY 31, 2007**

EMPIRE MINING CORPORATION

Management's Discussion and Analysis

For the Year Ended May 31, 2007

Introduction

The following discussion of performance and financial condition should be read in conjunction with the audited financial statements of the Company for the year ended May 31, 2007. The Company's financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principals ("GAAP"). The Company's reporting currency is Canadian dollars unless otherwise stated. The date of this Management's Discussion and Analysis is July 5, 2007.

Description of Business

Empire Mining Corporation (the "Company") was incorporated under the Business Corporations Act (British Columbia) on January 4, 2005. The Company is listed on the TSX Venture Exchange (the "TSX-V" or "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 it is also subject to shareholder approval in accordance with CPC Policy. The Company has not conducted any commercial operations other than to enter into discussions for the purpose of identifying potential asset acquisitions or interests.

As a result of the extremely favorable commodities markets and the inherent strengths of the management team, the Company's intention is to acquire an advanced stage mineral exploration project that will significantly enhance shareholder value.

Results of Operations – 4th Quarter

The Company incurred a \$94,168 loss during the current quarter versus a \$65,102 loss during the same period in the prior year. This amounts to a \$29,066 (45%) increase which can be primarily attributed to a substantial increase in professional, consulting and property investigation fees associated with identifying a qualifying transaction.

EMPIRE MINING CORPORATION

Management's Discussion and Analysis

For the Year Ended May 31, 2007

Results of Operations – Year

The Company incurred a \$215,573 loss during the year versus \$202,973 during the year ended May 31, 2006. This amounts to a \$12,600 (6%) increase over the prior year. The increase is attributable mainly in a general increase in corporate activity and the costs associated with identifying a qualifying transaction.

Selected Quarterly Financial Data (\$)

Financial results:	May 31 2007	Feb. 28 2007	Nov. 30 2006	Aug. 31 2006	May 31 2006	Feb. 28 2006	Nov. 30 2005	Aug. 31 2005
Net loss for the period	94,168	37,815	33,238	50,352	65,102	68,217	53,437	16,217
Basic/Diluted loss per share	0.01	0.01	0.00	0.01	0.01	0.01	0.01	0.00
Resource expenditures	-	-	-	-	-	-	-	-

Balance sheet data:	May 31 2007	Feb. 28 2007	Nov. 30 2006	Aug. 31 2006	May 31 2006	Feb. 28 2006	Nov. 30 2005	Aug. 31 2005
Cash and GIC	69,104	112,960	158,203	210,950	250,399	310,128	342,978	159,750
Resource properties	-	-	-	-	-	-	-	-
Total assets	111,068	137,809	171,915	225,100	262,400	318,075	357,638	207,411
Shareholders' equity	39,487	133,655	171,470	202,208	235,417	290,213	335,930	184,367

EMPIRE MINING CORPORATION

Management's Discussion and Analysis

For the Year Ended May 31, 2007

Selected Annual Information (\$)

	May 31, 2007	May 31, 2006	May 31, 2005
Financial results:			
Net loss for year	215,573	202,973	9,416
Basic and diluted loss per share	0.03	0.03	0.01
Expenditures on resource properties	-	-	-
Balance sheet data:			
Cash and short term deposits	69,104	250,399	189,280
Resource properties	-	-	-
Total assets	111,068	262,400	210,190
L/T Financial liabilities	-	-	-
Shareholders' equity	39,487	235,417	200,584

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 identifies a Qualifying Transaction and ultimately 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 May 31, 2007, the Company had working capital of \$39,487 (2006 – \$235,417) which included a cash balance of \$69,104. Management intends to raise additional capital with which to locate a suitable Qualifying Transaction and provide for general working capital requirements for the next 12 months. (Refer to Subsequent Events)

Capital Resources

On January 18, 2006, the Company received \$12,500 from the exercise of 125,000 agent's options.

On October 31, 2005, the Company completed its initial public offering for gross proceeds of \$250,000 and listed its common shares on the TSX Venture Exchange.

During April 2005, the Company raised \$210,000 in seed capital through a private placement.

EMPIRE MINING CORPORATION

Management's Discussion and Analysis

For the Year Ended May 31, 2007

Outstanding Share Data

a) **Authorized Share capital:** Unlimited common shares without par value

b) **Issued and Outstanding:**

	Number of Common Shares	Amount
Balance May 31, 2005	4,200,001	210,000
Initial Public Offering ⁽¹⁾	2,500,000	250,000
Exercise of agent's options	125,000	12,500
Fair value of agent's options exercised	-	5,532
Less: Share issue costs	-	(77,286)
Balance May 31, 2006	6,825,001	400,546
Exercise of agent's options	25,000	2,500
Fair value of agent's options exercised	-	1,066
Balance at July 5, 2007 and May 31, 2007	6,850,001	404,112

1) The Company issued 2,500,000 common shares by way of its initial public offering at \$0.10 per share for gross proceeds of \$250,000. A total of 250,000 agent's options were issued as part of the compensation for the financing.

c) **Escrowed Shares:** There are 4,200,001 common shares that are subject to a standard 3 year release schedule which allows 10% to be released upon exchange acceptance of the Qualifying Transaction and 15% every 6 months thereafter.

Options

A summary of stock options outstanding at May 31, 2007 is as follows:

Expiry Date	Number of Shares	Weighted Average Exercise Price
October 31, 2010	610,000	\$0.10
July 17, 2011	60,000	\$0.35

EMPIRE MINING CORPORATION

Management's Discussion and Analysis

For the Year Ended May 31, 2007

Agent's Options

A summary of agent's options outstanding at May 31, 2007 is as follows:

Expiry Date	Number of Shares	Weighted Average Exercise Price
October 31, 2007	100,000	\$0.10

Commitments

Effective February 1, 2006, and amended on February 1, 2007, the Company entered into a services agreement with HRG in which the Company will pay a monthly corporate administration fee of approximately \$9,000 that includes office rent, administration, accounting, corporate secretarial, chief financial officer and other related services. HRG is a management company jointly owned by the Company and certain other public companies, all of which share office space and staff on a cost recovery basis. The agreement will expire December 31, 2008 and requires 180 days notice prior to termination by either party. The Company shares two directors in common with HRG.

Related Party Transactions

During the years ended May 31, 2007 and 2006:

- The Company incurred \$nil (2006 - \$27,000) in corporate administration fees, accounting fees and office rent to a company controlled by a former officer.
- The Company incurred \$92,661 (2006 - \$37,676) to HRG Management Ltd ("HRG") for office rent, administration, accounting, corporate secretarial, chief financial officer, investor relations and other related services. HRG is a management company jointly owned by the Company and certain other public companies, all of which share office space and staff on a cost recovery basis. The Company shares two directors in common with HRG.
- The Company incurred \$10,331 (2006 - \$nil) in fees to a director for consulting services and expense reimbursements.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

EMPIRE MINING CORPORATION

Management's Discussion and Analysis

For the Year Ended May 31, 2007

Subsequent Events

The Company announced a non-brokered financing of up to \$1,500,000 through the issuance of common shares at \$0.30 per share.

Financial and Other Instruments

The Company's financial assets and liabilities consist of cash and cash equivalents, receivables and accounts payables. 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

During the period, the Company adopted the new CICA Financial Instruments Standards for recognition, measurement and disclosure of financial instruments.

Off-Balance Sheet Arrangements

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

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:

EMPIRE MINING CORPORATION

Management's Discussion and Analysis

For the Year Ended May 31, 2007

- a) The industry is capital intensive and subject to fluctuations in commodity 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 current 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.

Other Information

Additional information about the Company is available on the Company's website at www.empireminingcorp.com or SEDAR at www.sedar.com.

EMPIRE MINING CORPORATION

Management's Discussion and Analysis

For the Year Ended May 31, 2007

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.

Corporate Information

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Directors:	Robert Giustra Kenneth Judge John Prochnau
Officers:	Ken Judge, President and CEO Sean McGrath, CFO
Auditor:	PricewaterhouseCoopers PricewaterhouseCoopers Place 7 th Floor, 250 Howe Street Vancouver, BC V6C 3S7
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