



EMPIRE
MINING CORPORATION

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

MANAGEMENT DISCUSSION AND ANALYSIS

**FOR THE NINE MONTH PERIOD ENDED
FEBRUARY 29, 2008
(unaudited)**

EMPIRE MINING CORPORATION

Management Discussion and Analysis

For the Nine Month Period Ended February 29, 2008

(unaudited)

Introduction

The following discussion of performance and financial condition should be read in conjunction with the interim consolidated financial statements for the nine month period ended February 29, 2008 and 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 GAAP. The Company's reporting currency is Canadian dollars unless otherwise stated. The date of this Management's Discussion and Analysis is April 21, 2008.

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 "Exchange") as a tier 2 mining issuer under the trading symbol – EPC.

The Company entered into an option agreement (the "Agreement") with Anatolia Minerals Development Ltd. ("Anatolia"), to earn a 65% interest in the Bursa copper-molybdenum-gold porphyry property (the "Property") located in western Turkey.

Pursuant to the terms of the Agreement, dated September 17, 2007, Empire can earn a 65% interest in the Property by:

- 1) Making cash payments to Anatolia totaling US\$520,000 over 5 years;
- 2) Making payments to Anatolia over 5 years of Empire common shares totaling 5% of Empire's fully diluted share capital as at the 5th anniversary of the Agreement;
- 3) Making expenditures on the Property totaling US\$7.5 million over 5 years, of which US\$300,000 are mandatory; and
- 4) Completing a pre-feasibility report on the Property by the 6th anniversary of the Agreement.

Upon earning a 65% interest in the Property, Empire and Anatolia will enter into a formal joint venture agreement establishing each party's ownership, rights and obligations in the joint development and operation of the Property.

The Bursa Property is situated over a belt of demonstrated copper ("Cu") and molybdenum ("Moly") porphyry systems in Bursa and Kutahya provinces, 120km south of Istanbul.

The most consistently mineralized porphyry system found on the Bursa Property to date is Karapinar where past drilling by RTZ intersected 0.35% Cu over approximately 350 meters. Assays consistently surpassed 0.01% Moly towards the bottom of these holes and occasionally exceeded 0.04% Moly and gold averaged 0.15g/t Au. A number of drill targets on the Property with potential for economically important porphyry and associated skarn systems remain untested.

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A technical report with respect to the Property was prepared in accordance with the requirements of NI 43-101 and was filed on Sedar on October 31, 2007. With the exception of the technical report, Empire's Qualified Person is John F. Prochnau, P.Eng., a director of the Company.

Results of Operations – Current Period

The Company incurred a \$410,030 loss during the current quarter versus a \$37,815 loss during the same period in the prior year. This amounts to a \$372,215 (985%) increase which can be primarily attributed to an increase in regulatory, professional and consulting fees associated with the completion of the Company's qualifying transaction. In addition, increases in directors' fees, management fees, stock based compensation, and property investigation expenses have also contributed to the increase.

Results of Operations – YTD

The Company incurred a \$610,827 loss during the period versus a \$121,405 loss during the same period in the prior year. This amounts to a \$489,422 (404%) increase which can be primarily attributed to an increase in regulatory, professional and consulting fees associated with the completion of the Company's qualifying transaction. In addition, increases in directors' fees, management fees, stock based compensation, and property investigation expenses have also contributed to the increase.

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 feasible resource 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 February 29, 2008, the Company had working capital of \$843,417 which included a cash balance of \$208,782 and a liquid GIC of \$600,000. Subsequent to period end, the Company completed a private placement raising \$1,623,040. (See subsequent events) Management believes the Company currently has sufficient capital with which to explore its new mineral exploration project and provide for general working capital requirements for the next 12 months.

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Selected Quarterly Financial Data (\$)

Financial results:	Feb. 28 2008	Nov. 30 2007	Aug. 31 2007	May 31 2007	Feb. 28 2007	Nov. 30 2006	Aug. 31 2006	May 31 2006
Net loss for the period	410,030	102,376	98,422	94,168	37,815	33,238	50,352	65,102
Basic/Diluted loss per share	0.04	0.01	0.01	0.01	0.01	0.00	0.01	0.01
Resource expenditures	57,703	166,257	-	-	-	-	-	-

Balance sheet data:	Feb. 28 2008	Nov. 30 2007	Aug. 31 2007	May 31 2007	Feb. 28 2007	Nov. 30 2006	Aug. 31 2006	May 31 2006
Cash and GIC	808,782	1,160,918	1,392,183	69,104	112,960	158,203	210,950	250,399
Resource properties	57,703	166,257	-	-	-	-	-	-
Total assets	1,133,070	1,410,649	1,446,803	111,068	137,809	171,915	225,100	262,400
Shareholders' equity	1,067,377	1,388,863	1,381,239	39,487	133,655	171,470	202,208	235,417

Outstanding Share Data

As of April 21, 2008, the following equity securities were outstanding:

Common Shares	17,560,128
Warrants	2,705,066
Agent's Warrants	432,810
Stock Options	2,000,000
Fully Diluted	22,698,004

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 fee of approximately \$9,050 that includes office rent, corporate 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.

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Related Party Transactions

During the nine month period ended February 29, 2008, the Company incurred \$102,120 (2006 - \$58,657) in fees which include office rent, corporate administration, accounting, corporate secretarial, chief financial officer and other related services, to HRG Management Ltd. (“HRG”). 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.

As at February 29, 2008, \$10,000 (2007 - \$22,000) is due from HRG for reimbursement of fees paid in the prior year. The reimbursement resulted from operational efficiency within HRG.

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.

Changes in Accounting Policies

The Company implemented the following accounting policy changes during the period.

Effective June 1, 2007, the Company adopted two new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”); Section 1530, “Comprehensive Income” and Section 3855, “Financial Instruments – recognition and measurement”. These standards were adopted on a prospective basis, and as such prior periods have not been restated.

(a) Comprehensive Income

Section 1530 introduces Comprehensive Income which is comprised of Net Income and Other Comprehensive Income (“OCI”) and represents changes in Shareholders’ Equity during a period arising from transactions and other events with non-owner sources. Other Comprehensive income includes unrealized gains and losses on financial assets classified as available-for-sale, unrealized foreign currency translation amounts, net of hedging, arising from self-sustaining foreign operations, and changes in the fair value of the effective portion of cash flow hedging instruments. The Company’s financial statements will include a Statement of Comprehensive Income and the cumulative amount, Accumulated Other Comprehensive Income (“AOCI”) will be presented as a new category of Shareholders’ Equity in the Balance Sheet.

(b) Financial Instruments – Recognition and Measurement

Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the Balance Sheet when the Company becomes a party to contractual provisions of the financial instrument or a derivative contract. All financial instruments should be measured at fair value on initial recognition except for certain related

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party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities.

Financial assets and financial liabilities held-for-trading will be measured at fair value with gains and losses recognized in the Company's loss for the period. Financial assets held-to-maturity, loans and receivables and financial liabilities, other than those held-for-trading, will be measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets will be measured at fair value with unrealized gains and losses including changes in foreign exchange rates being recognized in OCI. Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market will be measured at cost. Derivative instruments must be recorded on the balance sheet at fair value including those derivatives that are embedded in financial instruments or other contracts but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments will be recognized in the Company's loss for the period, except for derivatives that are designated as a cashflow hedge, the fair value change for which will be recognized in OCI. Section 3855 permits an entity to designate any financial instrument as held-for-trading on initial recognition or adoption of the standard, even if that instrument would not otherwise satisfy the definition of held-for-trading set out in Section 3855.

Other significant accounting implications arising on adoption of Section 3855 include the initial recognition of certain financial guarantees at fair value on the balance sheet and the immediate expensing of any related transaction costs, fees or premiums.

Capital Resources

Subsequent to period end, the Company raised \$1,623,040 by issuing 5,410,132 units ("units") at \$0.30 per unit. Each unit is comprised of one common share and one half of one share purchase warrant. A total of 2,705,066 share purchase warrants were issued in conjunction with the financing. (See subsequent events)

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.

EMPIRE MINING CORPORATION

Management Discussion and Analysis

For the Nine Month Period Ended February 29, 2008

(unaudited)

Subsequent Events

- a) Subsequent to the period end, the Company incorporated a wholly owned subsidiary located in the Republic of Albania. To date, the subsidiary has incurred no expenses and has no operations.
- b) Subsequent to period end, the Company arranged a brokered private placement raising gross proceeds of \$1,623,040 by issuing 5,410,132 units ("units") at \$0.30 per unit. Each unit is comprised of one common share and one half of one share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at the price of \$0.38 for a period of 18 months following the closing.

Canaccord Capital Corp (the "Agent") received a cash commission totaling \$129,843 on the sale of the units, which represented 8% of the gross proceeds and also received 432,810 warrants, which represented 8% of the aggregate number of units sold, entitling the Agent to purchase additional common shares at a price of \$0.38 per share for a period of 18 months following the closing.

Financial and Other Instruments

The Company's financial assets and liabilities consist of cash and cash equivalents, receivables, due to and from related parties 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.

Disclosure and Internal Controls

Disclosure controls and procedures have been established to provide reasonable assurance that material information relating to the Company is made known to management, particularly during the period in which annual filings are being prepared. Furthermore, internal controls over financial reporting have been established to ensure the Company's assets are safeguarded and to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian GAAP.

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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 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.

Off-Balance Sheet Arrangements

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

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.

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For the Nine Month Period Ended February 29, 2008

(unaudited)

Other Information

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

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

Head Office: Suite 910 – 475 Howe Street
Vancouver, BC V6C 2B3

Directors: Robert Giustra
Kenneth Judge
David Cliff
John Prochnau

Officers: David Cliff, President and Chief Executive Officer
Sean McGrath, Chief Financial Officer
Jacqueline Collins, Corporate Secretary

Auditor: PricewaterhouseCoopers
PricewaterhouseCoopers Place
7th Floor, 250 Howe Street
Vancouver, BC V6C 3S7

Legal Counsel: Lang Michener LLP
Suite 1500 - 1055 West Georgia Street
Vancouver, BC V6E 4N7

Transfer Agent: Computershare Investor Services
2nd Floor – 510 Burrard Street
Vancouver, BC V6C 3B9



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MINING CORPORATION

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V6C 2B3

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTH PERIOD ENDED
February 29, 2008
(Unaudited)**

Management Responsibility for Financial Reporting

The accompanying interim consolidated financial statements have been prepared by management and are in accordance with Canadian generally accepted accounting principles. Other information contained in this document has also been prepared by management and is consistent with the data contained in the consolidated financial statements. A system of internal control is maintained by management to provide reasonable assurance that assets are safeguarded and financial information is accurate and reliable. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has a process in place to evaluate internal control over financial reporting. Based on that evaluation, management has concluded that internal control over financial reporting was effective as of February 29, 2008.

The board of directors approves the interim consolidated financial statements and ensures that management discharges its financial responsibilities. The board's review is accomplished principally through the audit committee. The audit committee meets periodically with management and the auditors to review financial reporting and control matters.

“Ken Judge”
Chairman of the Board

“David Cliff ”
President and CEO

April 21, 2008
Vancouver, British Columbia

Empire Mining Corporation
(A Development Stage Company)
Interim Consolidated Balance Sheet
As at February 29, 2008
Canadian Funds

Statement 1

ASSETS	February 29, 2008	May 31, 2007 (Audited)
Current		
Cash	\$ 208,782	\$ 69,104
Term deposit (Note 3)	600,000	-
Receivables	32,480	1,334
Due from related parties (Note 6)	10,000	22,000
Prepaid expenses and deposits	57,848	18,630
	<u>909,110</u>	111,068
Mineral Properties (Note 4)	<u>223,960</u>	-
	<u>\$ 1,133,070</u>	<u>\$ 111,068</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 65,693	\$ 61,343
Due to related parties (Note 6)	-	10,238
	<u>65,693</u>	<u>71,581</u>
SHAREHOLDERS' EQUITY		
Share Capital (Note 5)	1,958,551	404,112
Contributed Surplus (Note 5)	147,615	63,337
Deficit	<u>(1,038,789)</u>	<u>(427,962)</u>
	<u>1,067,377</u>	39,487
	<u>\$ 1,133,070</u>	<u>\$ 111,068</u>

Nature of Operations and Going Concern (Note 1)

Commitments (Note 8)

Subsequent Events (Note 11)

Approved by the Board of Directors:

"Ken Judge"
Ken Judge
Director

"Robert Giustra"
Robert Giustra
Director

The accompanying notes are an integral part of these interim consolidated financial statements

Empire Mining Corporation*(A Development Stage Company)*Statement 2**Interim Consolidated Statement of Loss, Comprehensive Loss and Deficit****For the periods ended February 29, 2008 and 2007***Canadian Funds*

	Three month period ended February 29, 2008	Nine month period ended February 29, 2008	Three month period ended February 28, 2007	Nine month period ended February 28, 2007
Expenses				
Consulting fees	\$ 50,936	\$ 51,034	\$ 3,799	\$ 10,556
Corporate administration fees	14,724	42,198	14,743	45,807
Director fees	10,500	13,500	-	-
Management fees	28,334	28,334	-	-
Office and general	18,437	34,139	6,723	18,585
Professional fees	55,760	96,354	6,244	14,766
Property investigation	108,175	173,369	-	-
Shareholder relations	6,268	11,996	2,771	11,010
Stock-based compensation (<i>Note 5d</i>)	88,543	88,543	-	17,143
Telecommunications	743	941	193	756
Transfer agent and regulatory fees	18,431	74,263	3,750	6,228
Travel	17,710	18,518	943	1,537
Loss before other income (expenses)	(418,561)	(633,189)	(39,166)	(126,389)
Other income (expenses)				
Interest income	11,790	31,297	1,354	5,002
Foreign exchange loss	(3,259)	(8,935)	(3)	(19)
Loss and comprehensive loss for the period	(410,030)	(610,827)	(37,815)	(121,405)
Deficit - Beginning of Period	(628,759)	(427,962)	(295,979)	(212,389)
Deficit – End of Period	\$ (1,038,789)	\$ (1,038,789)	\$ (333,794)	\$ (333,794)
Weighted Average Shares Outstanding	10,480,052	10,480,052	6,850,001	6,840,935
Loss per Share – Basic and Diluted	\$ (0.04)	\$ (0.06)	\$ (0.01)	\$ (0.02)

The accompanying notes are an integral part of these interim consolidated financial statements

Empire Mining Corporation

(A Development Stage Company)

Interim Consolidated Statements of Cash Flows

For the periods ended February 29, 2008 and 2007

Canadian Funds

Statement 3

	Three months ended February 29, 2008	Nine months ended February 29, 2008	Three months ended February 28, 2007	Nine months ended February 28, 2007
Cash Resources Provided By (Used In)				
Operating Activities				
Loss for the period	\$ (410,030)	\$ (610,827)	\$ (37,815)	\$ (121,405)
Items not affected by cash:				
Stock based compensation	88,543	88,543	-	17,143
Changes in non-cash working capital items:				
Decrease (increase) in receivables	(2,253)	(32,885)	3,074	1,363
Decrease in due to related parties	-	(1,630)	-	-
Increase (decrease) in accounts payable	43,907	(5,888)	3,709	(22,829)
Increase in prepaids and deposits	(14,600)	(23,849)	(14,211)	(14,211)
Net cash used in operating activities	(294,433)	(586,536)	(45,243)	(139,939)
Financing Activities				
Common shares issued for cash	-	1,499,998	-	-
Exercise of agent's options	-	10,000	-	-
Share issuance (costs) recovery	-	(59,824)	-	2,500
Net cash provided by financing activities	-	1,450,174	-	2,500
Investing Activities				
Exploration expenditures	(37,598)	(64,783)	-	-
Acquisition of mineral properties	(20,105)	(59,177)	-	-
Redemption (purchase) of term deposit	500,000	(600,000)	60,000	105,000
Net cash provided by (used in) investing activities	442,297	(723,960)	60,000	105,000
Net change in Cash	147,864	139,678	14,757	(32,439)
Cash - Beginning of Period	60,918	69,104	3,203	50,399
Cash - End of Period	\$ 208,782	\$ 208,782	\$ 17,960	\$ 17,960

Supplementary Cash Flow Information (Note 10)

Term deposit (Note 3)

The accompanying notes are an integral part of these interim consolidated financial statements

Empire Mining Corporation

(A Development Stage Company)

Notes to the Interim Consolidated Financial Statements

For the Nine Month Period Ended February 29, 2008

(unaudited)

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 completed an initial public offering and commenced trading on the TSX-V on October 31, 2005 and was classified as a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (the “TSX-V” or “Exchange”) Listings Policy 2.4. On November 12, 2007 the Company completed its qualifying transaction and became a tier 2 mining issuer.

Its principal business activities are the exploration and development of mineral properties. All of the Company’s mineral properties are currently located in Turkey. The Company is in the process of exploring and developing its mineral properties, but has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production. To date, the Company has not received any revenue from mining operations and is considered to be in the development stage.

These interim consolidated financial statements have been prepared on a going concern basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. For the nine month period ended February 29, 2008, the Company reported a loss of \$610,827 and an accumulated deficit of \$1,038,789 at that date. Its ability to continue as a going concern is dependent upon the continued support of the related parties, the ability of the Company to raise equity financing, the discovery of economically recoverable reserves and ultimately the attainment of profitable operations. 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. These interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

Basis of presentation

These interim consolidated financial statements are presented in accordance with generally accepted accounting principles (“GAAP”) applicable in Canada. These interim consolidated financial statements include the accounts of Empire Mining Corporation and its wholly owned subsidiary Empire International Mining Corporation, a British Virgin Island (“BVI”) company. All inter-company transactions and balances have been eliminated upon consolidation.

Empire Mining Corporation

(A Development Stage Company)

Notes to the Interim Consolidated Financial Statements

For the Nine Month Period Ended February 29, 2008

(unaudited)

2. Significant Accounting Policies (continued)

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

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.

Loss Per Share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized from the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Diluted loss per common share has not been presented separately as this calculation proved to be anti-dilutive.

Basic and diluted loss per common share are calculated using the weighted average number of shares outstanding during the period.

Empire Mining Corporation

(A Development Stage Company)

Notes to the Interim Consolidated Financial Statements

For the Nine Month Period Ended February 29, 2008

(unaudited)

2. Significant Accounting Policies (continued)

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.

Mineral properties

The Company is in the exploration stage and defers all expenditures related to its mineral properties until such time as the property is put into commercial production, sold or abandoned. Under this method, the amounts reported represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values.

If the property is put into commercial production, the expenditures will be depleted based upon the proven reserves available. If the property is sold or abandoned, then the expenditure will be charged to operations. The Company does not accrue the estimated future costs of maintaining in good standing its mineral properties.

In the event that reserves are determined, the carrying values of a mineral property interest, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, then the mineral property will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized is dependent upon the identification of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and to realize profitable production and proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment are based on current conditions. However, it is possible that changes could occur in the near term, which could adversely affect management's estimates and result in future write-downs of the capitalized property carrying values.

Property investigation costs consist of exploration expenditures incurred in the process of evaluating potential property acquisitions. These costs are expensed as incurred unless the property is subsequently acquired and then the expenses are deferred.

Empire Mining Corporation

(A Development Stage Company)

Notes to the Interim Consolidated Financial Statements

For the Nine Month Period Ended February 29, 2008

(unaudited)

2. Significant Accounting Policies (continued)

Risk Management

The Company is engaged primarily in mineral exploration and manages related industry risk issues directly. The Company is at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate significant environmental remediation costs or liabilities in respect of its current operations.

The Company's functional currency is the Canadian dollar. The Company is not exposed to significant credit concentration, interest rate, or foreign currency risks.

Financial Instruments – Recognition and Measurement

CICA Handbook Section 3855 establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. It requires that financial assets and financial liabilities, including derivatives, be recognized on the Balance Sheet when the Company becomes a party to contractual provisions of the financial instrument or a derivative contract. All financial instruments should be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities.

Financial assets and financial liabilities held-for-trading are measured at fair value with gains and losses recognized in the Company's loss for the period. Financial assets held-to-maturity, loans and receivables and financial liabilities, other than those held-for-trading, are measured at amortized cost using the effective interest method of amortization. Available-for-sale financial assets are measured at fair value with unrealized gains and losses including changes in foreign exchange rates being recognized in other comprehensive income ("OCI") upon adoption.

Derivative instruments must be recorded on the balance sheet at fair value including those derivatives that are embedded in financial instruments or other contracts but are not closely related to the host financial instrument or contract, respectively. Changes in the fair values of derivative instruments are recognized in the Company's loss for the period, except for derivatives that are designated as a cash flow hedge, the fair value change for which is recognized in OCI. The Company has elected to recognize all transaction costs to the carrying amount (for non-trading instruments) that are directly attributable to the acquisition or issue of a financial asset or financial liability to the financial instrument on initial recognition. Section 3855 permits an entity to designate any financial instrument as held-for-trading on initial recognition or adoption of the standard, even if that instrument would not otherwise satisfy the definition of held-for-trading set out in Section 3855.

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2. Significant Accounting Policies (continued)

Financial Instruments – Recognition and Measurement (continued)

Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed, as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item. The adoption of this section is optional. The Company is not currently engaged in hedging activities.

Other significant accounting implications arising from Section 3855 include the initial recognition of certain financial guarantees at fair value on the balance sheet and the immediate expensing of any related transaction costs, fees or premiums.

The Company's financial instruments include cash, term deposits, receivables, amounts due to and from related parties, and accounts payable. The fair value of arms-length financial instruments approximates their carrying value due to their short-term to maturity.

Upon adoption of this new standard, the Company designated its cash and cash equivalents as held-for-trading, which is measured at fair value. Receivables have been designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities, which are measured at amortized cost.

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 value due to their short-term maturity or capacity of prompt liquidation.

Recent Canadian Accounting Pronouncements

Recent Canadian accounting pronouncements that have been issued but are not yet effective, and which may affect the Company's financial reporting are summarized below:

(i) Capital Disclosures

In December 2006, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 1535, *Capital Disclosures*, which establishes standards for disclosing information about an entity's capital and how it is managed. The entity's disclosure should include information about its objectives, policies and processes for managing capital and disclosure whether or not it has complied and the consequences of non-compliance with any capital requirements to which it is subject.

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2. Significant Accounting Policies (continued)

Recent Canadian Accounting Pronouncements (continued)

Capital Disclosures (continued)

This new standard will become effective for the Company beginning on March 1, 2008. The Company is reviewing this standard and has not yet determined the impact, if any, on the consolidated financial statements.

(ii) Financial Instruments – Disclosures and Financial Instruments - Presentation

In December 2006, the CICA issued Handbook Sections 3862, *Financial Instruments – Disclosures*, and 3863, *Financial Instruments – Presentation*. Section 3862 modifies the disclosure requirements of Section 3861, *Financial Instruments – Disclosure and Presentation*, including required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks, whereas Section 3863 carries forward the presentation related requirements of Section 3861. These new standards will become effective for the Company beginning on March 1, 2008. The Company is currently evaluating the impact of this standard.

(iii) Going Concern

In April 2007, the CICA approved amendments to Handbook Section 1400, *General Standards of Financial Statement Presentation*. These amendments require management to assess an entity's ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity's ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. The new requirements of the standard are applicable for interim and annual financial statements relating to fiscal years beginning on or after March 1, 2008. The Company is currently evaluating the impact of this standard.

(iv) International Financial Reporting Standards (“IFRS”)

In January 2006, CICA Accounting Standards Board (“AcSB”) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards (“IFRS”) by the end of 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

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2. Significant Accounting Policies (continued)

Recent Canadian Accounting Pronouncements (continued)

(v) Accounting changes

Effective December 1, 2007, the Company adopted revised CICA Section 1506, *Accounting Changes*, which provides expanded disclosures for changes in accounting policies, accounting estimates and corrections of errors. Under this standard, accounting changes should be applied retrospectively unless otherwise permitted or where impracticable to determine. As well, voluntary changes in accounting policy are made only when required by a primary source of GAAP or the change results in more relevant and reliable information. The adoption of this section had no material impact on the consolidated financial statements of the Company.

(vi) Equity

Effective December 1, 2007, the Company adopted CICA Section 3251, *Equity*, which establishes standards for the presentation of equity and changes in equity during the reporting periods presented. As there are no changes resulting from the adoption of this policy, there has been no impact on the Company's consolidated financial statements for any of the periods presented.

3. Term Deposit

Details are as follows:

	February 29, 2008	May 31, 2007
Short-term Investment Certificate	\$600,000	-
Maturity date	August 2, 2008	-
Interest rate per annum	4.40%	-

The short-term investment certificate was issued by the Bank of Montreal and is redeemable at any time but within the first 30 days it is non-interest bearing.

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4. Mineral Property

On September 17, 2007, the Company entered into an option agreement (the "Agreement") with Anatolia Minerals Development Ltd. ("Anatolia"), to earn a 65% interest in the Bursa copper-molybdenum-gold porphyry property (the "Property") located in western Turkey.

Pursuant to the terms of the Agreement Empire can earn a 65% interest in the Property by:

- i. Making cash payments to Anatolia totaling US\$520,000 over 5 years; (\$40,000 paid)
- ii. Making payments to Anatolia over 5 years of Empire common shares totaling 5% of Empire's fully diluted share capital as at the 5th anniversary of the Agreement; (200,000 shares issued)
- iii. Making expenditures on the Property totaling US\$7.5 million over 5 years, of which US\$300,000 are mandatory; and
- iv. Completing a pre-feasibility report on the Property by the 6th anniversary of the Agreement.

Upon earning a 65% interest in the Property, Empire and Anatolia will enter into a formal joint venture agreement establishing each party's ownership, rights and obligations in the joint development and operation of the Property.

A breakdown of the exploration expenditures by type incurred during the period is as follows:

	Amount
Balance – May 31, 2007	\$ -
Acquisition	159,177
Administration	5,557
Assays	27,821
Geologists and staff	25,051
Travel	6,354
	<u>223,960</u>
Balance – February 29, 2008	<u>\$223,960</u>

Empire Mining Corporation

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Notes to the Interim Consolidated Financial Statements

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5. Share Capital

a) **Authorized** – Unlimited number of common shares without par value.

b) **Issued and Outstanding**

	Number of Shares	Amount	Contributed Surplus
Balance - May 31, 2006	6,825,001	\$ 400,546	\$ 47,260
Agent's options exercised	25,000	2,500	-
Fair value of Agent's options	-	1,066	(1,066)
Stock options issued	-	-	17,143
Balance – May 31, 2007	6,850,001	404,112	63,337
Non-brokered private placement ⁽¹⁾	4,999,995	1,499,998	-
Share issuance costs	-	(59,824)	-
Mineral property acquisition	200,000	100,000	-
Agent's options exercised	100,000	10,000	-
Fair value of Agent's options	-	4,265	(4,265)
Stock based compensation	-	-	88,543
Balance - February 29, 2008	12,149,996	\$ 1,958,551	\$ 147,615

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Notes to the Interim Consolidated Financial Statements

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(unaudited)

5. Share Capital (continued)

⁽¹⁾ On July 23, 2007, the Company completed a non-brokered private placement consisting of 4,999,995 common shares for gross proceeds of \$1,499,998. There were no warrants attached to the offering.

c) **Escrowed Shares** – There are 4,260,001 common shares that are subject to an escrow agreement and may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. A total of 10% of these shares held in escrow were released upon completion of the Company's Qualifying Transaction and the balance will be released at a rate of 15% every six months thereafter. As at February 29, 2008, a total of 3,834,001 common shares remained in escrow.

d) Incentive Stock Options

The following table summarizes information about stock options outstanding at February 29, 2008:

Number of Stock Options	Exercise Price	Expiry Date
610,000	\$0.10	October 31, 2010
60,000	\$0.35	July 17, 2011
1,330,000	\$0.40	January 24, 2013

During the period, the Company granted a total of 1,330,000 stock options, exercisable on or before January 24, 2013 at a price of \$0.40. The total fair value of the options granted during the period was \$354,172 with \$88,543 being recorded in the Company's accounts as stock based compensation. The balance of \$265,629 will vest over a period of 18 months with 25% vesting on each successive date that is six months from the date of the grant.

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

Assumption	Value
Expected dividend yield	0.00%
Expected stock price volatility	85%
Risk-free interest rate	3.45%
Expected life of options	5 years

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Notes to the Interim Consolidated Financial Statements

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5. Share Capital (continued)

d) Incentive stock options (continued)

On July 17, 2006, a total of 60,000 stock options exercisable at \$0.35 for a period of 5 years were granted to officers of the Company. A fair value of \$17,143 was determined on the grant date and has been recorded as stock-based compensation in the Company's accounts.

The fair value of each option granted was 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	0.00%
Expected stock price volatility	110%
Risk-free interest rate	4.10%
Expected life of options	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.

e) Agent Options

There were no agent options outstanding at February 29, 2008.

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

	<u>Warrants outstanding</u>	<u>Weighted average exercise price per share</u>
Balance – May 31, 2007	100,000	\$0.10
Granted during the period	-	-
Exercised during the period	(100,000)	0.10
Expired during the period	-	-
Balance – February 29, 2008	-	-

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6. Related Party Transactions

During the period ended February 29, 2008, the Company incurred \$102,120 (2006 - \$58,657) in fees which include office rent, corporate administration, accounting, corporate secretarial, chief financial officer and other related services, to HRG Management Ltd. ("HRG"). 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.

As at February 29, 2008, \$10,000 (2007 - \$22,000) is due from HRG for reimbursement of fees paid in the prior year. The reimbursement resulted from operational efficiency within HRG.

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.

7. Financial Instruments

The Company's financial instruments consist of cash, receivables, term deposits, amounts due to and from related parties 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.

8. Commitments

Effective February 1, 2008, the Company entered into a services agreement with HRG in which the Company will pay a monthly fee of approximately \$12,450 that includes office rent, corporate 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. Income Taxes

The Company has available for deduction against future taxable income non-capital losses of approximately \$600,000. These losses, if not utilized, will expire beginning in 2015.

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.

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10. Supplemental Cash Flow Information

The only significant non-cash transaction during the nine month period ended February 29, 2008 was the issuance of 200,000 common shares at a fair value of \$0.50 per share in connection with the Bursa Property option agreement. (*Note 4ii*)

11. Subsequent Events

- a) Subsequent to the period end, the Company incorporated a wholly owned subsidiary located in the Republic of Albania. To date, the subsidiary has incurred no expenses and has no operations.
- b) Subsequent to period end, the Company arranged a brokered private placement raising gross proceeds of \$1,623,040 by issuing 5,410,132 units ("units") at \$0.30 per unit. Each unit is comprised of one common share and one half of one share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at the price of \$0.38 for a period of 18 months following the closing.

Canaccord Capital Corp (the "Agent") received a cash commission totaling \$129,843 on the sale of the units, which represented 8% of the gross proceeds and also received 432,810 warrants, which represented 8% of the aggregate number of units sold, entitling the Agent to purchase additional common shares at a price of \$0.38 per share for a period of 18 months following the closing.