

YUKON ZINC CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2005
(Unaudited)

Unaudited Interim Financial Statements

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the quarter ended March 31, 2005.

YUKON ZINC CORPORATION
CONSOLIDATED BALANCE SHEETS
As at

	March 31 2005 (Unaudited)	December 31 2004 (Audited)
ASSETS		
CURRENT ASSETS		
Cash (Note 7)	\$ 10,905,930	\$ 13,475,080
Amounts receivable	579,631	264,772
Marketable securities	1,226,542	1,226,542
Prepaid expenses	59,796	38,866
	12,771,899	15,005,260
PROPERTY AND EQUIPMENT	197,390	127,657
DEFERRED PROPERTY COSTS	19,895,620	14,959,603
DEFERRED TECHNOLOGY COSTS	1	1
DEPOSIT	4,811	4,811
	\$ 32,869,721	\$ 30,097,332
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 3,655,235	\$ 614,956
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 4)	44,224,494	47,761,014
CONTRIBUTED SURPLUS	2,789,112	2,542,762
DEFICIT	(17,799,120)	(20,821,400)
	29,214,486	29,482,376
	\$ 32,869,721	\$ 30,097,332

Continuance of operations (Note 1)

APPROVED BY THE BOARD

"Harlan Meade" (signed)

Director – Harlan Meade

"Robert McKnight" (signed)

Director – Robert McKnight

See Notes to Consolidated Financial Statements

YUKON ZINC CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
For the Three Months Ended March 31,
(Unaudited)

	2005	2004
ADMINISTRATIVE EXPENSES		
Amortization	\$ 9,879	\$ 2,671
Consulting	8,093	3,203
Investor relations and financing	107,753	64,705
Regulatory fees	7,987	6,257
Professional fees	28,250	11,400
Rent and office services	74,224	44,590
Salaries and benefits	139,448	77,685
LOSS BEFORE OTHER ITEMS	(375,634)	(210,511)
OTHER ITEMS		
Interest income	66,696	8,234
Loss on conversion of foreign currencies	-	(4,532)
Plan of Arrangement	(7,161)	-
Write off general exploration	(198)	(2,789)
Deferred technology costs	(1,162)	(701)
Part XII.6 tax on unspent flow-through funds	(36,465)	-
Stock-based compensation expense	(246,350)	(129,280)
NET LOSS BEFORE TAX	(600,274)	(339,579)
Future tax recovery (Note 5)	3,622,554	-
NET INCOME (LOSS) FOR THE PERIOD	3,022,280	(339,579)
DEFICIT, BEGINNING OF PERIOD	(20,821,400)	(18,754,961)
DEFICIT, END OF PERIOD	\$ (17,799,120)	\$ (19,094,540)
EARNINGS (LOSS) PER SHARE	\$ 0.019	\$ (0.005)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	158,217,535	72,758,468

See Notes to Consolidated Financial Statements

YUKON ZINC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31,
(Unaudited)

	2005	2004
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net earnings (loss) for the period	\$ 3,022,280	\$ (339,579)
Adjustment for items not involving cash:		
Amortization	9,879	2,671
Stock-based compensation expense	246,350	129,280
Future tax recovery	(3,622,554)	-
	(344,045)	(207,628)
Changes in non-cash working capital items:		
Amounts receivable	(314,859)	186,738
Accounts payable and accrued liabilities	3,040,279	49,516
Prepaid expenses	(20,930)	(2,014)
	2,360,445	26,612
FINANCING ACTIVITIES		
Shares issued for cash	105,000	1,058,532
Share issue costs	(2,862)	(38,474)
Pacifica commitment (Note 5)	(16,104)	-
	86,034	1,020,058
INVESTING ACTIVITIES		
Purchase of property and equipment	(79,612)	(14,362)
Deferred property costs, net of recoveries	(4,936,017)	(222,481)
	(5,015,629)	(236,843)
NET CASH (OUTFLOW) INFLOW DURING THE PERIOD	(2,569,150)	809,827
CASH, BEGINNING OF PERIOD	13,475,080	1,980,983
CASH, END OF PERIOD	\$ 10,905,930	\$ 2,790,810
Part XII.6 tax	\$ 36,465	\$ -

Supplementary disclosure of non-cash investing and financing activities:

During the three month period ended March 31, 2004, the Company issued 1,653,800 common shares for which proceeds of \$601,050 had been received as at December 31, 2003.

YUKON ZINC CORPORATION
CONSOLIDATED SCHEDULE OF DEFERRED PROPERTY COSTS
For the Three Months Ended March 31, 2005
(Unaudited)

	Wolverine	Finlayson District	Logan	Swift	Total
	\$	\$	\$	\$	\$
EXPLORATION AND DEVELOPMENT COSTS					
Accommodation and meals	55,963	-	-	-	55,963
Advanced exploration	2,042,833	-	-	-	2,042,833
Assays	9,187	28,403	-	-	37,590
Consulting	1,432,531	6,371	-	294	1,439,196
Drilling	486,209	-	-	-	486,209
Engineering	14,783	-	-	-	14,783
Environment	14,420	-	-	-	14,420
Field office	10,484	193	-	-	10,677
Field equipment	66,052	546	-	-	66,598
Helicopter and fuel	345,845	-	-	-	345,845
Labour	280,021	-	-	-	280,021
Land and recording fees	2,747	25,040	-	-	27,787
Travel, freight and warehouse	56,823	462	-	-	57,285
Exploration and development costs incurred during period	4,817,898	61,015	-	294	4,879,207
Balance, December 31, 2004	2,512,475	3,912,088	221,029	-	6,645,592
Balance, March 31, 2005	7,330,373	3,973,103	221,029	294	11,524,799
ACQUISITION COSTS					
Balance, December 31, 2004	7,556,978	246,363	450,563	60,107	8,314,011
Acquisition costs	-	6,810	50,000	-	56,810
Balance, March 31, 2005	7,556,978	253,173	500,563	60,107	8,370,821
Total costs, March 31, 2005	14,887,351	4,226,276	721,592	60,401	19,895,620

See Notes to Consolidated Financial Statements

YUKON ZINC CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three Month Period Ended March 31, 2005

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated in British Columbia and its business is the acquisition and exploration of property interests that are considered potential sites of economic mineralization. At the date of these financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its properties and the ability of the Company to realize the costs it has incurred to date on these properties are dependent upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the properties. These activities are conducted primarily in Canada.

2. BASIS OF PRESENTATION

The accompanying unaudited consolidated interim financial statements of Yukon Zinc Corporation are prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. These interim financial statements should be read in conjunction with the Company's annual audited financial statements dated December 31, 2004. All material adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods have been reflected. The results of the three months ended March 31, 2005 are stated utilizing the same accounting policies, and the methods of application of those policies are consistent with those used to prepare the most recent annual financial statements, but these interim figures are not necessarily indicative of the results to be expected for the full year.

3. RELATED PARTY TRANSACTIONS

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as agreed to by management. The quarterly balances referred to in the financial statements are non-interest bearing, unsecured, receivable or payable on demand and have arisen from the provision of services, expense reimbursements or advances described.

The Company is owed \$14,243 by a related public company for expense reimbursements.

Legal fees and disbursements totaling \$20,970 have been incurred with a law firm in which an officer of the Company is a partner.

The Company is owed \$50,810 by certain employees for seed loans made to Pacifica Resources Ltd. and for accrued interest to March 31, 2005.

Refer also to Note 5.

4. SHARE CAPITAL

- (a) Authorized share capital consists of an unlimited (2004 - 200,000,000) number of common shares without par value, unlimited (2004 - 100,000,000) Class "A" preferred shares without par value, and unlimited (2004 - NIL) Class "B" preferred shares with a par value of \$10.00 per share. No Class "A" or Class "B" preferred shares have been issued as at March 31, 2005.

Common Shares	Number of Shares	Total
Issued at December 31, 2004	158,133,151	\$ 47,761,014
Warrants exercised	700,000	105,000
Pacifica commitment (Note 5)	-	(16,104)
Share issue costs	-	(2,862)
Flow-through share renunciation (Note 6)	-	(3,622,554)
	700,000	\$ (3,536,520)
Issued at March 31, 2005	158,833,151	\$ 44,224,494

YUKON ZINC CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three Month Period Ended March 31, 2005

4. SHARE CAPITAL (continued)

(b) Summary of warrants and stock options outstanding at March 31, 2005:

Type of Issue	Number Outstanding	Exercise Price	Expiry Date
Options	30,000	0.40	April 1, 2005
	25,000	0.27	April 1, 2005
	80,000	0.50	June 15, 2005
	70,000	0.40	December 29, 2005
	100,000	0.40	February 8, 2006
	40,000	0.10	November 28, 2006
	470,000	0.12	May 14, 2007
	170,000	0.10	November 25, 2007
	420,000	0.11	April 1, 2008
	550,000	0.28	November 4, 2008
	250,000	0.38	January 21, 2009
	350,000	0.39	January 30, 2009
	3,170,000	0.27	June 21, 2009
	450,000	0.27	August 11, 2009
	50,000	0.27	September 13, 2009
	3,505,000	0.28	January 14, 2010
	1,355,000	0.28	February 1, 2010
	500,000	0.28	February 15, 2010
300,000	0.28	March 2, 2010	
	11,885,000		
Warrants	2,150,000	0.35	July 21, 2005
	590,000 ⁽¹⁾	0.25	July 21, 2005
	250,000	0.35	July 23, 2005
	1,026,031 ⁽²⁾	0.70	March 24, 2006
	5,000,000 ⁽⁶⁾	0.32	June 16, 2006
	8,791,939 ⁽⁴⁾	0.40	October 21, 2006
	3,750,000 ⁽³⁾	0.32	October 21, 2006
	1,875,000 ⁽³⁾	0.40	October 21, 2006
	4,692,500 ⁽⁵⁾	0.40	October 26, 2006
	28,125,470		

(1) Agents' warrants issued in connection with a private placement at a value of \$63,720.

(2) Warrant term extended to March 24, 2006.

(3) Agents' warrants issued in connection with a private placement at a value of \$1,190,625.

(4) Exercisable at \$0.40 to October 21, 2005 and thereafter at \$0.45 until October 21, 2006.

(5) Exercisable at \$0.40 to October 26, 2005 and thereafter at \$0.45 until October 26, 2006.

(6) Warrants issued pursuant to the acquisition of Atna's interest in the Wolverine Joint Venture at a value of \$677,159.

YUKON ZINC CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three Month Period Ended March 31, 2005

4. SHARE CAPITAL (continued)

(c) Summary of stock option continuity as at March 31, 2005:

	2005	
	Shares	Weighted Average Exercise Price
Options outstanding, beginning of period	6,615,000	\$0.27
Granted	5,660,000	0.28
Forfeited/cancelled	(390,000)	0.30
Options outstanding, March 31, 2005	11,885,000	\$0.27

The Company recorded stock-based compensation of \$246,350 (2004 - \$129,280).

The fair value of options included in the stock-based compensation above has been estimated using the Black-Scholes Option Pricing Model based on the following assumptions: a risk free interest rate (weighted average) of 3.12% (2004 - 2.9%); an expected life of 3 years; an expected volatility of 116% (2003 - 113%); and no expectation for the payment of dividends.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

5. PACIFICA COMMITMENT

The holders of options and warrants of the Company at December 8, 2004 are entitled to receive, on exercise, one common share of the Company and, additionally, 0.09202485016 of a common share of Pacifica Resources Ltd. (the "Pacifica Commitment"). The Company is obligated to remit to Pacifica Resources Ltd. \$0.25 for each share of Pacifica issued (from the proceeds received by the Company from the exercise of these options and warrants). During the quarter, the Company paid \$16,104 to Pacifica Resources Ltd.

6. INCOME TAXES

Flow through expenditures

Under the Canadian *Income Tax Act* a company may issue securities referred to as flow through shares, whereby the investor may claim the tax deductions arising from the qualifying expenditure (Canadian Exploration Expense) of the proceeds by the company. Subsequent to March 19, 2004, when resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective corporate tax rate), thereby reducing share capital. Previously unrecognized tax assets may then offset or eliminate the liability recorded.

In March 2005, the Company renounced \$10,170,000 raised through the issuance of flow through shares in 2004, resulting in the recording of a future income tax recovery of \$3,622,554 (see also Note 4).

7. COMMITMENT

At March 31, 2005, the Company is obligated to incur approximately \$2,930,000 in eligible Canadian Exploration Expense prior to December 31, 2005 in order to complete obligations entered into pursuant to flow-through share purchase agreements.

YUKON ZINC CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three Month Period Ended March 31, 2005

8. SUBSEQUENT EVENTS

Subsequent to March 31, 2005:

- (a) the Company granted 175,000 stock options exercisable at \$0.32 for a period of five years;
- (b) 55,000 stock options expired unexercised.