Management Discussion & Analysis
for the Quarter Ended June 30, 2005

This Management Discussion and Analysis for Yukon Zinc Corporation (formerly Expatriate Resources Ltd. "Expatriate") incorporates information for the quarter ended June 30, 2005 and information subsequent to the quarter up to August 25, 2005. This Management Discussion and Analysis should be read in conjunction with the unaudited financial statements and related notes for the quarter ended June 30, 2005, the Annual Audited Consolidated Financial Statements and related notes of the Company for the year ended December 31, 2004 as filed on SEDAR (www.sedar.com).

Overall Performance

Yukon Zinc Corporation ("the Company", or "Yukon Zinc") changed its name from Expatriate Resources Ltd. on December 16, 2004. Yukon Zinc is in the business of exploration and development of mineral deposits in Yukon Territory, Canada. Yukon Zinc, through its subsidiary Nitrosyl Technologies Corporation, also has interests in metal leaching and sulphur technologies that may provide strategic benefit to the development of its mineral properties.

The Company was incorporated May 21, 1993 in the Province of British Columbia and became a reporting issuer on June 9, 1994. Prior to its name change, Expatriate undertook a re-organization by means of a Plan of Arrangement that was approved by the shareholders at an Extraordinary Meeting held on December 14, 2004. Pursuant to this Plan of Arrangement, Expatriate sold all of its exploration properties to Pacifica Resources Ltd. ("Pacifica"), except for its large holdings in the Finlayson District that include the Wolverine property and the Logan and Swift properties in the Rancheria District. All of Yukon Zinc's exploration properties are now located in the Yukon, and the Company changed its name to better reflect its clear focus on the exploration and development of these properties. In exchange for the issuance of 14 million common shares of Pacifica, Expatriate sold to Pacifica: (1) the Yava, Selwyn and Tillex properties in Canada, (2) the Blue Moon base metals property in California, (3) the Islena, Lucy, Cerro Ocre and Yuby-Gabriela properties in Chile, and, (4) 758,285 shares of StrataGold Corporation and 4 million StrataGold common share purchase warrants. Expatriate distributed these 14 million Pacifica shares to its shareholders of record as at December 8, 2004 on a pro rata basis at a conversion ratio of 0.09202485016 of a Pacifica share for each Expatriate share held on the record date. On December 16, 2004, Expatriate shareholders exchanged each of their shares for one common share of Yukon Zinc Corporation.

During the fourth quarter of 2004, the Company increased its ownership of Wolverine to 100% and completed an aggregate of $16.63 million in equity financing. The Company completed $5 million equity financing through the sale of flow-through shares in July 2005 (see Subsequent Events).

Financial Condition

Working capital for the quarter decreased from $9,116,664 on March 31, 2005 to $4,014,831 at June 30, 2005, a substantial decrease of $5,101,833. Subsequently, working capital increased in July 2005 with the completion of a $5 million equity financing (see Subsequent Events). A further financing is anticipated in the third quarter.

The decline in cash from the first quarter reflects the high levels of expenditures in the quarter due to: a) Wolverine development activities related to establishment of a portal and development of a decline to the ore zone at Wolverine, and b) continued surface definition drilling of the Wolverine deposit. The accounts payable figure is largely comprised of invoices from the underground mining contractor and other suppliers that were subsequently paid. The cash figure excludes $744,909 of Yukon Mineral Exploration Tax Credits for the year 2004. A tax assessment was subsequently received and the full amount is expected to be received in the third quarter.

As at June 30, 2005, the Company recorded $24,703,911 in cumulative deferred mineral property costs, an increase of $4,808,291 from March 31, 2005, and $204,729 in property and equipment, net of amortization. The Company had no debt as of June 30, 2005.

Administration costs for the second quarter were $242,333 compared to $293,769 in the comparable quarter of 2004. This decrease principally reflects lower investor relations and financing expenses, and lower professional fees, partially offset by higher rent and office expense.

Future Financial Condition

The primary factors that may affect the future financial condition of the Company include the continued ability to raise equity capital and the level of exploration expenditures required to meet commitments. As a mineral exploration and development company with no current mining operations, Yukon Zinc's cash flows consist of cash outflows for administrative expenses, salaries, property acquisition and evaluation, exploration (net of cost recoveries and management fees allowed under joint venture agreements) and expenditures for depreciable equipment such as computers and field equipment. Interest income is credited against costs.

Industry and Economic Factors Affecting Performance

For Yukon Zinc, which is primarily a zinc-silver exploration company, the most important factors are zinc and silver prices and the availability of equity funds. Metal prices strengthened in the latter part of 2004 resulting in some improvement in the share price of zinc-silver companies; however, zinc price receded during first half of 2005, which decrease was reflected in lower share prices for base metals companies including Yukon Zinc.

Risk Factors

Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. With respect to Yukon Zinc's properties, several of its properties have resources and/or reserves, however, substantial expenditures will be required to establish ore reserves that are sufficient to permit development of its current properties, and to allow the Company to obtain the required environmental approvals, permits and financing required to commence commercial operations. Should any resource be defined on these and other properties, there can be no assurance that the mineral resources on such properties can be commercially mined or that the metallurgical processing will produce economically viable saleable products. The decision as to whether a property contains a commercial mineral deposit and should be brought into production, will depend upon the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and/or geologists, all of which involves significant expenditures of capital. This decision will involve consideration and evaluation of several significant factors including, but not limited to: (1) costs of bringing a property into production, including exploration and development work, preparation of production feasibility studies and construction of production facilities; (2) availability and costs of financing; (3) ongoing costs of production; (4) market prices for the minerals to be produced; (5) environmental compliance regulations and restraints (including potential environmental liabilities associated with historical exploration activities); (6) the availability of smelter capacity of the type able to receive any metal concentrate production; and (7) political climate and/or governmental regulation and control.

Environmental Risks and Other Regulatory Requirements

The current or future operations of Yukon Zinc, including potential development and commencement of production on its properties, require permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities can experience increased costs and delays in production and other schedules as a result of the need to comply with the applicable laws, regulations and permits. There can be no assurance that all permits which Yukon Zinc may require for the construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which Yukon Zinc might undertake. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on Yukon Zinc and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in the development of new mining properties.

Management and Corporate Matters

Yukon Zinc is dependent on a relatively small number of key personnel, the loss of any of whom could have an adverse effect on the Company. The Company announced the addition of Mr. Lorne Anderson as a director of the Company during the period (see May 26, 2005 news release).

Selected Annual Information

The financial information disclosed below has been determined in accordance with Canadian Generally Accepted Accounting Principals (GAAP) and is reported in Canadian Currency. The table below displays selected financial information for the Company.

	3 Months Ended June 30, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003	Year Ended December 31, 2002
Shares Outstanding	158,833,151	158,133,151	71,390,913	50,026,128
Warrants Outstanding	28,125,470	29,614,870	7,825,000	5,217,500
Options Outstanding	12,375,000	6,615,000	2,812,500	4,160,000
Fully Diluted Shares Outstanding	199,333,621	194,363,021	82,028,413	59,403,628
Weighted-Average Shares Outstanding	158,833,151	93,144,805	58,073,502	46,248,457
Total Revenues	Nil	Nil	Nil	Nil
Net Income (Loss) before Discontinued Items	$(428,842)	($2,066,439)	($9,950,050)	($372,494)
Net Income (Loss) before Discontinued Items per share*	$(0.00)	($0.022)	($0.17)	($0.01)
Net Income (Loss)	$(428,842)	($2,066,439)	($10,567,832)	($372,494)
Net Income (Loss) per share issued*		$(0.022)	($0.18)	($0.01)
Net Income (Loss) per share diluted		$(0.011)	($0.15)	($0.01)
Cash Dividends Declared per common share	$0.00	$0.00	$0.00	$0.00
Total Long Term Financial Liabilities	$0	$0	$0	$0
Total Assets	$30,990,199	$30,097,332	$9,542,972	$17,836,828

* Based on 158,833,151 weighted average number of shares outstanding.

The Net Loss of $428,842 for the second quarter 2005 compares with a Net Loss of $555,295 for the comparable quarter of 2004.

Administration expenses for the quarter included investor relations and financing expense $58,006, salaries and benefits $51,925, and rent and office services $67,219 as the major contributors. Total administration expenses decreased by $51,436 for the quarter, compared to the same period in 2004, due to lower investor relations and financing expense, offset by higher rent and office services.

Results of Operations

Yukon Zinc's operations consist generally of mineral exploration and evaluation of new property acquisitions. This includes acquiring mineral properties, evaluating the merits of these properties using various techniques such as geophysical and geochemical methods as well as drilling, and the completion of engineering evaluation studies to advance them to feasibility study.

During the second quarter, Yukon Zinc continued surface definition drilling at Wolverine and the advancement of the underground exploration and development activity at the property. A portal for the decline was collared in April 2005. Once completed, this decline will provide access to the Wolverine deposit for underground drilling, metallurgical testwork and test mining. The decline is also sized to be used for future production.

<u>Principal Properties and Focus</u>

With the completion of the reorganization, all of Yukon Zinc's mineral properties are in Yukon, Canada. Its major properties are its Wolverine and Logan base-precious metals properties in the Finlayson and Rancheria Districts in south central Yukon. Yukon Zinc's prime focus is the development of the Wolverine deposit that, together with its large land holdings in the Finlayson District, form the basis of the Yukon Silver-Zinc Project.

As of June 30, 2005, Yukon Zinc has an indirect interest in the exploration properties sold to Pacifica Resources Ltd. through its approximate 14.2% share ownership of Pacifica. With completion of additional financing by Pacifica in July 2005, Yukon Zinc's share ownership in Pacifica has decreased to approximately 10%.

Wolverine Project, Yukon

Yukon Zinc's prime focus is the evaluation of exploration and development of its base-precious metals properties in the Finlayson District, in southeast Yukon. This activity is directed at the advancement of the 100% owned Wolverine property to feasibility stage followed by a production decision.

Wolverine Development Chronology

Yukon Zinc commenced evaluation of the development of Wolverine as an underground mine in the fall of 2003 and commissioned Hatch Ltd. (Hatch) to undertake a scoping study evaluation of the joint development of Wolverine and the Logan deposit located in south central Yukon (see Logan Project). The scope of this engineering study was to review a combination of the 1,250 tonne per day underground mine plan developed in 2001 by Hatch for Wolverine, and the development of an open pit mine at Logan. The Wolverine ores were to be transported to the proposed Logan mine site for processing.

By mid 2004, the price of selenium had increased dramatically and zinc concentrates were in short supply, and it became evident that Wolverine concentrates could be marketed on a stand-alone basis. With this development, the Wolverine/Logan project was set aside and the Hatch prefeasiblity study was not completed as focus had changed to a Wolverine stand-alone project. In July 2004, Hatch was commissioned to undertake prefeasibility-level studies relating to the development of Wolverine as a stand-alone 1,250 tonne per day underground mine. This study was not completed, as it was decided to progress directly to more detailed engineering studies of mine and process plans.

In preparation for the completion of a bankable feasibility study by late 2005, the Company commenced planning and permitting for a test mining program that would provide the additional information required to expand the mineable reserve by conversion of resources into reserves and provide the additional detailed mining and metallurgical information required for a feasibility study. This feasibility study contract was awarded to Hatch on April 25, 2005.

Reserves and resources at Wolverine have been estimated as follows:

Wolverine Reserves and Resources (see Notes)						
		Grade				
	Tonnes	Zinc	Lead	Copper	Silver	Gold
Wolverine (1) Probable reserves	3,470,000	12.43%	1.44%	1.37%	336.6 g/t	1.59g/t
Wolverine Resources (2)	6,237,000	12.66%	1.55%	1.33%	371.0 g/t	1.76 g/t
Wolverine Resources (3)						
Indicated	4,941,000	13.00%	1.58%	1.43%	379.4 g/t	1.76 g/t
Inferred	498,000	13.61%	1.70%	1.36%	365.3 g/t	1.51 g/t

(1, 3) Reserve and resource estimates for Wolverine calculated by Hatch Associates Ltd., November 2000.
(2) Westmin Resources Ltd. 1998 (measured, indicated and inferred; estimate predates current NI-43-101 standards and are non-compliant with 43-101 standards). Westmin is a previous owner of the Wolverine property.

The difference in the two Hatch and Westmin resource estimates is primarily related to the exclusion of resources for a hangingwall lense in the Hatch estimate that was included in the Westmin calculation.

A total of 1,758 metres of large diameter drill core was completed in nine holes in the Wolverine deposit in August and September, 2004. The large diameter core was sent to SGS Lakefield Research Ltd. for additional metallurgical testing and heavy media separation studies.

The dense media separation (DMS) study was completed at SGS Lakefield in late 2004 to evaluate gravity as a means of separating massive sulphide mineralization and waste rock. The testwork results were very positive indicating that the application of this simple technology could provide a very effective pre-concentration step through the rejection of waste and production of an ore product containing approximately 98% of base metals and 95% of precious metals in the dense “sink” portion together with “fines” products. There can be no assurance that the Lakefield test results will be replicated in actual operations (see Risk Factors).

Successful application of DMS technology at Wolverine could reduce mill process costs on a unit of production basis. However, the main benefits would be in mining where it provides a means of removing waste material from ores prior to processing. The effective removal of waste allows mining to maximize recovery of the high-grade ores; particularly, where excessive dilution with waste rock occurs due to multiple bands of massive sulphide mineralization, hanging-wall failure, contamination of ore with footwall material and in the mining of thin massive sulphide lenses. Application of DMS to the mining of thinner zones would allow the conversion, with additional drilling, of significant amounts of indicated and inferred resources into mining reserves, thereby increasing mine life. DMS has been used successfully at several underground base metal mines.

In late July 2004, Yukon Zinc made application for a Class B Water Licence related to a test mining program proposed to commence in early 2005. This licence was granted and a $64,000 reclamation deposit made in the quarter. The test mining program will include the sinking of a decline from surface to access the massive sulphide zone and undertake the test mining of the mineralization to confirm mining assumptions and extract a bulk sample for additional metallurgical testing. In addition, development drifting is planned to provide an underground platform for definition drilling of the deposit, particularly the deeper parts of the deposit.

In November 2004, Yukon Zinc made application for a Class A Water Licence related to the permitting of a mine for the development of Wolverine. Yukon Zinc also advanced its discussions with the Ross River Dena Council in the negotiation of a socioeconomic participation agreement that would provide for First Nations employment and services in the development and operation of the Yukon Zinc-Silver Project (see Subsequent Events).

The initial development of Wolverine was hindered by marketing concerns related to the high levels of selenium. However, recent concentrate marketing discussions have indicated strong interest in all Wolverine concentrates (see Subsequent Events).

The recent rapid rise in selenium prices and tightness in zinc concentrate markets is creating a more positive environment for the sale of concentrates from Wolverine on more reasonable terms. Selenium prices have risen to over US$50 per pound (March 2005) from US$3 per pound in mid-2003. Yukon Zinc is studying the concentrate and selenium markets to determine opportunities to remove the selenium penalty and participate in the price of selenium.

In late September 2004, exploration drilling resumed to follow up previous encouraging drill results in the northern part of the Wolverine Property. Two drill holes were completed on the Fisher Ridge area. One hole was completed to target depth and intersected a broad zone of alteration and low grade zinc mineralization.

During the quarter, Yukon Zinc awarded the Feasibility Study for the development of Wolverine to Hatch. The feasibility study is scheduled for completion by year end 2005. A key part of the feasibility study is a test mining program to gather the remaining information required for the feasibility study. In February, mining equipment and supplies were transported to the site on a winter road, and preparation of the site for the start of the underground development and test mining was undertaken. The portal was collared in April and as of August 15 the decline had been advanced approximately 150 meters, with the rate of advance improving as more competent ground is reached as development progresses.

During the quarter, Yukon Zinc commenced additional surface drilling to better define the resources to be used in the feasibility study evaluation. This surface drilling is continuing. Results of the initial fill-in drill holes were released June 27, 2005 and confirm the continuity of the massive sulphide mineralization (see June 27, 2005 news release).

Finlayson District Exploration

Yukon Zinc resumed exploration in the Finlayson District in 2004 after several years of low level activity. Exploration focused on the Goal Net South area. Surface mapping located a new zone of massive sulphide mineralization grading 13.2% zinc, 5.2% lead, 1.7% copper, 40.7 g/t silver and 0.06 g/t gold over 0.3 metres in a gently south dipping zone that has been named Thunderstruck. Mapping of the Thunderstruck zone traced the zone for 225 metres before it was lost in overburden cover. Further along strike is an untested airborne electromagnetic anomaly.

Three drill holes were completed in the Thunderstruck Zone before winter conditions brought an end to drilling in late November. All three drill holes intersected narrow zones of high grade mineralization over a length of 500 metres downdip from the surface discovery. Wide spaced drill holes are planned to test this horizon for thicker mineralization over a six square kilometer area.

Hole GN-04-17 was drilled on the Skyblaze zone located 1.25 kilometres north of GN-01-05, that intersected 16m of greater than 1% zinc, and 2.7 kilometres south of GN00-02 which intersected 0.73 meters of semi-massive sulphide mineralization grading 3.0% zinc, 1.85% lead, 0.14% copper, 63 g/t silver and 0.2 g/t gold. Drill hole GN 04-17 was not completed to target depth and will be deepened in 2005. The upper part of the drill hole intersected several intervals of sulphide mineralization. Additional drilling is planned for late spring and summer 2005 to fully evaluate the Kudz Ze Kayah stratigraphy on the Skyblaze and Thunderstruck zones.

Drilling and other regional exploration was resumed in June with several holes planned for the Thunderstruck-Goal Net area.

Rancheria District

The Rancheria District is located in south central Yukon. The District hosts numerous carbonate-hosted zinc-lead-silver deposits with similarities to the major manto deposits of Mexico that make it a world class silver producer. The Logan deposit occurs within a granitic intrusion within this terrane. Further west of the platformal carbonate strata are mixed volcanic-sedimentary strata that host zinc-copper-lead-silver-gold occurrences including the Swift property.

Logan Joint Venture

The Logan joint venture is 60% owned by the Company. Getty Resources Limited and Total Energold Corporation, predecessors to Energold Minerals, spent approximately $4.5 million exploring the Logan property in the period 1982 through 1989. A total of 103 diamond drill holes have been completed, defining a mineral resource of 12,300,000 tonnes grading 6.17% zinc and 26.4 g/tonne silver. The resource was calculated by Stammers in 1989, however it predates criteria of National Instrument 43-101. Utilizing the new criteria the resource should be considered as an Inferred Resource.

Hatch has, as part of a scoping study of the joint development of the Wolverine and Logan deposits, completed a re-estimation of resources in the Logan deposit. Hatch estimated an Inferred Resource of 13,080,000 tonnes grading 5.10% zinc and 23.7 g/t silver using a 3.5% zinc equivalent cutoff that is based upon metal prices of US$0.43/lb zinc, US$5.50/oz silver, and recoveries of 94% and 64% respectively (see March 29, 2004 news release). The Company abandoned the pursuit of the joint development of Logan and Wolverine in January of 2004, in favour of evaluation of Wolverine as a stand-alone mine.

Swift Property

In November 2004, Yukon Zinc acquired all interest in the Swift Property, subject to a 1% net smelter return royalty to the claim holder. The property is situated approximately 55 kilometres southwest of Logan and covers a 20 kilometre long belt of anomalous geochemistry and numerous massive sulphide occurrences and boulders in till.

Massive sulphide and oxide mineralization in the Window/Dan showing occurs as at least two distinct units within a complex sequence of phyllite, schist, calc-silicate rocks, and marble, suggestive of stratabound mineralization. Drill results from hole SR97-06 include 1.2 metres grading 14.6% zinc and 0.2% copper from 93.85–95.05 metres and 3.62% zinc from 103.95–107.57 metres. This second interval includes 0.87 metre intercept grading 13.4% zinc and 0.1% copper. These and other showings suggest that the mineralization is characteristic of a volcanogenic massive sulphide deposit environment and has potential for higher grade mineralization that could be developed in conjunction with Logan deposit.

Summary of Quarterly Results

Yukon Zinc is an exploration company and has no operations from which to derive revenues. It raises capital through the sale of its shares. It receives minor income from interest on cash balances. The Income or Loss for the years 2003, 2004 and first and second quarters of 2005 are as follows:

Summary of Historical Quarterly Financial Information

Period	Revenues	Net Income (Loss)	Net Income (Loss) Per Share
2nd Quarter 2005	Nil	$(428,842)	$(0.00)
1st Quarter 2005	Nil	$3,022,280	$0.02
4th Quarter 2004	Nil	($935,592)	($0.01)
3rd Quarter 2004	Nil	($235,973)	($0.00)
2nd Quarter 2004	Nil	($555,295)	($0.01)
1st Quarter 2004	Nil	($339,579)	($0.00)
4th Quarter 2003	Nil	($10,526,536)	($0.15)
3rd Quarter 2003	Nil	($135,525)	($0.00)
2nd Quarter 2003	Nil	($166,401)	($0.00)

The large positive net income in the first quarter 2005 reflects a non-cash income tax recovery item that relates to the renunciation of $10.2 million of flow through expenditures to investors in March 2005 (see Note 6 to the financial statements). There was no effect on cash in that quarter. This income item, which effectively results from a change in Canadian accounting principals in 2004, reduces the balance sheet Share Capital account whilst also decreasing the balance sheet Deficit Account by the same amount.

The large loss in fourth quarter 2003 is mainly due to the large writedown of deferred exploration expenditures and to a lesser degree is due to a loss related to discontinued operations.

Liquidity

As at June 30, 2005, on a consolidated basis, the Company had cash of $4,374,654 compared to $10,905,930 as at March 31, 2005. The Company had $396,870 in accounts receivable, $1,226,542 in marketable securities, $1,997,916 in accounts payable, and no long-term liabilities as at June 30, 2005. As at June 30, 2005, the Company had $4,014,831 in working capital. The cash excludes $744,909 of Yukon Mineral Exploration Tax Credits for the year 2004 that have been applied for and should be received before in the third quarter 2005.

The Company relies on its existing and future cash resources to fund its mineral exploration and development activities. With no internal sources of available cash flow at this stage of its development, the Company is dependent on external sources of funds, primarily the public equity markets. Circumstances that could affect the availability of equity funds to the Company (both positively and negatively), include: significant exploration successes or lack thereof; new acquisitions; changes in metal prices; significant world events; exchange rate movements and the general state of the equity markets for base metal companies.

The Company will require additional financing to fully fund its current 2005 Wolverine program and administration expenses. In this regard, a $5 million financing was completed in late July from the sale of flow-through shares (see July 20, 2005 news release) and a further financing is contemplated in the third quarter subject to markets.

Capital Resources

Yukon Zinc has $4,374,654 of cash on hand as at June 30, 2005. Included in this amount is $176,868 of “flow through” funds that must be spent on qualifying Canadian Exploration Expenditures (“CEE”) prior to December 31, 2005 (see Note 7 to the accompanying financial statements). The Canadian tax deductions derived from the Company’s CEE are renounced to the individual flow through share investors.

The Company has interests in several mineral properties, some of which require ongoing exploration, or cash payments in lieu of work, in order to maintain title.

For the foreseeable future, the Company will rely on capital from equity issuances to meet its additional capital requirements. There can be no assurance that these current sources of capital will continue to be available to the Company. The Company is advancing its Wolverine Zinc-Silver Project to bankable feasibility study stage. A positive feasibility study would provide a basis for seeking project financing for development of the Wolverine deposit. There is no assurance that the Company will be able to produce a positive feasibility study or to secure project financing for the development of the Wolverine deposit as a mine.

The Company also has interests in other mineral properties in the Finlayson area and southern Yukon, some of which require ongoing exploration, or cash payments in lieu of work, in order to maintain title.

Transactions with Related Parties

Yukon Zinc shares corporate offices and has cost sharing arrangements with StrataGold Corporation and Pacifica Resources Ltd. relating to office and certain overhead expenses, and certain management personnel that act as officers, or office staff, and perform work for the three companies on a cost and time reimbursement basis. The reason for these arrangements is cost efficiency and shared expertise.

As at June 30, 2005 the Company is owed $51,309 by certain employees for seed loans to acquire Pacifica shares and has accrued interest on these loans to June 30, 2005. Also $46,696 is due from a related public company for expense reimbursements, and $43,147 in legal fees and disbursements have been incurred with a law firm in which an officer of the Company is a partner.

Yukon Zinc owns 4,800,000 common shares of Pacifica and share purchase warrants for the purchase of an additional 2,400,000 common shares of Pacifica at $0.40 per share on or before December 6, 2006. Dr. Harlan Meade, President and CEO of the Company, is also Chairman and Director of StrataGold, and President, CEO and Director of Pacifica Resources Ltd. Mr. Robert McKnight, Chief Financial Officer and Vice President Corporate Development of the Company, is also Chief Financial Officer and Vice President of both StrataGold Corporation and Pacifica Resources Ltd., and a Director of Pacifica. Mr. Jason Dunning, Vice President of Exploration of the Company is also Vice President of Exploration for Pacifica. Richard Goodwin, Vice President Mining of the Company is also a Director of Pacifica.

Proposed Transactions

In the normal course of business, the Company evaluates property acquisition transactions and, in some cases, makes proposals to acquire such properties. These proposals, which are generally subject to Board, regulatory and, sometimes, shareholder approvals, may involve future payments, share issuances and property work commitments. These future obligations are usually contingent in nature and generally the Company is only required to incur the obligation if it wishes to continue with the transaction.

Critical Accounting Estimates

Under the accounting rules used for Yukon Zinc, the "fair value" of stock-based compensation (i.e. the vesting of new and existing stock option grants) must be expensed to the Statements of Operations and Deficit. In addition, agents' warrants issued as compensation to brokers must be similarly accounted for on a fair value basis and recorded as a share issue cost. The determination of the fair value of options and warrants for this purpose is generally done using the "Black-Scholes" formula. Some of the parameters used in this formula are highly subjective, in particular the assumption of future share price volatility, and therefore the amounts expensed are highly subjective and may not be reflective of the true cost of the option granted. Whether or not any of the options and agents' warrants are exercised, the amounts previously expensed are not adjusted and will have permanently increased Yukon Zinc's Deficit and Contributed Surplus accounts. During the quarter ended June 30, 2005, $206,639 was expensed for stock-based compensation (option grants). This is a non-cash item that has no effect on the Company's cash position.

Changes in Accounting Policies

Yukon Zinc's accounts are stated using Canadian GAAP. Except in following required changes under GAAP, the Company's accounting policies have not changed since incorporation and no future changes are currently contemplated.

Financial Instruments and Other Instruments

Except as disclosed, Yukon Zinc currently does not own, hold or have any material interest in, or liability associated with, any financial or other instruments. As at June 30, 2005, Yukon Zinc had accounts payable and accrued liabilities of $1,997,916. These were subsequently paid.

Other MD&A Requirements

Additional information relating to Yukon Zinc is available on the SEDAR website: www.sedar.com under "Yukon Zinc".

Deferred Property Expenditures

The required detailed Schedule of Deferred Property Costs, including deferred mineral property costs, is included in the Company's financial statements. During the quarter, Yukon Zinc expended $4,788,246 on deferred property costs. Aggregate Deferred Property Costs increased to $24,703,911 as at June 30, 2005, compared to $19,895,620 as at March 31, 2005. The great majority of these expenditures ($4,616,262) were on the Wolverine property. Net acquisition costs during the same period were $20,045.

There were no write-downs of exploration expenditures during the quarter.

Disclosure of Outstanding Share Data

Yukon Zinc has an unlimited number of common shares without par value, an unlimited number of Class "A" Preferred shares without par value, and an unlimited number of Class "B" Preferred shares with a par value of $10 per share, authorized for issuance.

As of June 30, 2005, the Company had 158,133,151 common shares issued and outstanding. There are no other classes of shares outstanding. As of June 30, 2005, Yukon Zinc had 28,125,470 warrants and 12,375,000 stock options outstanding at various exercise prices and future expiry dates. If all these securities were exercised, a total of 199,333,621 shares would be issued and outstanding.

Share Capital Summary as at August 25, 2005

	Common Shares Issued	Options	Warrants	Fully Diluted Shares
Balance: March 31, 2005	**158,833,151**	**11,885,000**	**28,125,470**	**198,843,621**
Issued during period	`			
Granted during period		625,000		
Exercised during period				
Expired during period		(135,000)		
Balance: June 30, 2005	**158,833,151**	**12,375,000**	**28,125,470**	**199,333,621**
Shares Issued subsequent to June 30	24,727,200	-	-	
Warrants issued subsequent to June 30			2,272,720	
Options granted subsequent to June 30		-	-	
Exercised subsequent to June 30		-	-	
Expired subsequent to June 30		-	(2,990,000)	
Balance: August 25, 2005	**183,560,351**	**12,375,000**	**27,408,190**	**223,343,541**

Subsequent to June 30, the Company issued 22,727,200 flow-through shares, and issued 2,000,000 shares to the Kaska as part of the SEPA agreement. Broker warrants totaling 2,272,720 warrants were also issued pursuant to the flow-through share offering (see also Subsequent Events).

Share Purchase Warrants

As at June 30, 2005 the Company had 28,125,470 common share purchase warrants outstanding with various expiry dates ranging from July 21, 2005 to October 26, 2006 (see Subsequent Events). Exercise prices range from $0.32 to $0.70 per share, as detailed in Note 4 of the financial statements. Exercise of all outstanding warrants would result in cash proceeds to the Company of $10.6 million.

The Expatriate Resources Ltd. warrants outstanding as of December 8, 2004 are convertible upon exercise into one common share of Yukon Zinc and one fractional share of Pacifica, at an exchange ratio of 0.09202485016 of a Pacifica share for each Expatriate share. Pursuant to a provision of the Plan of Arrangement, Yukon Zinc is required to remit to Pacifica $0.25 per each share of Pacifica issued pursuant to the exercise of a Yukon Zinc warrant.

Share Purchase Options

During the quarter, 175,000 options were granted at a price of $0.32 per share and 450,000 options were granted at a price of $0.27 per share. During the period 135,000 options expired unexercised. As at June 30, 2005 the Company had 12,375,000 common share purchase options outstanding at various exercise prices and expiry dates. Details of options and the exercise prices and expiry dates for the period ending June 30, 2005 are summarized in Note 4 of the Company's quarterly financial statements. If all of these outstanding options were fully exercised, the Company would realize cash proceeds of approximately $3.3 million.

Subsequent to June 30, 2005, there have been no new options granted.

Holders of options and warrants on Yukon Zinc on December 8, 2004 will receive, on exercise, one common share of the Company and one fractional share of Pacifica Resources Ltd. at an exchange ratio of 0.09202485016 of a Pacifica share for each Yukon Zinc share. Pursuant to a provision of the Plan of Arrangement, Yukon Zinc is required to remit to Pacifica $0.25 per each share of Pacifica issued pursuant to the exercise of a Yukon Zinc option or warrant (the “Pacifica commitment”).

Subsequent Events

Private Placement. On July 20, 2005, the Company closed a $4,999,984 brokered private placement financing, announced on July 6, 2005. The financing includes a $2,000,020 bought deal, plus an additional $2,999,964 under the Underwriters Option. This closing consists of 22,727,200 Flow-Through common shares at a price of $0.22 per share for proceeds of $4,999,984. These shares have a hold period that expires on November 21, 2005. Broker warrants totaling 2,272,720 warrants were also issued pursuant to the flow-through share offering.

Concentrate Marketing. On July 19, 2005, the Company released the results its initial Wolverine concentrate marketing efforts. Based on a trip to visit with smelter groups in Japan and Korea, written “expressions on interest” for Wolverine concentrates and the advice of our marketing consultants, management is confident that the 100% of the projected volumes and qualities of zinc, copper lead concentrates are saleable under long term marketing arrangements.

SEPA Agreement. On July 13, 2005, the Company announced that it had reached agreement with the Ross River Dena Council for their participation in the exploration and development of the Wolverine deposit and Yukon Zinc’s extensive exploration lands in the Finlayson District in southeast Yukon. Ross River Dena Council represents the Kaska Nation (Kaska), whose traditional territory encompasses Yukon Zinc’s mineral claims within the Finlayson District. The Socio-Economic Participation Agreement (SEPA) provides a basis for participation by all Kaska in project exploration and development activities; in the review of environmental, social and economic matters related to these activities and the environmental assessment and permitting of the Wolverine deposit to production. The support of the Kaska in these activities is positive for the efficient advancement of the project through the environmental permitting process.

As part of the SEPA agreement, the Company issued 2,000,000 shares to the Kaska at a price of $0.20 per share. The funds for the purchase ($400,000) were provided by the Company to the Kaska as part of the SEPA agreement.

Option of Money Claims On August 23 2005, the Company announced details of an option agreement with YGX Resources Ltd. covering the Money claims located adjacent to the Wolverine property on the east. Yukon Zinc may earn an initial 25% interest by making cash payments totaling $40,000 and aggregate exploration expenditures of $150,000 over five years. Upon vesting the initial option, Yukon Zinc may earn an additional 26% interest by making a payment of $25,000 to YGC Resources and making exploration expenditures of $500,000 over two years. Upon vesting its interest, Yukon Zinc and YGC Resources will form a joint venture with the parties having a 51 and 49 percent participating interest respectively. At Yukon Zinc’s option, it may satisfy the cash payment requirements in shares of Yukon Zinc.

Management Change On August 22, 2005, Yukon Zinc Corp. appointed Pamela Ladyman as Vice-president Environment and Community Affairs. Ms. Ladyman joined Yukon Zinc in February 2005 to manage the permitting of the Wolverine zinc-silver project. She will continue with the permitting and environmental management of the Wolverine project and implementation of the socioeconomic participation agreement recently completed with the Kaska. In addition, she is responsible for the management of health and safety matters for the Company.

Pacifica Resources Ltd. (www.pacifica-resources.com). On August 22, 2005, Pacifica announced the signing of a formal Howard's Pass option agreement with subsidiaries of each of Placer Dome Inc. and US Steel Corporation. Pacifica can acquire 100% of the Howard's Pass zinc-lead deposits located in the Yukon northeast of Wolverine. Yukon Zinc owns 4.8 million Pacifica shares (approximately 10%) plus 2.4 million Pacifica share purchase warrants.

Forward Looking Statements

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploration activities and events or developments that the Company expects, are forward looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that the actual results or developments may differ materially from those projected in the forward-looking statements.

YUKON ZINC CORPORATION.

"Harlan Meade"

____

Harlan Meade
President and CEO, Director
August 25, 2005