

YUKON ZINC CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 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 September 30, 2005.

YUKON ZINC CORPORATION
CONSOLIDATED BALANCE SHEETS

	As at September 30 2005 (Unaudited)	As at December 31 2004 (Audited)
ASSETS		
CURRENT ASSETS		
Cash (Notes 7 and 8)	\$ 4,090,831	\$ 13,475,080
Accounts receivable	497,770	264,772
Marketable securities	1,226,542	1,226,542
Prepaid expenses	33,241	38,866
	5,848,384	15,005,260
PROPERTY AND EQUIPMENT (net of accumulated amortization of \$89,617; 2004 - \$59,155)	205,949	127,657
DEFERRED PROPERTY COSTS	30,661,520	14,959,603
DEFERRED TECHNOLOGY COSTS	1	1
DEPOSIT	68,811	4,811
	\$ 36,784,665	\$ 30,097,332
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 3,071,651	\$ 614,956
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 4)	48,873,897	47,761,014
CONTRIBUTED SURPLUS	3,308,749	2,542,762
DEFICIT	(18,469,632)	(20,821,400)
	33,713,014	29,482,376
	\$ 36,784,665	\$ 30,097,332

Continuance of operations (Note 1)
Subsequent event (Note 8)

APPROVED BY THE BOARD

"Lorne B. Anderson" (signed)

Director – Lorne B. Anderson

"Harlan D. Meade" (signed)

Director – Harlan D. Meade

YUKON ZINC CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
For the periods ended September 30, 2005 and September 30, 2004
(Unaudited)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2005	2004	2005	2004
ADMINISTRATION EXPENSES				
Amortization	\$ 9,590	\$ 4,996	\$ 30,462	\$ 10,680
Consulting	22,500	4,300	35,593	23,426
Investor relations	84,267	122,376	250,026	304,272
Regulatory fees	10,824	3,520	38,513	19,323
Professional fees	1,812	16,603	59,550	81,325
Rent and office services	48,402	2,643	189,845	75,789
Salaries and benefits	63,217	44,751	254,590	188,654
LOSS BEFORE OTHER ITEMS	(240,612)	(199,189)	(858,579)	(703,469)
OTHER ITEMS				
Interest income	39,069	8,006	141,212	24,168
Loss on conversion of foreign currencies	-	(1,536)	-	(6,325)
Plan of arrangement	-	-	(7,161)	-
General exploration	-	(335)	(198)	(3,880)
Write-down of deferred property costs	-	(4,770)	-	(4,770)
Write-down of marketable securities	-	(10,651)	-	(10,651)
Deferred technology costs	(4,438)	(2,123)	(9,241)	(3,225)
Part XII.6 tax on unspent flow-through funds	37	-	(48,104)	-
Stock-based compensation (Note 4)	(35,726)	(25,375)	(488,715)	(422,695)
LOSS BEFORE TAX	(241,670)	(235,973)	(1,270,786)	(1,130,847)
Future tax recovery (Note 6)	-	-	3,622,554	-
INCOME (LOSS) FOR THE PERIOD	(241,670)	(235,973)	2,351,768	(1,130,847)
DEFICIT, BEGINNING OF PERIOD	(18,227,962)	(19,649,835)	(20,821,400)	(18,754,961)
DEFICIT, END OF PERIOD	\$ (18,469,632)	\$ (19,885,808)	\$ (18,469,632)	\$ (19,885,808)
EARNINGS (LOSS) PER SHARE	\$ (0.00)	\$ (0.00)	\$ 0.01	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING (Note 4)	178,323,212	85,798,189	165,283,281	77,972,311

See Notes to Consolidated Financial Statements

YUKON ZINC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the periods ended September 30, 2005 and September 30, 2004
(Unaudited)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2005	2004	2005	2004
CASH PROVIDED BY (USED FOR):				
OPERATING ACTIVITIES				
Net (loss) earnings for the period	\$ (241,670)	\$ (235,973)	\$ 2,351,768	\$ (1,130,847)
Adjustment for items not involving cash				
Amortization	9,590	4,996	30,462	10,680
Stock based compensation	35,726	25,375	488,715	422,695
Write-down of deferred property costs	-	4,770	-	4,770
Write-down of marketable securities	-	10,651	-	10,651
Future tax recovery	-	-	(3,622,554)	-
	(196,354)	(190,181)	(751,609)	(682,051)
Changes in non-cash working capital items				
Accounts receivable	(100,900)	(69,197)	(232,998)	175,246
Prepaid expenses	(18,560)	(9,502)	5,625	(36,516)
Accounts payable and accrued liabilities	1,073,735	528,209	2,456,695	703,127
	757,921	259,329	1,477,713	159,806
FINANCING ACTIVITIES				
Shares issued for cash	5,399,984	3,370,000	5,504,984	4,428,532
Share issue costs	(473,309)	(228,925)	(476,171)	(273,399)
Pacifica commitment (Note 5)	-	-	(16,104)	-
	4,926,675	3,141,075	5,012,709	4,155,133
INVESTING ACTIVITIES				
Purchase of property and equipment	(10,810)	(28,723)	(108,754)	(48,228)
Deferred property costs, net of recoveries	(5,957,609)	(1,502,168)	(15,701,917)	(3,236,172)
Security deposit	-	-	(64,000)	-
Other deferred costs	-	(59,410)	-	(59,410)
	(5,968,419)	(1,590,301)	(15,874,671)	(3,343,810)
NET CASH INFLOW (OUTFLOW) DURING THE PERIOD				
	(283,823)	1,810,103	(9,384,249)	971,129
CASH, BEGINNING OF PERIOD				
	4,374,654	1,142,009	13,475,080	1,980,983
CASH, END OF PERIOD				
	\$ 4,090,831	\$ 2,952,112	4,090,831	2,952,112
Part XII.6 tax	\$ -	\$ -	\$ 48,104	\$ -

Supplementary disclosure of non-cash investing and financing activities:

During the nine-month period ended September 30, 2005, the Company:

(1) *issued Agents' warrants valued at \$277,272 in connection with a private placement.*

During the nine-month period ended September 30, 2004, the Company:

(1) *issued 1,653,800 common shares for which proceeds of \$601,500 had been received as at December 31, 2003;*

(2) *received marketable securities valued at \$37,193 in connection with its mineral property interests;*

(3) *issued Agents' warrants valued at \$63,720 in connection with a private placement.*

See Notes to Consolidated Financial Statements

YUKON ZINC CORPORATION
CONSOLIDATED SCHEDULE OF DEFERRED PROPERTY COSTS
For the Nine Months Ended September 30, 2005
(Unaudited)

	Wolverine	Finlayson District	Logan	Swift	Other	Total
	\$	\$	\$	\$	\$	\$
EXPLORATION AND DEVELOPMENT COSTS						
Accommodation and meals	211,544	9,834	-	-	-	221,378
Advanced exploration	7,768,347	-	-	-	-	7,768,347
Assays	48,862	48,002	-	-	-	96,864
Consulting	1,774,482	170,193	-	294	-	1,944,969
Drilling	1,774,564	116,729	-	-	-	1,891,293
Engineering	657,695	-	-	-	-	657,695
Environmental	1,184,746	-	-	-	-	1,184,746
Field office	50,561	5,215	-	-	-	55,776
Field equipment and supplies	132,400	26,755	-	1,171	-	160,326
Helicopter, fixed wing and fuel	980,075	384,949	-	-	-	1,365,024
Labour	802,036	6,305	-	-	-	808,341
Land and recording fees	2,707	30,393	-	-	-	33,100
Travel, freight and warehouse	157,886	11,972	-	-	-	169,858
	15,545,905	810,347	-	1,465	-	16,357,717
Recoveries (YMETC)	(223,870)	(506,144)	(16)	-	(14,879)	(744,909)
Total costs incurred during the period	15,322,035	304,203	(16)	-	(14,879)	15,612,808
Balance, December 31, 2004	2,512,475	3,912,088	221,029	-	-	6,645,592
Balance, September 30, 2005	17,834,510	4,216,291	221,013	1,465	(14,879)	22,258,400
ACQUISITION COSTS						
Balance, December 31, 2004	7,556,978	246,363	450,563	60,107	-	8,314,011
Acquisition costs	7,254	31,855	50,000	-	-	89,109
Balance, September 30, 2005	7,564,232	278,218	500,563	60,107	-	8,403,120
Total costs, September 30, 2005	25,398,742	4,494,509	721,576	61,572	(14,879)	30,661,520

See Notes to Consolidated Financial Statements

YUKON ZINC CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Month Period Ended September 30, 2005
(Unaudited)

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 yet identified a known body of commercial grade ore on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is 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 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 consolidated financial statements dated December 31, 2004. All material adjustments which, in the opinion of management, are necessary for fair presentation of the results for the interim periods have been reflected. The results for the nine month period ended September 30, 2005 use the same methods and accounting policies as the most recent audited consolidated annual financial statements dated December 31, 2004.

3. RELATED PARTY TRANSACTIONS

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

The Company is owed \$44,117 by a related public company for expense reimbursements.

Legal fees totaling \$87,317 (2004 - \$31,700) have been incurred with a law firm in which an officer of the Company is a partner, of which \$52,232 was included in accounts payable as at September 30, 2005.

The Company is owed \$51,813 by certain employees for loans made to enable them to purchase shares of Pacifica Resources Ltd. and for accrued interest to September 30, 2005. The loans are due on or before November 3, 2006.

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 with a par value of \$1.00 per share, 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 September 30, 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)
Private placements	* 24,727,200	5,399,984
Share issue costs	-	(476,171)
Flow-through share renunciation (Note 6)	-	(3,622,554)
	25,427,200	\$ 1,390,155
Fair value of agents' warrants granted	-	(277,272)
		\$ 1,112,883
Issued at September 30, 2005	183,560,351	\$ 48,873,897

* 22,727,200 of these shares are flow-through

YUKON ZINC CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Month Period Ended September 30, 2005
(Unaudited)

4. SHARE CAPITAL (continued)

(b) Summary of warrants and stock options outstanding at September 30, 2005:

Type of Issue	Number Outstanding	Exercise Price	Expiry Date
Options	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
	175,000	0.32	April 1, 2010
	450,000	0.27	May 26, 2010
	300,000	0.22	September 7, 2010
	12,675,000		
Warrants	1,026,031 ⁽¹⁾	0.70	March 24, 2006
	5,000,000 ⁽⁵⁾	0.32	June 16, 2006
	8,791,939 ⁽³⁾	0.40	October 21, 2006
	3,750,000 ⁽²⁾	0.32	October 21, 2006
	1,875,000 ⁽²⁾	0.40	October 21, 2006
	4,692,500 ⁽⁴⁾	0.40	October 26, 2006
	2,272,720 ⁽⁶⁾	0.22	July 21, 2007
	27,408,190		

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

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

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

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

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

(6) Agent's compensation options issued in connection with a private placement at a value of \$277,272.

YUKON ZINC CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Month Period Ended September 30, 2005
(Unaudited)

4. SHARE CAPITAL (continued)

(c) Summary of stock option continuity as at September 30, 2005:

	2005	
	Shares	Weighted Average Exercise Price
Options outstanding, beginning of period	6,615,000	\$0.27
Granted	6,585,000	0.28
Forfeited/cancelled	(525,000)	0.45
Options outstanding, September 30, 2005	12,675,000	\$0.27

The Company recorded stock-based compensation of \$488,715 (2004 - \$422,695) for the nine months period.

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 3.41% (2004 - 3.48%); an expected life of 3 years; an expected volatility (weighted average) of 122% (2004 - 133%); 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 period ended September 30, 2005, 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).

YUKON ZINC CORPORATION
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Month Period Ended September 30, 2005
(Unaudited)

7. COMMITMENT

At September 30, 2005, the Company had incurred \$11,956,308 in eligible Canadian Exploration Expense to complete its expenditure 2005 obligations entered into pursuant to flow-through share purchase agreements. In addition, the Company is obligated to incur approximately \$789,472 in eligible Canadian Exploration Expense prior to December 31, 2006 in order to complete its obligations entered into pursuant to flow-through share purchase agreements.

8. SUBSEQUENT EVENTS

Subsequent to September 30, 2005:

- The Company completed a brokered private placement for gross proceeds of \$9,999,990. The Company issued 24,421,500 flow-through shares at \$0.22 per share and 21,033,000 units at \$0.22 per unit, each unit consisting of one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company for a period of two years at \$0.25 per share. The Company issued Agents' compensation options for 3,324,375 common shares exercisable at \$0.22 per share for two years. The agents also received a cash commission equal to 7% of the gross proceeds.