



Management Discussion & Analysis For the Quarter Ended March 31, 2006

This Management Discussion and Analysis for Yukon Zinc Corporation (formerly Expatriate Resources Ltd. "Expatriate") incorporates information for the quarter ended March 31, 2006 and information subsequent to the quarter up to May 24, 2006. This Management Discussion and Analysis should be read in conjunction with the unaudited financial statements for the quarter and the notes thereto, and the Annual Audited Consolidated Financial Statements and related notes of the Company for the year ended December 31, 2005, as attached hereto or filed on SEDAR (www.sedar.com).

Description of the Business

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. The Company's prime focus is the advancement of the Wolverine Project to production.

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 the 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.

Overall Performance

During the quarter, management concentrated on the following key activities:

1. advancing the Wolverine Feasibility Study, lead by Hatch Ltd, to completion. The Wolverine resource estimate was completed and filed on SEDAR in March 2006 (see Subsequent Events).
2. continuing the Wolverine permitting efforts to maintain a July 2006 target date for the key Quartz Mining Licence (mine construction permit).
3. providing Macquarie Bank, our project debt arranger, with due diligence information on the Wolverine project as it became available.
4. maintaining contact with smelters and metal trading firms.

Subsequent to the quarter (see Subsequent Events), other material events included:

- Filing a “Notice of Filing” that gives notice of the Company’s intention to be qualified to file a short form prospectus under NI 44-101.
- Announcement on May 9 of the results of a Feasibility Study for the Wolverine Study and corrected results on May 16.
- Hiring a Contracts and Procurement Manager in preparation for construction activities at Wolverine.

Financial Condition

The financial condition of the Company at March 31 remained much the same as at December 31, 2005, with working capital decreasing by \$1,146,578 to \$6,482,384 as at March 31 2006 from \$7,628,962 as at December 31, 2005, despite \$4,101,240 in property expenditures. Working capital as at March 31 2006 consisted of \$7,446,121 in cash and \$480,403 in accounts receivable, \$1,207,078 in marketable securities and \$85,304 in prepaid expenses, less \$2,736,522 in accounts payable. The Company had no debt as of March 31, 2006. In addition, the Company reported \$38,727,845 in cumulative deferred mineral property costs and \$494,534 in net property and equipment.

The decrease in working capital in the quarter largely reflects increases in the accounts payable during the quarter, reflecting increased engineering and permitting activities and preparations for a restart of underground work.

Cash inflows were derived from the exercise of options and warrants totaling \$3,805,254, less a \$205,724 cost incurred under the Pacifica Commitment (see Note 5 of the notes to the unaudited financial statements). Principal cash outflows consisted of net deferred property costs of \$4,101,240 and \$307,904 for purchase of property and equipment. Administration expenses increased to \$446,931 from \$375,634 in the comparable quarter of 2005. This was due to continued increases in activity at Wolverine, staff additions and competitive salary pressures, institution of Directors fees, higher amortization and higher insurance costs.

During the quarter, warrant exercises have added approximately \$3.7 million in cash. This has added extra working capital for certain limited Wolverine project expenditures in advance of a possible production decision (see Subsequent Events for additional warrant and option exercises).

Future Financial Condition

The primary factors that can affect the future financial condition of the Company include the continued ability to raise project development capital for the Wolverine Project should a production decision be made, and equity capital for Finlayson District exploration. As the Company has 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 and investing activities, such as share issuances, that provides cash inflows to the Company.

Industry and Economic Factors Affecting Performance

For Yukon Zinc, which is primarily a zinc-silver exploration and development company, the most important factors are zinc and silver prices and the availability of equity and project development

funds. Metal prices for zinc and silver strengthened in the latter part of 2005 and through the first quarter of 2006 resulting in improvements in the share prices of zinc-silver companies.

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 expense. 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 development activities 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 generally 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. Additions to management during the year improved the depth and breadth of management skills. These are detailed under Results of Operations, Management Development. Subsequent to the quarter, the Company announced the addition of a contracts and procurement manager.

Selected Annual Information

The financial information disclosed below has been determined in accordance with Canadian GAAP and is reported in Canadian Currency. The table below displays selected annual financial information for the Company for the prior three years.

	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003
Shares Outstanding	229,014,851	158,133,151	71,390,913
Warrants Outstanding	43,749,065	29,614,870	7,825,000
Options Outstanding	12,605,000	6,615,000	2,812,500
Fully Diluted Shares Outstanding	285,368,916	194,363,021	82,028,413
Total Revenues	Nil	Nil	Nil
Net Earnings (Loss) before Discontinued Items	(\$424,174)	(\$2,066,439)	(\$9,950,050)
Net Earnings (Loss) before Discontinued Items per share*	(\$0.00)	(\$0.02)	(\$0.17)
Net Earnings (Loss)	(\$424,174)	(\$2,066,439)	(\$10,567,832)
Net Earnings (Loss) per share issued*	(\$0.00)	\$(0.02)	(\$0.18)
Cash Dividends Declared per common share	\$0.00	\$0.00	\$0.00
Long Term Income Tax Liability	\$2,422,991	\$0	\$0
Total Assets	\$43,822,736	\$30,097,332	\$9,542,972

* Based on 2005 weighted average number of shares outstanding of 178,858,389 and 2004 weighted average number of shares outstanding of 93,144,805, and 58,073,502 for 2003.

Results of Operations

Yukon Zinc's operations during the quarter consisted of permitting and activities directed to completion of the Wolverine Feasibility Study.

Financing Activities

Exercise of warrants during the quarter raised \$3.7 million in cash with an additional \$0.1 million from the exercise of stock options(\$3.6 million net of costs under the Pacifica Commitment).

Project Activities and Focus

All of Yukon Zinc's mineral properties are in the 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 accelerated project development and feasibility-related engineering and permitting work at the Wolverine project. This focus is reflected in the large increase in Wolverine expenditures in 2005, totaling \$19,055,304

Wolverine Project

Yukon Zinc's prime focus is the continued exploration and development of its base-precious metals properties in the Finlayson District. This activity is directed at the advancement of the Wolverine property to the feasibility stage followed by a production decision. The Company increased its Wolverine interest to 100% in 2004 by acquiring the minority interest held by Atna Resources. Atna retains a Precious Metals Royalty that provides for Atna to receive 4% of net proceeds from the sale of silver and gold from Wolverine when the silver price is greater than US\$5.00 per ounce and less than US\$7.50 per ounce. The royalty rate increases to 10% of net proceeds from the sale of silver and gold when the silver price is over US\$7.50 per ounce. No royalty is payable to Atna if the silver price is below US\$5 per ounce; or on the net proceeds of zinc, copper and lead production.

Wolverine Development Activity Chronology

In 2004, the Company made a decision to advance the Wolverine Project as a potential stand-alone underground mine development. Hatch Ltd ("Hatch") was commissioned to lead a Feasibility Study and Yukon Zinc undertook development of a production-sized decline to the ore zone followed by test mining to define the mining conditions for the feasibility study.

During the summer and fall months of 2005, the Wolverine project underwent an intense program of surface drilling, underground work, permitting and metallurgical studies. The 2005 surface drilling program was successful in moving resources into the measured and indicated categories required for feasibility study mining reserves. An independent NI 43-101 compliant resource estimate was subsequently released in January 2006.

Wolverine Project Mineral Resources (January, 2006)

Resource Category	Tonnes	Zn (%)	Ag (g/t)	Cu (%)	Au (g/t)	Pb (%)
Measured	509,000	12.17	292.27	1.15	1.47	1.46
Indicated	4,002,000	12.03	359.45	1.16	1.71	1.58
Total	4,511,000	12.04	351.48	1.15	1.68	1.57
Inferred	1,694,000	12.16	385.15	1.23	1.71	1.74

The mineral resource estimate above was prepared by Independent Qualified Persons Gary Giroux, P.Eng. of Giroux Consultants Ltd. of Vancouver, B.C., Canada and Mr. Cliff Pearson, P.Geo. of Pearson Geological Services of Victoria, B.C., Canada. The Technical Report is filed on SEDAR.

Mining

A portal for the ramp was established in late spring 2005 and driven down approximately 225 meters in the hanging wall down to the ore zone, reaching the zone in late September 2005. The competency of the hanging wall rocks immediately above the ore mineralization was much better than anticipated. The ramp turned through the ore zone into the footwall to test ground conditions in and around the ore zone, test various mining methods, and obtain larger sample or

ore for further engineering testwork. Based on this work, a mining method was selected that will allow for maximum ore extraction and for a large number, and flexibility of, working spaces.

Processing

Dense media separation (DMS) testwork 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 to produce an ore product recovering approximately 98% of base metals and 95% of precious metals in the dense "sink" portion together with "fines" products.

The metallurgical testwork program in 2004 and 2005 lead by consultant Godfrey MacDonald along with Hatch, has established the process plant flowsheet design. This design includes DMS pre-concentration circuit to limit the amount of waste material mined into the primary processing circuit. Successful application of this technology at Wolverine is expected to have positive benefits, not only in reducing mill process costs on a unit of production basis, but also in providing greater mining flexibility and lower costs. The effective removal of waste in the mill allows less selective mining, with emphasis on maximizing recovery of the high-grade ores; particularly in areas where excessive waste rock dilution may occur. Excessive dilution is common in areas with multiple bands of massive sulphide mineralization, hanging-wall failure, contamination of ore with footwall material, and in areas of thin massive sulphide lenses. Application of DMS to the mining of thinner zones has allowed the conversion of a high proportion of the Measured, and Indicated resources into the mining reserves and mine plan (see new resource estimate). This has extended the expected Wolverine mine life to approximately 10 years at the design milling rate of 1,250 tonne per day. DMS has been used successfully at several other underground base metal mines. Successful conversion of Inferred resources into a mineable category by future drilling could, depending on the results of drilling, add an additional 3.5 years of mine life. Management is studying a decision to upgrade the Inferred resources however no decision has yet been made.

Permitting

Permitting work during the year culminated in an early November filing of the Environmental Assessment Report with the Yukon environmental regulators. The permitting process is now well-advanced with the issuance of a Quartz Mining Licence expected by mid-summer followed by issuance of the "A" Water Licence a few months later. Issuance of the Quartz Mining Licence would allow for full project construction to proceed once a production decision is reached.

Marketing

Company management visited Asian smelter groups in spring 2005 to ascertain their interest in the Wolverine zinc, copper and lead concentrates. In summer, management followed up with a solicitation for written "Expressions of Interest" from smelter and metals traders interested in long term concentrate offtake agreements. These written responses unequivocally demonstrated the long term marketability of all Wolverine concentrates in support of the feasibility study.

Wolverine Lead Bank Appointment

In December 2005, the Company announced the engagement of Macquarie Bank Ltd. (Macquarie) to act as exclusive lead arranger of a Wolverine project loan and related hedging facilities. Macquarie has commenced its due diligence including a September 2005 site visit

during underground operations. It is continuing to working closely with management during the completion and final audit of the Wolverine Feasibility Study. Macquarie's technical advisors will work in parallel with Feasibility Study manager, Hatch, and other independent consultants, to minimize the time required in finalizing a committed term sheet upon Feasibility Study completion. Maximizing the debt capacity of the Wolverine project financing, together with other possible financing alternatives under consideration, will allow the flexibility to minimize share equity issuances. Macquarie was granted 2,500,000 share purchase warrants for the purchase of one common share of Yukon Zinc at a price of \$0.30 up to the close of business on June 30, 2008. The right to exercise the Warrants will vest pursuant to certain specified performance criteria.

Finlayson District Exploration

With its prime focus on the Wolverine project, the Company limited exploration in the Finlayson District during 2005 to a small program of drilling to evaluate the Kudz Ze Kayah stratigraphy on the Skyblaze and Thunderstruck zones. The two drill holes in the Thunderstruck zone intersected several horizons of altered felsic volcanic rocks with anomalous zinc mineralization. The single drill hole in the Skyblaze zone similarly intersected weak mineralization.

The wide-spaced drill holes completed on the Goal Net property in 2000, 2001 and 2004 indicated a large depositional basin hosting numerous base metal sulphide occurrences that are thought to be coeval and time stratigraphic equivalents of both Kudz Ze Kayah and GP4F deposits.

In 2004, after several years of low level activity, exploration in the district has resumed with focus 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 during 2004 in the Thunderstruck Zone 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, in the Goal Net North area, 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 was deepened in 2005. The upper part of the drill hole intersected several intervals of sulphide mineralization.

Logan Joint Venture

The Company's 60% interest in the Logan property was acquired from Energold Minerals Inc. in April 2003. 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 a consultant in 1989, however it predates criteria of National Instrument 43-101. Utilizing the new criteria the resource should be considered as an Inferred resource.

As part of a scoping study of the joint development of the Wolverine and Logan deposits, Hatch

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 standalone mine.

Swift Property

The Swift property is located in the Rancheria District in south central Yukon. The District hosts numerous carbonate-hosted zinc-lead-silver deposits with similarities to the major, world-class manto deposits of Mexico that make it a world class silver district. 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. In 2004, Yukon Zinc acquired all interest in Swift, 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. Work on Swift in 2005 was limited to line cutting and grid establishment.

Interest in Pacifica Resources Ltd.

Yukon Zinc owns 4,800,001 common shares of Pacifica representing an approximate 5.5% equity interest as at March 31, 2006. Also, Yukon Zinc also holds warrants to purchase an additional 2,400,000 common shares of Pacifica at a price of \$0.40 per share on or before December 16, 2006. Pacifica has an agreement to purchase a 100% interest in the Howard's pass zinc-lead deposits, subject to a series of property purchase payments to the vendors, Placer CLA (now owned by Goldcorp Inc.) and a subsidiary of US Steel.

Pacifica shares closed at \$0.74 per share on May 24, 2006

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 and option payments on properties that it has farmed out. The quarterly losses for the years 2004, 2005 and 2006 to date are as follows:

Summary of Historical Quarterly Financial Information

Period	Revenues	Net Income (Loss)	Net Income (Loss) Per Share
1st Quarter 2006	Nil	\$(984,560)	\$(0.00)*
4th Quarter 2005	Nil	(\$1,927,594)	\$(0.01)
3rd Quarter 2005	Nil	\$(241,670)	\$(0.00)
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)

* Based on 235,432,204 weighted average shares outstanding in Q1 2006.

The variation in loss per quarter reflects expenses are normally related to non-deferred exploration activity that is seasonal in nature. The large gain in first quarter 2005 and loss in the fourth quarter are related to a potential future tax effects and adjustments related to the renouncement of flow through expenditures in March 2005.

Liquidity

As at March 31, 2006, on a consolidated basis, the Company has cash of \$7,446,121 compared to \$7,303,111 as at December 31, 2005. At March 31 2006, the Company recorded \$480,403 in accounts receivable, \$1,207,078 in marketable securities, \$85,304 in prepaids, offset by \$2,736,522 in accounts payable. There were no long-term liabilities as at March 31, 2006. Working capital was \$6,482,384 as at March 31, 2006.

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 and joint venture partners. 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. A requirement for additional sources of funding could be triggered by acquisitions, and there is no certainty of raising these funds if required.

The Company has sufficient funds on hand to meet its 2006 administration costs and undertake a limited amount of development work at Wolverine. An expanded Wolverine development program, or expenditures related to a possible production decision, would require further issuances of equity or other forms of financing.

Capital Resources

Yukon Zinc had \$7,446,121 of cash as at March 31, 2005. Of this, \$508,700 is held separately to meet remaining "flow through" share expenditure obligations which is required to be spent in 2006. The Canadian tax deductions derived from the Company's qualified Canadian Exploration Expenditures ("CEE") are renounced to the individual flow through share investors for 2005. Warrant exercises in the first quarter added approximately \$3.7 million in cash (see Subsequent Events regarding further warrant exercises).

The Company has interests in several mineral properties in the southern Yukon, 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.

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 intention of these arrangements is for cost efficiency and shared expertise.

As at March 31, 2005 the Company is owed \$44,889 by certain employees for seed loans to acquire Pacifica shares and has accrued interest on these loans. Subsequent to March 31, 2006, \$33,000 of the loans were repaid

Yukon Zinc owns 4,800,001 common shares of Pacifica and common 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 16, 2006. Dr. Harlan Meade, President and CEO of the Company, is also a Director of StrataGold Corporation, 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 of Mining was also a Director of Pacifica until January, 2006.

During the quarter, professional fees of \$17,874 were incurred in respect of services provided by a legal firm in which an Officer of the Company is a partner.

Proposed Transactions

In the normal course of business, the Company evaluates property acquisition or corporate transactions and, in some cases, makes proposals in this regard. These proposals, which are usually 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 new accounting rules used for Yukon Zinc, the "fair value" of stock-based compensation (i.e. 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 \$621,515 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 Generally Accepted Accounting Principles (GAAP). The Company's accounting policies have not changed since incorporation and no future changes are currently contemplated.

Financial Instruments and Other Instruments

Yukon Zinc currently does not own, hold or have any material interest in, or liability associated with, any financial or other instruments. As at March 31, 2006, Yukon Zinc had accounts payable and accrued liabilities of \$2,736,522.

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 first quarter, Yukon Zinc expended \$4,101,240 on exploration and development, compared with \$4,879,207 in the equivalent quarter of 2005. The great majority of these expenditures were on the Wolverine property.

Net acquisition costs during the quarter were \$Nil compared with \$56,810 in the first quarter of 2005.

Aggregate Deferred Property Costs increased to \$38,727,845 as at March 31, 2006 compared to \$34,626,605 as at December 31, 2005.

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 March 31, 2006, the Company had 242,159,779 common shares issued and outstanding. There are no other classes of shares issued. As of March 31, 2006, Yukon Zinc also had 30,053,106 warrants and 18,028,000 stock options outstanding at various exercise prices and future expiry dates. If all these securities were exercised, a total of 290,240,885 shares would be issued and outstanding.

Share Capital Summary as at May 24, 2006

	Common Shares Issued	Options	Warrants	Fully Diluted Shares
Balance: December 31, 2005	229,014,851	12,605,000	43,749,065	285,368,916
Issued during period	13,144,928			
Granted during period		5,898,000		
Exercised during period		(475,000)	(12,669,928)	
Expired during period			(1,026,031)	
Balance: March 31, 2006	242,159,779	18,028,000	30,053,106	290,240,885
Shares issued subsequent to quarter	5,124,093			
Warrants issued subsequent to quarter				
Warrants exercised/expired subsequent to quarter			(5,024,093)	
Options granted subsequent to quarter		3,700,000		
Options Exercised subsequent to quarter		(100,000)		
Balance: May 24, 2006	247,283,872	21,628,000	25,029,013	293,940,885

Share Purchase Warrants

As at March 31, 2006 the Company had 30,053,106 common share purchase warrants outstanding with various expiry dates ranging from June 16, 2006 to June 30, 2008. Exercise prices range from \$0.22 to \$0.45 per share. Additional details can be found in the Notes to the Consolidated Financial Statements.

The Company has not subsequently issued any additional warrants in 2006 as at the date of this report. Exercise of all warrants outstanding as at March 31, 2006 would result in cash proceeds to the Company of \$10.6 million. Details of warrants and the exercise prices and expiry dates for the period ending March 31, 2006 are summarized in the Company's financial statements.

The Yukon Zinc warrants that were outstanding as at 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 share of Pacifica issued pursuant to the exercise of these older Yukon Zinc warrants.

Share Purchase Options

As at March 31, 2006 the Company had 18,028,000 common share purchase options outstanding at various exercise prices and expiry dates. These were granted to directors, employees and consultants during the period 2000 through March 31 2006. Details of options and the exercise prices and expiry dates are summarized in the Company's financial statements. During the quarter, 5,898,000 new options were granted, no options were exercised. Subsequent to the quarter, 3,700,000 options were granted to certain employees and consultants and 100,000 options were exercised resulting in 21,628,000 outstanding options as of May 24, 2006.

Pacifica Commitment Shares

Note that holders of options and warrants on Yukon Zinc (formerly Expatriate Resources) as at 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 received as a result of the exercise. 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.

As at March 31, 2006, there were 15,642,239 warrants and 5,545,000 options outstanding that are eligible to receive the fractional Pacifica share upon exercise.

Other MD&A Requirements For Venture Issuers Without Significant Revenue

Additional details of deferred property costs and administration expense for the period are included in the Statement of Operations and Deficit and the Schedule of Cumulative Deferred Property Costs contained in the interim financial statements.

Disclosure Controls

The Company has adopted a policy of disclosure controls and procedures and will continue to review these, as appropriate, from time to time. The Chief Executive Officer and Chief Financial Officer have concluded that, during 2005, the process in place was effective enough to ensure that material information was accumulated and communicated to management in a sufficiently timely manner for management to make decisions regarding the Company's disclosure as required by securities legislation.

Subsequent Events

Wolverine Feasibility Study

On May 9, 2006, the Company announced the results of a Feasibility Study for the Wolverine zinc-silver project. The Study was prepared under the direction prime consultant, Hatch Ltd. The announced results were amended and corrected in News Releases on May 11 and May 16. Management and the Board of Directors are studying the feasibility study and assessing next steps in advancing Wolverine to production. The Feasibility Study covers all aspects of the development of the Wolverine deposit as an underground mine with its related infrastructure. The study includes all information from the \$19 million test mining and definition drilling program completed in 2005. A summary of the Feasibility Study economic results is shown below.

		PRICE SCENARIOS			
		"Base Case"	"Moderate Prices"	"Forward Prices" (as of April 28)	"Current Prices" (April 28)
NPV 0% aft-tax	C\$000s	\$28,156	\$144,413	\$61,826	\$402,856
NPV 8% aft-tax	C\$000s	(\$40,953)	\$32,767	\$611	\$187,466
NPV 10% aft-tax	C\$000s	(\$50,700)	\$15,757	(\$9,244)	\$153,811
Internal Rate of Return (pre-tax)	%	3.0%	15.7%	10.5%	37.2%
Internal Rate of Return (aft-tax)	%	2.5%	12.3%	8.1%	29.8%
Payback Period	Yrs	8.5	4.9	4.0	2.4
Annual Cashflow (3 yr avg)	C\$000s	\$25,012	\$43,994	\$58,141	\$89,650

These summary results should be read in the context of the full Feasibility Study news releases.

The announcements containing the Study results are filed on SEDAR. A NI 43-101 Technical Report describing the Feasibility Study will be filed on SEDAR within the required statutory period.

Management and the Board, along with the new project development staff, are studying the Feasibility Study with a view to possible improvements to the project development plan prior to any production decision.

Notice to Qualify to File for Short Form Prospectus

On April 27, 2006, the Company filed an announcement that it intends to be qualified to file a short form prospectus under NI 44-101. The notice acknowledges that the Company must satisfy all applicable qualification criteria prior to filing a preliminary short form prospectus. This notice does not evidence the Company's intent to file a short form prospectus, to enter into any particular financing or transaction or to become a reporting issuer in any jurisdiction. The notice remains in effect until withdrawn by the Company.

Share Price and Warrant/Option Exercises

Subsequent to the quarter, to date, 5,024,093 warrants and 100,000 options were exercised, realizing approximately \$1.9 million in cash.

Senior Construction Staff Additions

On May 10, 2006 the Company announced the hiring of a Manager of Procurement and Contracts, Mr. Lionel Labelle. Mr. Labelle will be responsible for all aspects of contracts and procurement for the development of the Wolverine zinc-copper-lead-silver-gold mine project. Joining Mr. Labelle is Mrs. Ruth Castillo who will assist Mr. Labelle in procurement and contracts management. Both individuals were previously employed by Placer Dome Inc. The Company expects to add other senior operating staff to advance development of the Wolverine project.

Annual General Meeting

The date and location of the Annual General Meeting of the Company was set for June 8, 2006 10 AM at the Fairmont Waterfront Hotel, Cheakamus Room, 900 Canada Place Way, Vancouver, British Columbia.

Additional Information

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

Cautionary Note

Safe Harbor Statement under the United States Private Securities Litigation Reform Act of 1995 and similar Canadian legislation: Except for the statements of historical fact contained herein, the information presented contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and similar Canadian legislation. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", or variation of such words and phrases that refer to certain actions, events or results to be taken, occur or achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Yukon Zinc to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the actual

results of exploration activities, actual results of reclamation activities, the estimation or realization of mineral reserves and resources, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, availability of capital required to place the Wolverine property into production, conclusions of economic evaluations, acceptance of the Hatch feasibility study by lending institutions, changes in project parameters as plans continue to be refined, future prices of commodities, possible variations in ore grade or recovery rates, efficacy and efficiency of the DMS process, failure of plant, equipment or processes to operate as anticipated, accidents, labor disputes and other risks of the mining industry, delays in obtaining governmental approvals, permits or financing or in the completion of development or construction activities, Yukon Zinc's hedging practices, currency fluctuations, title disputes or claims limitations on insurance coverage and the timing and possible outcome of pending litigation, as well as those factors discussed under "Risk Factors" in Yukon Zinc's Annual Information Form for the year ended December 31, 2005. Although Yukon Zinc has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements contained herein and in Yukon Zinc's other filings incorporated by reference.

Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources: This document may use the terms "Measured", "Indicated" and "Inferred" Resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the United States Securities and Exchange Commission does not recognize them. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence, and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies.

United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable.

YUKON ZINC CORPORATION

"Harlan Meade"

Harlan Meade
President and CEO, Director
May 24, 2006