Yukon Zinc CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008

(Unaudited)

Yukon Zinc Corporation
Consolidated Balance Sheets

		March 31, 2008 (Unaudited)	December 31, 2007 (Audited)
ASSETS		**$**	**$**
Current			
Cash and cash equivalents	Note 2(d)	3,682,825	932,627
Cash reserved for flow-through expenditures	Note 3	2,060,762	3,545,192
Receivables	Note 4	92,631	433,486
Due from related parties	Note 10	195,099	108,773
Prepaid expenses and deposits		118,998	174,722
		6,150,315	5,194,800
Yukon mineral exploration tax credit	Note 13	1,591,425	1,591,425
Investments	Note 6	1,154,499	1,671,182
Property and equipment	Note 7	3,372,885	2,206,808
Mineral properties	Schedule	62,271,983	60,089,489
Reclamation deposits	Note 8	1,092,796	1,092,796
		75,633,903	**71,846,500**
LIABILITIES			
Current			
Accounts payable and accrued liabilities	Note 15(e)	3,067,169	5,727,033
Due to related parties		69,502	415,150
		3,136,671	6,142,183
Long Term Liabilities			
Future income tax liability	Note 12	1,840,000	-
Asset retirement obligations	Note 9	2,600,000	2,600,000
		7,576,671	8,742,183
SHAREHOLDERS' EQUITY			
Share capital	Note 11	92,747,430	88,070,353
Accumulated comprehensive income	Schedule, Note 6	(444,018)	(13,181)
Contributed surplus	Note 11	5,371,220	4,581,414
Deficit		(29,617,400)	(29,534,269)
		68,057,232	63,104,317
		75,633,903	**71,846,500**

Nature and continuance of operations (Note 1)
Contingencies and commitments (Note 14)
Subsequent events (Note 15)

Approved on behalf of the Board of Directors "*Lorne Anderson*" "*Harlan Meade*"

Lorne B. Anderson, Director — Harlan D. Meade, Director

Yukon Zinc Corporation
Consolidated Statements of Operations and Deficit
For the Three Months Ended,

	March 31, 2008 (Unaudited)	March 31, 2007 (Unaudited)
Expenses	**$**	**$**
Stock based compensation (note 11c)	644,435	679,017
Salaries and benefits	289,494	292,598
Project financing	289,315	184,599
General and administrative	218,118	233,586
Investor communications	47,329	106,844
Loss before the following	1,488,691	1,496,644
(Gain)/Loss on sale of investment	-	(175,291)
Interest and other income	(48,670)	(18,367)
Loss before tax	1,440,021	1,302,986
Future income tax recovery (note 12)	(1,356,890)	(354,491)
Net loss for the period	**83,131**	**948,495**
Deficit, beginning of period	**29,534,269**	**24,438,157**
Deficit, end of period	**29,617,400**	**25,386,652**
Loss/(income) per share – basic and diluted	$0.00	$0.00
Weighted average number of shares outstanding	404,162,058	247,117,600

Yukon Zinc Corporation
Consolidated Statement of Comprehensive Income

	March 31, 2008	March 31, 2007
Net loss for the period before comprehensive income	83,131	948,495
Unrealized losses on available for sale investments	430,837	1,227,941
Net loss and comprehensive loss	513,968	2,176,436

Yukon Zinc Corporation
Consolidated Statements of Cash Flows
For the Three Months Ended,
(Unaudited)

Cash provided by (used for):	March 31, 2008 $	March 31, 2007 $
Operating Activities		
Net loss for the period	(83,131)	(948,495)
Items not involving cash:		
Amortization	44,920	31,604
Stock based compensation and fees	789,806	679,017
Future income tax recovery	(1,356,890)	(354,491)
Gain on sale of investment	-	(175,291)
Non-cash loan fee	14,250	-
	(591,045)	(767,656)
Change in non-cash working capital items:		
Receivables	340,855	303,775
Due from related parties	(86,326)	(127,357)
Prepaid expenses and deposits	55,724	(24,930)
Accounts payable and accrued liabilities	639,865	66,561
Due to related parties	(345,648)	(30,705)
Investments held for trading	-	5,308
	13,425	**(575,004)**
Investing Activities		
Expenditures on mineral properties, net	(5,482,222)	(2,691,375)
Expenditures on property and equipment	(1,210,998)	(1,612)
Reclamation deposits	-	(1,028,796)
Proceeds on sale of investment	-	298,246
	(6,693,220)	**(3,423,537)**
Financing Activities		
Selwyn Resources Ltd. commitment	-	(8,627)
Loan	-	800,000
Shares issued for cash	8,000,000	2,000,000
Shares issued; options and warrants exercised	-	102,250
Share issue cash costs	(54,437)	(61,000)
	7,945,563	**2,832,623**
Increase (decrease) in cash and cash equivalents	1,265,768	(1,165,918)
Cash and cash equivalents, beginning of the period	4,477,819	3,348,401
Cash and cash equivalents, end of the period	**5,743,587**	**2,182,483**
Cash and cash equivalents consists of the following:		
Cash and cash equivalents	3,682,825	322,647
Cash reserved for flow-through expenditures	2,060,762	1,859,836
Cash and cash equivalents, end of the period	**5,743,587**	**2,182,483**

Yukon Zinc Corporation
Consolidated Statement of Changes in Shareholders' Equity – Unaudited
For the Three Months Ended March 31, 2008

	March 31, 2008
	$
Share Capital	
Balance - beginning of period	88,070,353
Private placement	8,000,000
Tax benefits renounced to flow-through share subscribers	(3,268,486)
Share issue cash costs	(54,437)
Balance - end of period	92,747,430
Contributed Surplus	
Balance - beginning of period	4,581,414
Stock based compensation – loan fees	145,371
Stock based compensation – vested	644,435
Balance - end of period	5,371,220
Deficit*	
Balance - beginning of period	(29,534,269)
(Loss) / income for the period	(83,131)
Balance - end of period	(29,617,400)
Accumulated Other Comprehensive Income*	
Balance - beginning of period	(13,181)
Unrealized losses on available for sale investments for the period	(430,837)
Balance - end of period	(444,018)
Total Shareholders' Equity	68,057,232
***Total of Deficit and Other Accumulated Comprehensive Income**	(30,061,418)

YUKON ZINC CORPORATION
CONSOLIDATED SCHEDULE OF MINERAL PROPERTY COSTS - Unaudited
For the Three Months Ended March 31, 2008

Mineral Properties	Wolverine $	Others $	Total $
Project development	1,661,344	-	1,661,344
Environment & community	426,551	-	426,551
Engineering	8,417	-	8,417
Exploration	5,017	-	5,017
Site	-	-	-
Acquisition costs	3,290	77,875	81,165
Total additions during the period	**2,104,619**	**77,875**	**2,182,494**
Balance, December 31, 2007	**58,879,071**	**1,210,418**	**60,089,489**
Balance, March 31, 2008	**60,983,690**	**1,288,293**	**62,271,983**

1. Nature and Continuance of Operations

Yukon Zinc Corporation (the "Company" or "Yukon Zinc"), is an exploration and development stage company incorporated under the Company Act (British Columbia), which Act has been amended and is now the British Columbia Business Corporations Act. The Company's shares trade on Tier 1 of the TSX Venture Exchange ("TSX.V") under the symbol YZC. The Company is focused on advanced exploration and development of its Wolverine Project, a zinc-silver-copper deposit located in the Finlayson Lake area of southeast Yukon Territory, Canada.

Results of the Optimized Feasibility Study for the Wolverine Project, which were released in January 2007, concluded that the Project was technically and economically viable. The recoverability of amounts shown for mineral properties is dependent upon the ability of the Company to obtain the necessary financing to proceed with construction and development, to resolve any potential environmental, regulatory, or other impediments and to ultimately achieve commercial production or proceeds from the future disposition of its mineral properties.

These financial statements are prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern, which assume that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company has no source of operating revenue, has incurred losses since inception and at March 31, 2008 has a working capital surplus of approximately $3 million, inclusive of restricted cash on hand of approximately $2 million (note 3). The Company's ability to meet its obligations and maintain its operations is contingent upon successful completion of financing arrangements, and the financial statements do not reflect any adjustments which may be necessary should the Company become unable to continue on a going concern basis. Refer also to notes 15 (a) and (b).

2. Significant Accounting Policies

a) *Presentation and Basis of Consolidation*

The accompanying financial statements of the Company include the accounts of the Company and its inactive subsidiaries. All inter-company accounts and transactions were eliminated upon consolidation.

Certain of the prior years' figures have been reclassified to conform to the current year presentation.

b) *Use of Estimates and Measurement Uncertainty*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosure of assets, liabilities, expenses, other income and contingent assets and liabilities. Significant areas requiring the use of management estimates relate to the determination of the recoverability of mineral property costs, the asset retirement obligation, the valuation allowance of future tax assets, the determination of the Yukon Mineral Exploration Tax Credit ("YMETC") receivable and the calculation of stock-based compensation expense. Actual results may differ from those estimates.

c) *Translation of Foreign Currency*

The Canadian dollar is the functional currency of all of the Company's operations which are classified as integrated for foreign currency translation purposes. Under this method translation gains or losses are included in the determination of net income.

d) *Cash and Cash Equivalents*

Cash and cash equivalents are carried in the consolidated balance sheets at cost and they comprise cash on hand, deposits held with banks and other short-term liquid investments generally with original maturities of three months or less.

2. Significant Accounting policies, continued

e) Financial Instruments, Equity and Comprehensive Income

The Accounting Standards Board issued new accounting standards dealing with the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income which require that certain gains and losses be recorded in a separate statement as comprehensive income, effective for financial statements relating to fiscal years beginning on or after October 1, 2006 in accordance with Canadian Institute of Chartered Accountants Handbook Sections 1530, 3251 and 3855 (Comprehensive Income, Equity and Financial Instruments, respectively).

The Company's financial instruments consist of cash and cash equivalents, cash reserved for flow-through expenditures, receivables, investments and payables. Management is of the opinion that the Company is exposed to no significant interest, currency or credit risks arising from cash balances held. The carrying values of these financial instruments approximate their fair market values.

f) Property and Equipment

Property and equipment are recorded at cost and amortized over their estimated useful economic lives using the declining balance method at annual rates of 20% for office furniture and equipment, 30% for vehicle and computer equipment and 100% for computer software. Leasehold improvements are amortized on a straight-line basis over five years. Amortization in the year of acquisition is one half of the amount otherwise calculated.

g) Mineral Properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. Cost includes any cash consideration and advance royalties paid and the fair market value of shares issued on the acquisition of property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts, at fair value, when the payments are made.

If economically recoverable ore reserves are developed, capitalized costs of the related property will be reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

2. Significant Accounting Policies, continued

h) Asset Retirement Obligations

Section 3110 of the CICA Handbook requires the recognition of a liability for obligations relating to the retirement of property, plant and equipment and obligations arising from the acquisition, construction, development, or normal operation of those assets. The Company recognizes the fair value of a liability for an asset retirement obligation ("ARO") in the year in which a reasonable estimate of the fair value can be made. The estimates are based principally on legal and regulatory requirements. The carrying amount of the related long-lived asset is increased by the same amount as the liability and it is depreciated over the estimated useful life of the asset. It is quite possible that the Company's estimates of its ultimate reclamation and closure liabilities associated with any mine or facility built will change as a result of changes in regulations, changes in the extent of environmental remediation required, changes in the means of reclamation or changes in cost estimates. Consequently, changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows will be recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. The liability will be increased for the passage of time and reported as an operating expense (accretion expense).

i) Stock- Based Compensation

The fair value of stock options granted is determined using the Black-Scholes option pricing model and recorded as stock-based compensation expense over the vesting period of the stock options.

Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus, recognized initially as the options vested with the recipient, is transferred to share capital.

j) Loss per Share

Loss per share computations are based on the weighted-average number of common shares outstanding during the year. The diluted effect of options and warrants is computed by the treasury stock method. Diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

There were no securities with potential dilutive effect as at March 31, 2008 other than the outstanding warrants and options described in Notes 11 (c) and 11 (d), respectively.

k) Income Taxes

Future income tax assets and liabilities are determined based on temporary differences between the accounting and the tax base of the assets and liabilities, and are measured using the tax rates expected to be in effect when these temporary differences are likely to reverse. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized, and a valuation allowance is applied against any future tax asset if it is more likely than not that the asset will not be realized.

l) Flow-Through Shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. The recording of these expenditures for accounting purposes gives rise to temporary accounting/tax base differences.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, are recognized as a recovery of income taxes in the statement of operations.

2. Significant Accounting Policies, continued

m) Recent Accounting Pronouncements

Section 1400 - General Standards of Financial Statement Presentation. The CICA has amended Section 1400, "General Standards of Financial Statement presentation", which is effective for interim periods beginning on or after January 1, 2008, to include requirements to assess and disclose the Company's ability to continue as a going concern. The adoption of this new section has not had an impact on the financial statements.

Section 1535 – Capital Disclosure. This standard was issued by the CICA on December 1, 2006, and was effective for the Company beginning on January 1, 2008. Section 1535 specifies the disclosure of information that enables users of the Company's financial statements to evaluate the entity's objectives, policies and processes for managing capital such as qualitative information about its objectives, policies and processes for managing capital, summary quantitative data about what the entity manages as capital, whether the entity has complied with any capital requirements and, if it has not complied, the consequences of noncompliance. The adoption of this new section has not had an impact on the financial statements.

Section 3031- Inventories. In June 2007, the CICA issued this section which replaces Section 3030 and establishes standards for the measurement and disclosure of inventories. This section applies to fiscal years beginning on or after January 1, 2008. The main features of the new section are:
• Measurement at the lower of cost and net realizable value;
• Cost of items that are not ordinarily interchangeable, and goods and services produced and segregated for specific projects, assigned by using a specific identification of their individual costs;
• Consistent use of either first-in first-out or weighted average cost formula to measure the cost of other inventories;
• Reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories.

This new section also provides for additional disclosure. The Company has adopted this standard which has not had a material impact on its results or operations.

International Financial Reporting Standards ("IFRS"). In January 2006, the AcSB adopted its strategic plan, which includes the decision to move financial reporting for Canadian publicly accountable enterprises to a single set of globally accepted high-quality standards, namely, IFRS, as issued by the International Accounting Standards Board (IASB). This document outlines the AcSB's implementation plan for incorporating IFRS into Canadian GAAP, including identifying key decisions that the AcSB will need to make as it implements the strategic plan for publicly accountable enterprises. The Company will follow the key events timeline proposed by the AcSB to obtain training and thorough knowledge of IFRS, finalize its assessment of accounting policies with reference to IFRS, and develop a plan for convergence to be ready for the changeover required in 2011.

3. Cash Restricted for Flow-through Expenditures

On December 20, 2007, the TSX.V approved the Company's flow-through private placement financing to issue 25,308,572 common shares at $0.14 per share for gross proceeds of 3,543,200, which comprises substantially all of the balance of restricted cash at period end. In January 2008, the Company renounced this amount in its entirety, and accordingly will be required to incur this amount on eligible exploration expenditures in 2008. As at March 31, 2008, the Company had $2,060,762 of restricted cash.

The future income tax liability associated with the December 2007 financing is estimated to be $1,009,812 based on a tax rate of 31% and has been recognized in the period, as the Company filed the renouncement documents with the tax authorities, consistent with CICA recommendations.

4. Receivables

Receivables as at March 31, 2008 totalled $92,631 (December 31, 2007: $433,486). Included in the receivables is $64,369 in GST receivable and $28,262 in other receivables.

5. Plan of Arrangement, Yukon Zinc - Pacifica Resources Ltd.

In 2004 the Company incorporated a subsidiary, Pacifica Resources Ltd. ("Pacifica"), which was largely inactive until December 16, 2004 when the Company and Pacifica completed a Plan of Arrangement ("the Arrangement") under the *Business Corporations Act* (British Columbia). Under the terms of the Arrangement the Company sold to Pacifica a portfolio of base metal properties, 758,285 common shares of StrataGold Corp. ("SGV") and the right to acquire 4,000,000 SGV shares at $0.60 per share until November 7, 2008, in consideration for 14,000,000 shares of Pacifica valued at $3,500,000, which were distributed to the shareholders of record of the Company on a pro rata basis.

Each stock option that was outstanding at the time of the Arrangement entitles the holder to acquire one common share of the Company and, additionally, 0.092025 of a common share of Pacifica (the "Pacifica Commitment"). The stock options subject to this commitment are indicated in the tables in Notes 11(d). Upon exercise of one of these options, the Company is required to remit to Pacifica $0.25 per share for each share of Pacifica issued.

The Arrangement provided for the Company to acquire 4,800,000 common shares and 2,400,000 common share purchase warrants of Pacifica in consideration for $1,200,000. Each Pacifica warrant entitled the Company to purchase an additional share of Pacifica at $0.40 per share until December 16, 2006. These warrants were exercised in December 2006.

Pacifica has been renamed Selwyn Resources Ltd. ("Selwyn").

6. Investments

As at March 31, 2008, the Company held 5,648,001 common shares of Selwyn, which had an originating value of $1,649,107 and a current market value of $1,044,880 ($0.185 per share). Selwyn is a related company with the same Chief Executive Officer and certain other common officers and directors. The Company's interest in Selwyn was approximately 4% as at March 31, 2008.

The Company has determined the investment in Selwyn shares as available for sale, and therefore calculated the other comprehensive loss for the three months ended March 31, 2008 as $451,840, net of a future tax effect, based on a share price decline from $0.265 per share at December 31, 2007.

During the second quarter of 2007 and pursuant to a Plan of Arrangement, Selwyn transferred its non-core assets to a new public company, Savant Explorations Ltd. ("Savant"), with shares of Savant distributed pro-rata to the shareholders of Selwyn. The Company received 612,146 Savant shares of which, 50,000 shares were transferred to Pradigm Capital Inc. during the current quarter to fulfill a loan obligation from April 2007. The remaining 562,146 shares had a March 31, 2008 market value of $109,619 ($0.195 per share).

The Company's holding of Savant shares is also considered to be available for sale and the loss recognized on these shares, being their decline in aggregate market value from $0.285 per share at March 31, 2008, has been included in Other Comprehensive Income.

7. Property and Equipment

	March 31, 2008			December 31, 2007		
Property and Equipment	**Cost**	**Accumulated Amortization**	**Net Book Value**	**Cost**	**Accumulated Amortization**	**Net Book Value**
	$	**$**	**$**	**$**	**$**	**$**
Field equipment	325,162	122,510	202,652	325,162	111,844	213,318
Vehicles	97,189	53,234	43,955	97,189	49,670	47,519
Furniture and fixtures	81,338	45,583	35,755	81,338	43,701	37,637
Computers and other	88,944	48,434	40,510	88,944	45,150	43,794
Software	271,364	193,077	78,287	257,597	169,276	88,321
Leasehold Improvements	52,335	19,604	32,731	52,335	17,880	34,455
Construction in Progress	2,938,995	-	2,938,995	1,741,764	-	1,741,764
Total	**3,855,327**	**482,442**	**3,372,885**	**2,644,329**	**437,521**	**2,206,808**

8. Deposits

In 2005, the Company was granted a B Water Licence by the Yukon Water Board, which allowed the Company to undertake underground exploration at the Wolverine property. An initial security deposit of $64,000 was made. The deposit is restricted for use towards future site restoration.

During the quarter ended March 31, 2007 the Company paid $195,000 pursuant to the Quartz Mining License (“QML”) for commencement of Phase 1 road construction. Also paid was $755,546 for on-site liabilities and reclamation activities associated with the advanced exploration phase and $78,250 for water treatment and discharge associated with the underground mine workings. Interest on deposits aggregating $1,092,796 was accrued to March 31, 2008.

9. Asset Retirement Obligations – ARO

Upon review of the acquisition, construction, development, and normal operations of the Wolverine Property in the first quarter of 2008, the Company reasonably estimates that no material amount of liability should be added to the December 31, 2007 asset retirement obligation of $2,600,000.

10. Related Party Transactions

All transactions with related parties occurred in the normal course of business and were measured at the exchange amount, which was the fair value as agreed between management and the related parties. The balances disclosed in the financial statements were unsecured, receivable or payable upon demand and arose from the provision of services, expense reimbursements or advances. All material transactions and balances with related parties are described below.

The Company shares office space and some administration expenses with Selwyn which is a company with certain common officers and directors. As at March 31, 2008, $185,815 (December 31, 2007: $103,118) was due from Selwyn.

The Company shares office space and some administration expenses with Savant. As at March 31, 2008, $5,193 (December 31, 2007: $5,655) was due from Savant.

10. Related Party Transactions, continued

For the quarter ended March 31, 2008 the following is a summary of related party transactions:

- Legal fees of $110,934 were incurred by an association of lawyers in which the Corporate Secretary of the Company is a Partner.

- Selwyn has been invoiced by the Company for their proportionate share of salaries for certain shared officers and employees. The amount invoiced to Selwyn was $185,815 in Q1 2008.

11. Share Capital

Issued and Outstanding	Number of shares	Total Value $	Contributed Surplus $
Balance, December 31, 2007	**396,347,650**	**88,070,353**	**4,581,414**
Issued for cash:			
Private placement of shares at $0.135 per share	59,259,259	8,000,000	-
	59,259,259	8,000,000	-
Tax benefits renounced to share subscribers, February 2008	-	(3,268,486)	-
Fair value of warrants issued, stock based compensation	-	-	145,371
Fair value of options vested, stock based compensation	-	-	644,435
Subtotal, before share issue costs	59,259,259	4,731,514	789,806
Share issue cash costs	-	(54,437)	-
Transactions in the year	59,259,259	4,677,077	789,806
Balance, March 31, 2007	**455,606,909**	**92,747,430**	**5,371,220**

a) Authorized

The Company has an unlimited number of common shares without par value authorized for issuance; 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 $10.00 per share. No Class A or B preferred shares have been issued to date.

b) Private Placements

On March 11, 2008, the Company announced a non-brokered private placement financing for proceeds of $8 million. This financing subsequently closed on March 19th, 2008. The offering consisted of $8 million units; each unit consists of one common share and one-half common share purchase warrant and was priced at $0.135. Each whole warrant entitles the holder to purchase one common share of the Company for $0.17 for a period of two years from the closing date.

11. Share Capital, continued

c) Share Purchase Warrants

Share Purchase Warrants	Expiry Date	Exercise Price $	Balance March 31, 2008 #
April 2007 Private Placement	23-Apr-09	0.30	25,467,475
Agents' compensation options	24-Apr-08	0.20	3,565,446
Dec 2007 Private Placement	20-Dec-09	0.16	8,645,001
Agents' compensation options	20-Dec-08	0.12	1,037,400
Dec 2007 Private Placement	21-Dec-09	0.16	5,416,667
Agents' compensation options	21-Dec-08	0.12	650,000
March 2008 Private Placement	19-Mar-10	0.17	29,629,629
Barclays Capital Warrant	28-Jun-12	0.26	2,100,000
Total			**76,511,618**
Weighted average exercise prices			**$ 0.214**
Commitment to issue warrants, conditional			
Hill Street Capital Warrant		0.265	2,000,000
Barclays Capital Warrant		0.260	1,400,000

d) Stock Options

As at March 31, 2008, the Company had a stock-based compensation plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares at any given time. The vesting of each option grant is determined by the Board of Directors. When an employee is terminated or resigns, the date of expiry of the options held is generally revised to expire ninety days after the final day of employment. The options with revised expiry dates are disclosed below. All stock options that were outstanding at the time of the Arrangement (Note 5) are subject to the Pacifica Commitment as indicated in the tables below.

Stock-based compensation expense of $644,435 relating to stock options granted in previous periods and vesting in the current period was recorded in the current period. The stock based compensation for the same period of 2007 was $679,017.

11. Share Capital, continued

Expiry Date	Exercise Price	Balance 31-Dec-07	Granted	Exercised	Cancelled Expired	Balance 31-Mar-08
	$	#	#	#	#	#
1-Oct-08	0.11	420,000	-	-	-	420,000
4-Nov-08	0.28	200,000	-	-	-	200,000
21-Jan-09	0.38	250,000	-	-	-	250,000
21-Jun-09	0.27	2,320,000	-	-	-	2,320,000
11-Aug-09	0.27	450,000	-	-	-	450,000
Subject to Pacifica commitment		**3,640,000**	**-**	**-**	**-**	**3,640,000**
14-Jan-10	0.28	2,725,000	-	-	-	2,725,000
1-Feb-10	0.28	55,000	-	-	-	55,000
15-Feb-10	0.28	500,000	-	-	-	500,000
2-Mar-10	0.28	300,000	-	-	-	300,000
1-Apr-10	0.32	175,000	-	-	-	175,000
26-May-10	0.27	450,000	-	-	-	450,000
7-Sep-10	0.22	300,000	-	-	-	300,000
13-Jan-11	0.40	4,153,000	-	-	-	4,153,000
8-Feb-11	0.58	240,000	-	-	-	240,000
18-May-11	0.24	3,700,000	-	-	-	3,700,000
18-Jul-10	0.26	600,000	-	-	(600,000)	-
11-Oct-11	0.27	700,000	-	-	-	700,000
9-Nov-11	0.37	420,000	-	-	-	420,000
9-Mar-12	0.25	3,720,000	-	-	(120,000)	3,600,000
1-May-12	0.24	1,000,000	-	-	-	1,000,000
10-Jul-12	0.25	400,000	-	-	-	400,000
3-Aug-10	0.27	500,000	-	-	-	500,000
Total		**23,578,000**	**-**	**-**	**(720,000)**	**22,858,000**

e) Fair Value Determination

The fair value of the stock options recognized in the consolidated statements of operations and deficit, have been estimated using the Black Scholes option pricing model. Assumptions used in the pricing model for each year are as provided below:

11. Share Capital, continued

Weighted Average Fair Value Assumptions	Options Three Months Ended March 31, 2008	2007	Warrants Three Months Ended March 31, 2008	2007
Expected share price volatility	97.43%	97.78%	97.43%	108.4%
Expected option life in years	3.0	3.0	2.0	1.0
Risk-free interest rate	2.91%	4.00%	2.91%	3.10%
Expected dividend yield	-	-	-	-
Value assigned to Options / Warrants				
Weighted average value per option / warrant	$0.289	$0.21	$0.214	$0.11
Fair value as calculated, total granted	-	$2,626,704	-	$141,803
Fair value vested	$644,435	$1,400,928	-	$141,803

The Black-Scholes option pricing model requires the input of certain assumptions that can materially affect the fair value estimate, and therefore does not necessarily provide a reliable measure of the fair value of the Company's stock options.

12. Future Income Tax Liability and Tax Recovery

As at March 31, 2008 the Company had an estimated FIT liability of $1,840,000 arising from taxable temporary differences. The significant components of the Company's future income tax assets (liabilities) were as follows:

Future Income Tax Liability	As at March 31 2008 $	As at December 30, 2007 $
Mineral property costs in excess of tax pools	(23,579,472)	(15,678,728)
Non-capital losses and share issue costs	15,858,126	15,506,042
Property and equipment tax pools in excess of book value	1,306,554	1,251,096
	(6,414,792)	1,078,410
Expected statutory rates	28.50%	28.50%
Future income tax asset (liability), rounded	**(1,840,000)**	**307,000**
Valuation allowance	**-**	**(307,000)**
Future tax asset (liability) recognized	**(1,840,000)**	**-**

The non-capital losses carried forward have expiry dates from 2007 to 2027.

During the current period the Company recorded a recovery of $1,356,890 relating to the recognition of previously unrecognized tax assets upon the renunciation, in February 2008, of the Company's tax basis in exploration costs associated with flow-through share financing. The $3,268,486 future tax liability initially recorded in connection with the renunciation was first offset by a future tax asset of $71,596 relating to the current adjustment of the Company's unrealized investment losses through comprehensive income.

13. Yukon Mineral Exploration Tax Credit ("YMETC")

The Yukon Government provided a refundable exploration tax credit based on 25% of eligible exploration expenditures incurred between April 1, 2001 and March 31, 2007, with a limit of $300,000 applicable to work undertaken between April 1, 2006 and March 31, 2007. Subsequent to March 31, 2007, the YMETC program was discontinued, and accordingly no claim for 2007 was available.

The Company's full 2005 YMETC claim was not accepted as filed with the Canada Revenue Agency and the Company is continuing to undertake remedial action to recover these additional tax credits, with the related provision of $1,591,425 reported as a non-current receivable pending the definitive resolution of the matter.

In the event the Company is not successful in its action, this provision will be reclassified to deferred property costs, which will then reflect total costs incurred, with the result being not materially different from the presentation followed in these financial statements.

14. Contingencies and Commitments

Contingencies and commitments not disclosed elsewhere in these notes are as follows:

a) ***Pincock Allen & Holt***

In November 2006, Pincock Allen & Holt ("PAH") was engaged by HSC to act as Independent Engineers for the review of the Company's Wolverine Project. The Company was committed to paying the costs associated with their evaluation of the feasibility study, which were budgeted to be US $142,000 plus expenses. For the three months ended March 31, 2008 $3,254 had been incurred. Total fees incurred to March 31, 2008 were $183,932.

b) ***Office Lease Obligations***

The Company entered into five year lease agreements in 2004 to rent office space, which were subsequently amended to increase the available space. Two related companies shared the premises in Q1 of 2008 and reimbursed the Company for their pro-rata portion of the rent (Note 10). Lease obligations are currently approximately $245,000 per year ($20,400 per month). Selwyn Resources Ltd and Savant Explorations Ltd have agreed to reimburse the Company for approximately 55% of the lease costs.

c) ***Equipment Lease Obligations***

As of March 31, 2008 the Company had leasing arrangements for five heavy equipment vehicles and 1 4WD truck. Total costs per month for equipment lease obligations are $22,435. The leases on the heavy equipment begin to expire starting in February 2009 with the last lease expiring in October 2011. The lease on the 4WD truck runs until June 2010.

d) ***Environmental Bonding Requirements***

As a condition of the Quartz Mining License, ("QML") Type B Water Licence and the Mining Land Use Permit the Company is required to maintain security deposits in amounts determined by the Government regulators. The total may be adjusted depending upon environmental assessments. Upon the commencement of construction of the phase 2 access road and the industrial complex an additional $585,000 and $1,000,000, respectively, is required to be held pursuant to the terms of the QML. Subsequent to the period, the Company paid $78,250 for water treatment and monitoring purposes as stipulated in the Mining Land Use Permit. Interest will be paid on these bonds for the period that they are held. Subsequent to quarter end, there has been a determination of future bonding requirements totalling approximately $800,000. These funds are payable in two even instalments on May 30, 2008 and September 3, 2008.

14. Contingencies and Commitments, continued

e) *Employees*

As the Company was unable to secure the financing necessary to proceed with the development of its Wolverine Project by December 31, 2007, certain employees and an officer may elect to leave the Company. If they do, the Company would be obliged to pay to these employees, a total of $212,500. The total contingent liability under all employment contracts is approximately $2.5 million, payable under certain change of control conditions of the Company.

f) *Mining Standby Charge*

In 2005, the Company engaged Procon Mining and Tunnelling ("Procon") to provide advanced exploration and test mining services for the Wolverine Project. The agreement stipulated that in the event that mine development work did not proceed for a period in excess of four months, mining equipment standby charges would be applied for all existing support plant and mining equipment captive on site until demobilization.

Procon was on standby in 2006 until mid-July when test mining, dewatering and rehabilitation work resumed. Standby charges incurred were approximately $350,000. However, pursuant to a letter agreement made November 17, 2006, Procon agreed to defer all outstanding and future equipment standby charges until June 1, 2007. This agreement was further extended until December 2007. YZC procurement staff are currently working on extending this agreement until such date as a production decision is made. Standby charges incurred in 2006 have not been booked. If a production decision is not made in the foreseeable future, then certain standby charges of indeterminable amount may become payable.

g) *Barclay's Capital*

On March 26, 2008, the Company announced that Barclay's Capital ("Barclay's") had extended the current US$140 million senior debt facility ("the Facility") commitment to June 30, 2008. This Facility forms the lead portion of project financing for the Wolverine Project located in southeast Yukon, Canada. The original debt commitment, and the extension of the commitment are subject to standard conditions, including a review of any capital cost changes and loan pricing in the context of the debt markets.

h) *Paradigm Capital Inc.*

On January 25, 2008, the Company engaged Paradigm Capital Inc. ("Paradigm") to act as a financial and investment advisor with respect to a transaction. In exchange for Paradigm's expertise, the Company will pay to Paradigm an initial fee of $25,000 and $25,000 per month through the term of the engagement. If the Company enters into a transaction during the term of the engagement or within three months after termination of the agreement, a success fee of 2.0% of the transaction value will be paid to Paradigm. This fee is capped at $500,000 or $2,000,000 depending upon the parties to the transaction.If a transaction is entered into, and if the Company is entitled to and paid a Break Fee under this transaction, Paradigm will be entitled to an amount equal to 25% of the Break Fee paid.

Paradigm shall receive a fee for the initial Fairness Opinion of $250,000 and $100,000 for each additional, revised or amended Fairness Opinion in respect of a transaction. Any opinion fee will be credited against any success fee or portion of a Break Fee payable to Paradigm.

i) *Hill Street Capital*

Pursuant to an agreement made August 29, 2006 as amended October 16, 2006, the Company engaged Hill Street Capital ("HSC") as a financial advisor for a term of six months at a fee of US $30,000 per month commencing September 1, 2006. Upon securing and completing certain types of transactions, the Company would be required to pay a success fee of 1-2% of the transaction value, depending upon the nature and terms of the transaction. In addition, subject to final TSX.V approval, the Company may be required to issue 2,000,000 share purchase warrants, with each warrant vested and exercisable upon consummation of certain types of transactions, for one common share at a price of $0.265 per share for two years from the date of regulatory acceptance. The advisor agreement was extended and effective March 1, 2007 HSC reduced its monthly fee to US $10,000. This agreement was terminated in the third quarter of 2007.

14. Contingencies and Commitments, continued

i) Hill Street Capital, continued

Subsequent to the quarter, a letter was received from counsel to HSC claiming a fee in the event of a successful closing of a transaction with Jinduicheng Molybdenum Group, Ltd., and Northwest International Investment Company, Limited (see Note 15 b)). Through counsel, the Company has responded that under the terms of the engagement agreement with HSC no such fee is payable.

15. Subsequent Events

a) Letter of Intent – Griffin Mining Ltd.

On April 21, 2008, the Company announced that it had signed a letter of intent with Griffin Mining Limited ("Griffin") whereby Griffin would acquire all of the issued shares of Yukon Zinc by way of a share exchange through a court-approved plan of arrangement. Griffin is traded on the Alternative Investment Market of the London Stock Exchange. The transaction is subject to a number of conditions that are customary for transactions of this nature, including a favourable vote of at least two thirds of the Yukon Zinc shares voted at a shareholders meeting. Yukon Zinc has agreed to pay a break fee to Griffin, under certain circumstances, of C$2.5 million.

b) Letter of Intent – Northwest Nonferrous Investment Company, Ltd. and Jinduicheng Molybdenum Group, Ltd.

On April 28, 2008, the Company announced that it received a proposal from Jinduicheng Molybdenum Group, Ltd., and Northwest International Investment Company, Limited ("Northwest") whereby Northwest would acquire all of the issued shares, options and warrants of Yukon Zinc for cash through a court-approved plan of arrangement. The transaction is subject to a number of conditions that are customary for transactions of this nature, including a favourable vote of at least two thirds of the Yukon Zinc shareholders voting at a shareholders meeting.

c) Warrant Expiry

On April 24, 2008, 3,565,446 agents' compensation warrants expired unexercised.

d) Stock Option Expiry and Expiry Date Amendments

170,000 stock options expired subsequent to the quarter. In addition, due to termination of employment, the expiry date of 1,000,000 stock options were amended from May 1, 2012 to July 29, 2008, and the expiry dates of 300,000 stock options were amended from various dates to June 4, 2008.

e) Northern Trailer

During the 2007 year, the Company instructed Northern Trailer to look for opportunities to sell the camp that had been ordered. On April 30, 2008, the Company was advised that Northern Trailer had found a buyer for the camp. The Company then instructed Northern Trailer to sell the camp. A credit note was issued in the amount of $1,737,133, being the amount recorded as a liability in the Company's March 31, 2008 balance of accounts payable.

f) Warrant Exercise

On May 13, 2008 5,000,000 warrants were exercised at a price of $0.16 per share for total proceeds of $800,000.