

## **News Release**

### **Yukon Zinc Delivers Favourable Optimized Feasibility Study**

**January 22, 2007** - Yukon Zinc Corporation (YZC.TSX.V) is pleased to announce the results of the Optimized Feasibility Study (OFS) on the Wolverine Project completed by prime consultant Wardrop Engineering Inc. and the sub-consultants. Wardrop was engaged to prepare the study in accordance with the Standards of Disclosure for Mineral Projects as defined in National Instrument 43-101. Management and the Board of Directors are assessing next steps in advancing Wolverine to production. Wardrop concluded that “technically and economically, the Wolverine Project is a viable project”.

The feasibility study covers all aspects of the development of the Wolverine deposit as an underground mine and related infrastructure. The study includes all information from the \$19 million test mining and definition drilling program completed in 2005 and reviews opportunities identified in the Hatch Feasibility Study including an increase in milling rate from 1250 tonnes per day to 1400 tonnes per day (see May 9, 2006 news release). Unless so noted all dollar amounts are in Canadian dollars.

#### **Highlights:**

- Average annual metal production in the first 3 years of full production is forecast at approximately 53,400 tonnes of zinc, 4,860 tonnes of copper, 6,010 tonnes of lead, 4,933,200 ounces of silver and 20,200 ounces of gold contained in the zinc, copper and lead concentrates (note however that not all of the metals in concentrate are payable).
- Mining reserves provide for 9.5 years of operations that includes 1.5 years of pre-production development. Conversion of Inferred resources into mining reserves with more in-fill drilling could extend mine life an additional 3 years.
- Operating cost per tonne mined is \$95.58; resulting in life-of-mine cash cost of zinc of approximately US\$0.26 per pound after deducting by-product revenue on the basis of average metal prices over the preceding two years (Two-Year Backward Average Prices).
- Capital cost at the expanded production rate is estimated at \$183.2 million before contingency of \$24.3 million and working capital of \$15 million.
- 3 year full production Cumulative Pre-tax Cash Flow is estimated at \$217.7 million for the Two Year Backward Average Prices scenario, increasing to \$439.3 million for metal prices in effect in November 2006 (Current Prices scenario).
- Using Two Year Backward Average Price scenario for metals, the project has a 26.3% pre-tax internal rate of return that increases to 56.8% under the Current Price Scenario.

#### **Project Description**

The Wolverine Project is located in south central Yukon, 195 kilometers northwest of Watson Lake and 135 kilometers southeast of Ross River. The Wolverine deposit is to be developed as an underground mine and ores will be processed by standard flotation processes to produce

silver and gold bearing zinc, copper and lead concentrates to be sold primarily to metal markets in Asia.

The proposed mine property is located within the traditional territory of the Ross River Dena Council (RRDC) and Kaska Nation. Yukon Zinc completed a Socio-Economic Participation Agreement with the RRDC in July 2005 that provides for their participation in the economic and social benefits of the development and operation of the mine. The development of the Wolverine deposit as a new high grade zinc-copper-lead-silver-gold mine is one of the more significant developments in the Yukon in recent years, and would make an important contribution to the economy of the Yukon.

The Wolverine property covers 178 square km of mineral claims and represents approximately 25% of the claim holdings of Yukon Zinc in the Finlayson District. The Wolverine property is 100% owned by Yukon Zinc; however, it is subject to a royalty to Atna Resources Ltd. and other lesser royalties. The Atna royalty that is payable on net proceeds of silver and gold production only with the royalty rate indexed to the price of silver. At a silver price of less than US\$5.00 per ounce no royalty is payable; when the silver price is between US\$5.00 and US\$7.50 per ounce a royalty of 4% is payable, and if the silver price exceeds US\$10.00 per ounce then a royalty of 10% is payable. A 0.5% Net Smelter Return (NSR) royalty, capped at \$500,000 is also payable on a portion of the Wolverine property claims that include the claims hosting the Wolverine deposit. A 1% NSR royalty is payable on one claim that hosts part of the Wolverine deposit; such royalty is reduced to ½ % after making royalty payments totaling \$500,000. Mineral royalties, based on net revenues less all operating costs and allowances for depreciation and processing, are also payable to the Yukon Government under the Quartz Mining Act.

### Mineral Resource

Following the 2005 definition drilling program, a new National Instrument 43-101 compliant mineral resource estimate was made. Measured and Indicated resources remain unchanged from those used in the Hatch report. The Inferred resources are in the deeper portion of the deposit and require additional in-fill drilling to improve resource confidence.

<b>Resource Category</b>	<b>Tonnes</b>	<b>Zn (%)</b>	<b>Ag (g/t)</b>	<b>Cu (%)</b>	<b>Au (g/t)</b>	<b>Pb (%)</b>
Measured	493,000	12.44	298.8	1.18	1.50	1.48
Indicated	3,968,000	12.10	361.8	1.16	1.72	1.59
<b>Total</b>	<b>4,461,000</b>	<b>12.14</b>	<b>354.8</b>	<b>1.16</b>	<b>1.69</b>	<b>1.58</b>
Inferred	1,693,000	12.16	385.4	1.23	1.71	1.74

The resource estimate was prepared by Independent Qualified Persons (within the meaning of NI 43-101) Gary Giroux, P.Eng. of Giroux Consultants Ltd. of Vancouver, BC, and Mr. Cliff Pearson, P.Geo. of Pearson Geological Ltd. of Victoria, BC.

### Mining Plan and Reserves

The diluted Proven and Probable mining reserves based on the Measured and Indicated resources total 5,151,459 tonnes grading 9.66% zinc, 0.91% copper, 1.26% lead, 281.8 g/t silver and 1.36 g/t gold, providing for an 8 year production plan. All reserves will be mined by underground methods.

<b>Reserve Category</b>	<b>Tonnes</b>	<b>Zn (%)</b>	<b>Ag (g/t)</b>	<b>Cu (%)</b>	<b>Au (g/t)</b>	<b>Pb (%)</b>
Proven	563,516	10.31	246.9	0.96	1.24	1.24
Probable	4,587,943	9.59	286.2	0.91	1.37	1.26
<b>Total</b>	<b>5,151,459</b>	<b>9.66</b>	<b>281.8</b>	<b>0.91</b>	<b>1.36</b>	<b>1.26</b>

The initial 5 by 5 metre ramp access to the upper part of the mineral zones was completed in the fall of 2005. The ramp is to be rehabilitated as the main production access and additional development work is planned to provide stope access.

Drift and fill mining was selected as the stoping method, and it will be modified to adjust to changing ore widths. Stopes will be mined in 4 m high horizontal lifts. Stopping blocks will be 20 m high, comprising five stope lifts each. Paste backfill is employed as the primary fill system. The fill will be prepared on surface at the mill and pumped through a piped delivery system for placement in the stopes. Trackless diesel mining equipment will be employed. Ore and waste haulage will be accomplished using load-haul-dump units (LHDs) and 50 tonne underground trucks. All drilling will be done using electric-hydraulic units.

Mr. Al Polk, P.Eng. of Snowden Mining Industry Consultants Inc. is the Independent Qualified Person for the Mining Section of the feasibility study.

### Metallurgy and Processing

Extensive testwork conducted at SGS Lakefield and Process Research Associates has confirmed the application of Dense Media Separation (DMS) as an effective pre-concentration step and standard flotation as providing reasonable metal recovery to produce saleable concentrates. The run-of-mine (ROM) ores will undergo primary and secondary crushing to produce a minus one-inch product for processing in the DMS circuit. The DMS process uses simple gravity methods to segregate and remove less dense waste materials included in the ore during mining to provide a high grade feed to the grinding circuit. Approximately 1700 tonnes per day of ROM ore will be processed through the DMS plant to provide 1400 tonnes per day of mill feed.

A daily feed of 1400 tonnes of ore product from the DMS plant will be ground to minus 53 microns in the primary grinding circuit prior to undertaking standard flotation to recover zinc, copper and lead concentrates. Re grind of some mill products will occur at 80% passing 20 microns Recoveries of the metals to the concentrates are estimated as follows:

		Recovery and Concentrate Quality									
		ASSAYS					RECOVERIES				
Product	Tonnes	Zn %	Cu %	Pb %	Ag g/t	Au g/t	Zn %	Cu %	Pb%	Ag %	Au %
Run-of-Mine	5,151,459	9.66	0.91	1.26	281.8	1.36					
Post DMS	4,238,149	11.70	1.10	1.52	340.86	1.64	99.65	98.90	99.55	99.52	99.47
Cu Conc.	174,397	3.74	21.30	2.25	4,409	11.3	1.2	79.9	8.0	60.0	33.4
Pb Conc.	132,958	12.4	1.97	22.30	1,625	13.5	2.4	4.3	46.0	12.9	23.2
Zn Conc.	818,274	54.2	0.36	0.98	151	0.74	89.4	6.7	17.2	10.2	10.9

Additional testwork and review has confirmed higher zinc and copper recoveries as compared with those used in the Hatch feasibility study. Mr. John Fox, P.Eng, of Laurion Consulting is the Independent Qualified Person for the metallurgical portion of the feasibility study.

### Infrastructure and Transportation

The project area is currently accessed by 800 metre long gravel airstrip and after freeze-up by winter road. The development plan provides for the construction of a 24 km all-weather gravel road from the property to connect to the Robert Campbell Highway at km 195. It is also planned to extend the airstrip to 1200 metres and upgrade the surface for larger aircraft required for transport of construction and mine personnel. The development plan provides for the construction of a 150 person camp at the mine site to house workers at the mine during both construction and operations. Initial construction work will be supported from the 50-man exploration camp.

Zinc, copper and lead concentrates are to be trucked approximately 860 kilometres to concentrate loading facilities in the port of Stewart, British Columbia for trans-shipment to smelters in Asia. The high content of silver and gold in the copper and lead concentrates increases their unit value and reduces the impact of high transportation costs.

### Environment and Permitting

Yukon Zinc obtained a Type B water License Activities and a Mining Land Use Permit in early 2005 in respect of its advanced exploration program that included the initial underground development of the Wolverine deposit and test mining activity. As part of this activity the Company constructed temporary waste storage and water treatment facilities.

The Environmental Assessment Report was submitted to regulatory authorities in November 2005. Regulatory review resulted in a determination that with the proposed mitigation measures, the project is not likely to cause significant adverse environmental effects. The Company received a Quartz Mining License on December 5, 2006 providing the terms and conditions for the commencement of most of the mine construction activities.

The final submission for a Type A Water License, required for water use and waste deposition during construction activities and operations, was submitted to the Yukon Water Board in mid January 2007. Yukon Zinc anticipates issuance of the A Water License in late summer 2007.

The development plan contemplates minimal impact on the local environment. Importantly, the mine is largely a contained system with recycle of process waters, and release of treated effluent only during higher flow periods.

Yukon Zinc has worked closely with regulators and stakeholders to address all environmental and socio-economic concerns, and its July 2005 Socio-economic Participation Agreement with the Ross River Dena Council provides for ongoing monitoring and mitigation of environmental impacts, and their participation in the benefits of mine development and operations.

### Capital Costs

Estimated capital costs as at January 2007 (excluding working capital requirements) include direct and indirect costs, and aggregate \$175.6M before contingency of \$24.3M and \$7.6M in owner's costs. The estimated capital costs are based on all new equipment and are as follows:

Direct Costs		Indirect Costs	
Area	C\$ millions	Area	C\$ millions
Site preparation and roads	\$23.1	Engineering	\$8.5
Mill and process	\$49.6	Construction Management	\$8.6
Power generation	\$0.9	Construction Indirects	\$11.1
Tailings & water supply and reclaim	\$9.0	Materials and inventory	\$3.2
Service facilities and mobile	\$15.5	Duties and freight	\$4.5
Permanent Camp	\$5.7	Commissioning	\$0.8
Mining	\$35.1		
Subtotal Directs	\$138.9	Subtotal Indirects	\$36.7
		Total Direct and Indirect	\$175.6
		Contingency	\$24.3
		Owner's Cost	\$7.6
		<b>Total Initial Project Capital</b>	<b>\$207.5</b>

The capital estimate is classified as Class 3 and is -5%+15% in accuracy. Yukon Zinc continues to evaluate opportunities to reduce capital expenditures; however, the above estimate will be used for project financing purposes. Sustaining capital is estimated at \$26.5 million over the eight year operating mine life.

## Operating Costs

Estimated life-of-mine unit operating costs are determined on a cost per tonne mined basis and aggregate \$95.58 per tonne as follows:

Cost centre	C\$/tonne mined
Mining	42.18
Milling	14.49
Maintenance	8.45
G&A	15.25
Power	15.21
<b>Total</b>	<b>\$95.58</b>

The processing of the ore through a Dense Media Separation plant reduces milled tonnage to 1400 tonne per day as compared with a mining rate of 1700 tonnes per day. The General and Administration cost includes environmental, human resources and training in addition to the customary accounting, warehousing and similar activities. A key component of power costs is diesel fuel, which was based on a cost of \$0.89/liter.

## Financial Evaluation

The economics of the project have been estimated using a large range of metal price scenarios to reflect historic and current prices. Four price scenarios are included in the Wardrop OFS to provide price sensitivity:

Metal Price		Wardrop Metal Price Scenarios			
		2 yr backward avg prices*	2 yr and 3 yr avg prices*	3 yr backward avg prices*	Current metals prices*
Zinc	US\$/lb	\$1.07	\$1.07 for 3 yr then 0.87	\$0.87	\$1.84
Silver	US\$/oz	\$9.48	\$9.48 for 3 yrs then \$8.54	\$8.54	\$12.69
Copper	US\$/lb	\$1.85	\$1.85	\$1.85	\$1.85
Lead	US\$/lb	\$0.52	\$0.52 for 3 yrs then \$.48	\$0.48	\$0.76
Gold	US\$/oz	\$526	\$526 for 3 yrs then \$487	\$487	\$626
Xrate	US\$ per C\$	0.855	0.855 for 3 yrs then 0.82	0.820	0.847
Xrate	C\$ per US\$	1.17	1.17 for 3 yrs then 1.22	1.22	1.18
Pre-tax IRR		26.3%	22.6%	18.9%	56.8%
Pre-tax NPV 8%	C\$MM	\$184.2	\$134.3	\$104.8	\$571.7
Avg. Annual CF 2009-2011	C\$MM	\$72.6	\$68.3	\$57.5	\$146.4
L-O-M Operating CF	C\$MM	\$615.4	\$526.3	\$488.0	\$1,237.5
Initial Capex incl W Cap	C\$MM	\$222.6	\$222.6	\$222.6	\$222.6
Return of Capex		276%	237%	219%	556%
Payback	years	3.0	3.2	3.9	1.5

*\*except for copper for which Wardrop has used \$1.85 for all cases*

The Wardrop financial analysis is on a pre-tax basis that does not include corporate income tax or Yukon mining royalties. Using these price scenarios, the project economics indicate a large range of potential outcomes. Current prices remain volatile and hedge curves are similarly changing rapidly. Changes to metal prices and forward sales curves have become more attractive in the recent months, and remain very favourable for project financing. For example LME zinc forward prices as of January 15, 2007 were US\$1.53 and US\$1.31 per pound for 15 and 27 months, respectively. Current near term forward prices are very attractive; however,

there is no assurance that lenders will assess the debt service capability of the project on the basis of metal prices based on forward hedge prices.

		Wolverine Project Pre-tax NPV 8% *						
		Silver Price US\$/lb						
		\$8.00	\$9.00	\$10.00	\$11.00	\$12.00	\$13.00	\$14.00
Zinc Price US\$/lb	\$0.80	\$45.7	\$68.3	\$90.9	\$113.5	\$136.1	\$158.7	\$181.3
	\$0.90	\$84.6	\$107.2	\$129.8	\$152.4	\$175.0	\$197.5	\$220.1
	\$1.00	\$123.5	\$146.1	\$168.7	\$191.3	\$213.8	\$236.4	\$259.0
	\$1.10	\$162.4	\$185.0	\$207.6	\$230.2	\$252.8	\$275.3	\$297.9
	\$1.20	\$201.4	\$224.0	\$246.6	\$269.1	\$291.7	\$314.2	\$336.8
	\$1.30	\$240.4	\$262.9	\$285.5	\$308.1	\$330.6	\$353.2	\$375.7
	\$1.40	\$279.4	\$301.9	\$324.5	\$347.1	\$369.6	\$392.1	\$414.7
	\$1.50	\$318.4	\$340.9	\$363.5	\$386.0	\$408.6	\$431.1	\$453.7
	\$1.60	\$357.4	\$380.0	\$402.5	\$425.1	\$447.6	\$470.1	\$492.6
\$1.70	\$396.4	\$419.0	\$441.5	\$464.1	\$486.6	\$509.1	\$531.6	

\* Note: Other metals prices: Cu \$1.85; Gold \$526 and lead \$0.52

Note: Sensitivity based on two-year backward average prices

Exchange Rate: 0.855

The project is more sensitive to operating cost than capital cost, and the order of sensitivity to metal prices in descending order is zinc, silver, copper, gold and lead.

### Engineering and Construction Schedule

Financing has not been secured and it is not certain when mine infrastructure construction will begin. The current development plan in the Wardrop study provides for commencement of construction of the all season road and mobilization of equipment in the first half 2007, and excavation of plant site in the second quarter, foundations and mill steel in third quarter. Completion of the mill and facilities and commissioning of the mill are scheduled for fourth quarter of 2008. Full production is planned for first quarter 2009.

Yukon Zinc has assembled the core of the owner's team for management of the mine construction and building of an operating team. Requests for engineering proposals have been issued and selection of the EPCM team is ready.

### Marketing

In 2006, Yukon Zinc sought bids for zinc, copper and lead concentrate and received Letters of Interest from numerous groups for all of the concentrates. Proposals provided indicative smelter terms and payables provisions. On the basis of these discussions, and the recommendation of independent marketing consultants, Wardrop selected treatment and refining terms for use in determining Net Smelter Returns for the feasibility study, thought to be representative for what might be expected over the medium term.

### Project Opportunities

Wardrop and Yukon Zinc have identified a number of areas of potential savings to operating and capital costs that warrant more investigation. In the OFS, all costs are for new equipment and some savings may be possible with used or refurbished equipment. There is also considerable internal dilution included in resources. There are also possible savings due to operating

synergies associated with including DMS reject materials in back fill and backhaul of diesel and other bulk materials on concentrate haul trucks. Also important is the opportunity to convert the 1.69 million tonnes of Inferred Resources into mining reserves with in-fill drilling, thereby adding approximately 3.5 years to the mine plan. This in-fill drilling will need to confirm continuity and grade of the Inferred Resource tonnages.

### Financing

Yukon Zinc is evaluating a variety of financing alternatives for the project and in October 2006 engaged Hill Street Capital (New York) to assist in securing equity investment in the project from potential strategic partners. To facilitate financing discussions, Yukon Zinc directed Hill Street Capital to engage independent engineers to undertake a due diligence review of the project. Hill Street engaged Pincock Allen and Holt (Denver) to undertake the study which is expected to be completed by mid February.

Favourable near term metal prices provide opportunities to reduce project risk, and as a result reduce the need to undertake longer term hedging. The current very favourable outlook for zinc and other metal prices provides a positive environment for securing the necessary capital to make a production decision.

Mr. Bob McKnight, PEng. and Harlan Meade, PGeo. are Qualified Persons for this news release.

### 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 in the sections on Highlights, 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 Wardrop optimized feasibility study by lending institutions, changes in project parameters as plans continue to be refined, future prices of commodities, which may vary significantly from those used in the Wardrop study, 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, 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 press release uses 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.**

For more information contact:

Dr. Harlan Meade, President and CEO  
Shae Dalphond, Manager of Investor Communications  
Telephone: (604) 682-5474  
Toll-free: 1-877-682-5474  
Facsimile (604) 682-5404  
info@yukonzinc.com  
www.yukonzinc.com

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