Trading Symbol: **YZC** TSX-V

Zinc Market Update

Trading Symbol: **SWN** TSX-V

January 11, 2008

ZINC MARKETS – THE PERFECT STORM?

Following several decades of underperformance the zinc markets outperformed in 2006 before declining significantly in 2007 due to new supply concerns, and more recently concerns about economic slow down in United States and Europe. Throughout this period Chinese demand for zinc has remained strong and the outlook for strong consumption in China continues to buoy global demand. The key uncertainty for zinc is mine supply over the short to intermediate term.

Current zinc price negativity by investors reflects anticipation of additional increases in zinc supply due to the restart of several old mines and startup of San Cristobal in Bolivia. This led many to forecast a significant concentrate surplus in 2008 and 2009. Inherent in this thinking is the common economists view that following the recent rapid run up in zinc price new mine supply will just happen. This report will highlight some of the setbacks in timely addition of new mine supply and its implication for the zinc market over the next two years prior to start of shutdown of numerous large mines due to depletion of reserves. The recent decline in zinc prices will likely lead to deferral of investment in new zinc mines and reduced mine output, setting up the perfect storm of little new mine production as major mine shutdowns start in mid 2009.

This overview is intended to provide readers with useful information on the usage, supply, production and consumption of zinc. The overview has been assembled from a large number of information sites that are believed to be reliable; however, the companies make no representations as to the accuracy or completeness of the information herein. The reader should use this information for general purposes only and seek advice from its investment advisors as to the details of zinc markets.

ZINC MARKET HIGHLIGHTS

LME zinc inventories have increased approximately 35,000 tonnes since the October 2007 low, suggesting the return to modest supply surplus in Q4 2007.

Strong growth of zinc consumption in Asia continues to underpin growth in zinc consumption. Zinc usage in Asia increased 44% in 2003 through 2005, led by China with a stunning 27.8% growth in 2004. Zinc consumption in China is estimated to have increased 11.5% in 2007 to 3.52 Mt or 30% of world consumption (Brook Hunt Nov 2007).

China remains a modest net importer of zinc metal. In 2004, China switched from being a significant exporter of zinc, removing a major depressing factor on zinc; but may return to being a modest net exporter in 2008.

Zinc prices have increased sharply from a low of US$0.33/lb in 2002 to a high of US$2.09 in November 2006 followed by a decline to US$1.00 in Nov 2007. Recent prices are hovering around US$1.10/lb range. Current prices appear to have fully factored in the expected increased mine supply and a modest increase in LME zinc stocks from the current 3 days supply to as much as 7 days supply.

Zinc concentrate supply has increased leading to higher treatment and refining charges. The ready availability of concentrates has contributed to increased smelter capacity utilization and higher treatment terms.

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Forecasts for 2008 and 2009 production vary significantly based on differing views on the timing of startup of new mines and sustainability of production levels for existing mines. Recent forecasts vary from modest rebuilding of LME inventories in 2008 to a significant buildup of metal inventories, continuing into increasing inventory buildup in 2009. Most forecasters however agree that by 2010 or 2011 significant new mine supply will be needed.

WORLD MINE PRODUCTION – THE STORM IS BUILDING!

The zinc mine market is highly fragmented with current production from 268 zinc mines producing 11.3M tonnes; however, only 19 produce more than 100,000 tpa of zinc. These 19 mines provide half of the world's zinc production. Despite the need for consolidation in the zinc industry, similar as to what has occurred in copper, nickel and iron, it has not happened for zinc due to lack of profitability in zinc mining during the past several decades.

The timing of new mine supply is key to the zinc markets over the next few years.

Mine production increased 4.3% in 2006 and an estimated 10.3% in 2007. The 1,076,000 tonne increase in 2007 was spread roughly equally between restarts, expansion of existing mines (mostly open pit mines) and new mines. Much of the new mine production is from San Cristobal (235,000 tpa) that commenced production in late 2007.

The "Shutdown Chart" illustrates the projected date of depletion of reserves for several of our largest zinc mines. The table illustrates that 2,117,000 tonnes of current mine production is scheduled to be shutdown by 2015 commencing with Brunswick mine (255,000tpa) in 2010. Low metal prices and high treatment charges may accelerate this decline.

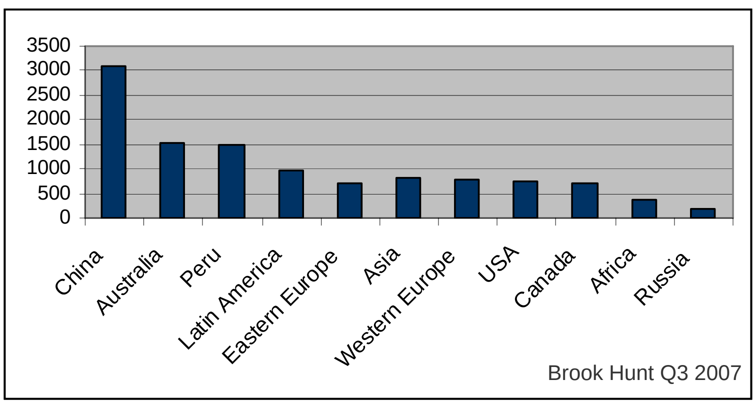
Mine Shutdowns	K tonnes	Depletion
Brunswick, Canada	265	2010
Iscaycruz, Peru	174	2011
Lennard Shelf, Australia	75	2011
Galmoy, Ireland	80	2012
Broken Hill, Australia	175	2012
Golden Grove, Australia	140	2012
Lisheen, Ireland	175	2013
Mt. Garnet, Australia	55	2013
Myra Falls, Canada	55	2013
Roseberry, Australia	85	2013
Rosh Pinah, Namibia	67	2014
Skorpion, Namibia	171	2015
Century, Australia	600	2015
Total	2117	

Pacific Region Mine Supply

Key to meeting the rapidly growing demand in Asia is mine production availability within the Pacific Rim region. Transporting of concentrate and metals from the Atlantic Region is expensive and constrains feed available to Asian smelters.

The accompanying chart illustrates mine production in the Pacific Region is dominated by China (2,658,000t), Australia (1,475,000t) and Peru (1,184,000t). Importantly, China's estimated 2007 mine production of 3,035,000 tonnes is significantly less than its estimated 2007 smelter capacity of 3,915,000 tpa. China is therefore competing for zinc concentrates in the Pacific Region with Korea (700,000tpa) and Japan (681,000tpa) that have essentially no zinc mine production.

2007 Global Zinc Mine Production (kt Zn)



Chinese mine production has increased rapidly during the past four years averaging 12% per annum. Mine production is expected to increase by 7.5% in 2007 to approximately 3,200,000 tonnes. Much of this growth was related to artisanal mining which is estimated to have added 250,000 tonnes to 2005 production. Mine production growth slowed significantly in Q2 and Q3 2007, suggesting that earlier growth forecasts were too optimistic; and that growth in the artisanal mining sector is unsustainable, particularly in light of current lower zinc prices. Furthermore, as safety concerns for these small mines are subject to increased scrutiny, many of these smaller mines will likely be closed or consolidated into larger operations.

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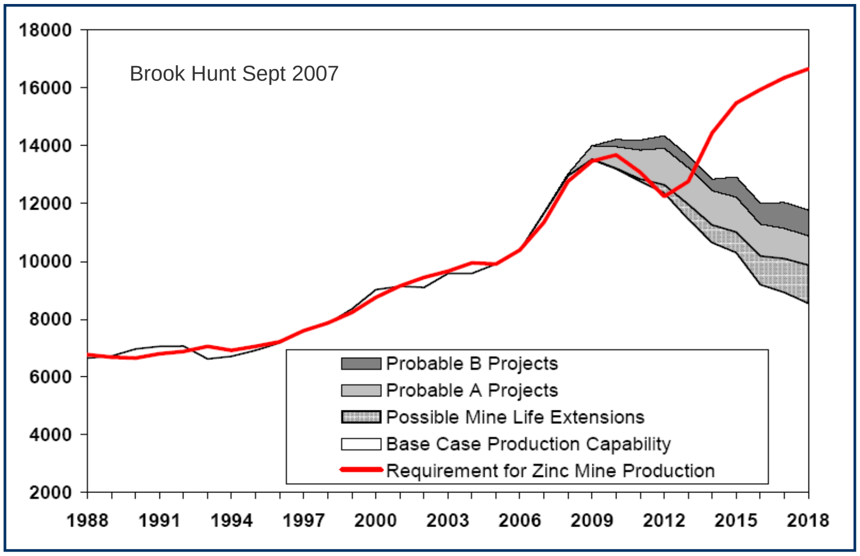
SUPPLY DEMAND OUTLOOK

The forecast for zinc mine supply has undergone numerous revisions during the past year in response to a variety of market factors that were initially stimulated by a rapid increase in zinc price that lead to expansion of some mine production, particularly in the open pit mines; and secondly the restart of old mines.

The forecast for 2008 and 2009 by Brook Hunt (Nov 2007) provides an overview of current expectations. The chart shows dramatic growth of mine production of 9.1% in 2007 following 4.3% growth in 2006, and estimated growth of 10.4% in 2008 and 7.4% in 2009. The effect of the rapid growth in 2007 mine production initially eliminated inventories and the forecasts for 2008 and 2009 now suggest significant inventory buildup.

	2005 ktonnes	2006 ktonnes	2007 Estimated ktonnes	2008 Forecast ktonnes	2009 Forecast ktonnes
Mine Production	9,948	10,377	11,323	12,498	13,427
Refinery Supply	10,114	10,505	11,353	12,517	13,253
Consumption	10,717	11,155	11,565	12,106	12,635
Concentrate Balance	32	35	229	161	387
Metal Market Balance	-540	-625	-212	411	618

Global Mine Supply Imbalances



The redline in the chart illustrates that with the addition of new production from Probable A and B projects that the market would be oversupplied in 2008 through 2011 and not require new mines as smelters live off the inventories. The implicit assumption is that all of the projects in the A and B list are timely built, which assumption may be flawed.

The Probable A list includes 23 projects with projected peak production of 1,269,000 tonnes by 2012; and B list includes 8 projects with peak production of 702,000 tonnes by 2015. In aggregate there appears to be enough projects to offset the 2,177,000 tonnes of lost mine production highlighted in the previous table. The chart also indicates that by 2012, the impact of mine depletion results in a significant supply requirement for new mines.

How Good are the Forecasts?

Recent history in copper and other metals has demonstrated that new mine supply response to recent high prices has been slow. Add to this, rapid growth in Asian consumption and you have a recipe for a sustained period of high prices.

Forecasters have been too optimistic in projecting the startup of new mines. Almost every new mine project has been delayed by financing, permits and equipment and skilled labour availability. The effect is numerous downgrades of forecasts and shifting out the new supply. Brook Hunt decreased its 2007 mine production by 506,000 tonnes over the course of the year; if a similar decrease were to occur in 2008 due to delays for the new mines, there would be a shortfall of concentrates in 2008. In a review of the Probable A list there is only one large project in the entire group that is actually in construction, and that is Lundin Mining and Metropol's Ozernoye project in eastern Russia that is scheduled to produce 150,000 tonnes commencing 2011. The other large projects have not been committed to production, and given the current zinc price, expect project financing delays, down grading of forecast production, and perhaps only a modest increase in zinc inventories. By 2009, the market will begin to anticipate the shutdown of Brunswick and the coming supply crunch.

Deposit	K tonnes Zn	Production	Comments
Ozernoye (Lundin/Metropol)	300	2011	Committed
Dugald River (Zinifex)	190	2011	Feasibility
Mehdiabad (Union/Iran state)	100→400	2012	Legal dispute of ownership
Gamsberg (Anglo)	315	2012	Feasibility
Lady Loretta (Xstrata)	140	2012	Feasibility
Selwyn (Selwyn Resources)	410	2013	Advanced exploration/prefeas

New Mine and Development Projects

Announced New Mines >10,000tpa	Start Production	Zinc tpa	Lead tpa	Source
Lanping, China	Late 2005	140,000		
Taxco, Mexico	2006	16,000		Brook Hunt June 2006
Nevos Corvos, Portugal	Early 2007	25,000		Brook Hunt June 2006
Jaguar, Australia	Mid 2007	25,000		Brook Hunt June 2006
Serbia, Yugoslavia	2007	41,000		Brook Hunt June 2006
Sulphur Springs, Australia	Late 2007	40,000		Brook Hunt Mar 2006
Duck Pond, NFLD Canada	Late 2006	34,500		Macquarie
San Cristobal, Bolivia	Late 2007?	240,000	70,000	Brook Hunt Aug 2007
Balken, Sweden	May 2007	23,000	6,500	Brook Hunt May 2007
Duddar, Pakistan	Late 2007	55,000		Brook Hunt June2006
La Negra, Mexico	Mid 2007	5,000	2,000	Brook Hunt July 2007
Cerro Lindo, Peru	Mid 2007	85,000	6,000	Brook Hunt Nov 2005
Que Rriver, Australia	Q4 2007	8,700	4,100	Brook Hunt Aug 2007
Scotia, Canada	Mid 2007	20,000	8,600	Brook Hunt May 2007
Mengya, Tibet	Late 2007	36,000	36,000	Brook Hunt June 2007
Azulcocha, Peru	Mid 2008	18,000		Brook Hunt Nov 2007
Rapu Rapu, Philippines	2007?	14,000		Brook Junt Mar 2006
Aljustrel, Portugal	Mid 2007	80,000	18,000	Brook Hunt Nov 2005
Farallon Mexico	Mid 2008?	55,000	5,000	Brook Hunt July 2007
Perseverance, Canada	Q3 2008	228,000		Macquarie Sept 2006
Aquas Tenidas, Spain	2008	50,000	12,000	Brook Hunt Apr 2007
Rasp, Broken Hill Australia	2008	25,000	14,000	Brook Hunt Sept 2006
Zhangshiba, China	H2 2008	50,000		Brook Hunt Jan 2007
Penasquito, Mexico	2008	179,000		Goldcorp Q4 2007
Jaingxi, China	Mid 2008	35,000	12,000	Brook Hunt Jan 2007
Dairi, Indonesia	Mid 2010?	90,000	50,000	
Xinxing Tiantang, China	Mid 2009	10,000	10,000	Brook Hunt July 2007
Subtotal 2007		**652,200**	**133,200**	
Subtotal 2008		**773,000**	**61,000**	
Development Projects				
Khandiza, Uzbekistan	2008?	45,000	17,000	Brook Hunt Nov 2005
Nuestra Senora, Mexico	Q2 2008	8,000	3,000	Brook Hunt July 2007
Black Angel, Greenland	2008	9,000	3,000	Brook Hunt June 2007
Perkoa, Burkina Faso	mid 2008	68,000		Brook Hunt June 2007
Subtotal 2008		**130,000**	**23,000**	
Weilastulo, China	2009	15,000		Brook Hunt Nov 2007
Prairie Downs, Australia	Mid 2009	26,000	4000	Brook Hunt Nov 2007
Comstock, Tasmania	2009	11,000	33,000	Brook Hunt Nov 2007
Berezitovty, Russia	2009	10,000	6000	Brook Hunt Oct 2007
Mungana, Australia	2009	50,000	10,000	Brook Hunt Nov 2007
Woodlawn Australia	2009?	75,000	35,000	Brook Hunt June 2007
Santa Francisca , Mexico	Early 2009	30,000	12,000	Brook Hunt Aug 2007
Jabali, Yemen	2009?	56,000	7,000	Brook Hunt May 2007
Binani, Rajasthan		27,000	13,000	Brook Hunt Sept 2006
Wolverine, Canada	Q3 2009	54,000	5,800	Yukon Zinc Jan 2008
Talvivaara, Finland	Late 2009	60,000		Brook Hunt July 2007
Subtotal 2009		**414,000**	**125,800**	
Kutcho, Canada	2010	38,000		Brook Hunt Aug 2007
Fiftieth Anniv October, Russia	2009			Brook Hunt Nov 2006
KyziTashtygsky, Russia	2010	60,000	9000	Brook Hunt Sept 2007
Berg Aukas, Namibia	2010	40,000	12,000	Brook Hunt Oct 2007
Dugald River, Australia	Early 2010	190,000	20,000	Brook Hunt Sept 2006
Huogeqi, China	2010	10,000	8,000	Brook Hunt Nov 2007
Gamsberg, S. Africa	After 2010	300,000		Macquarie Mar, 2006
Subtotal 2010		**638,000**	**49,000**	
Santa Castellanos, Mexico	2011	60,000	35,000	Brook Hunt Oct 2007
Oued Amizour, Algeria	2011	120,000	31,000	Brook Hunt June 2007
Selwyn, Canada	2013	280,000	100,000	Selwyn Nov, 2007
Hillarion, Peru	2011/12	80,000	19,000	Brook Hunt Aug 2007
Mehdiabad, Iran	Indefinite delay	(450,000)	(110,000)	Brook Hunt Nov 2005
Paragsha, Peru	2013	180,000	70,000	Brook Hunt Sept 2007
Bahuerachi, Mexico	2012	140,000		Brook Hunt Oct 2007
Subtotal 2011-2013		**1,359,000**	**365,000**	

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Zinc Usage and Consumption

Zinc Usage Increases

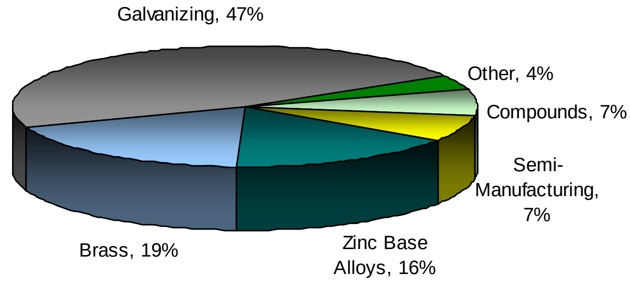
As the world continues to industrialize, the consumption of zinc is increasing: 47% is used for galvanized steel, 19% for brass, and 16% for zinc alloys. Zinc usage is very dependent on construction (48%) and automobile industry (23%).

Zinc Consumption Growth

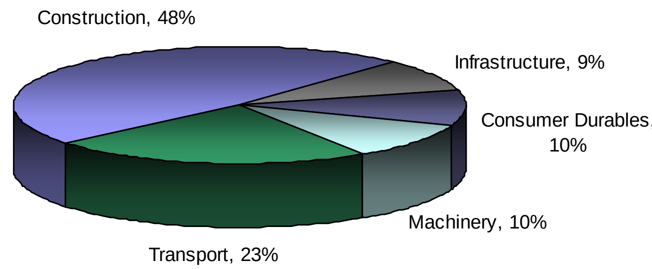
New and increased use of zinc is being promoted by several world zinc producer organizations. Promising new uses include zinc-air batteries for e-bikes, cars and buses, zinc input into fertilizers, and new usage in the construction industry as the preferred anti-corrosion material.

Between 1960 and 2001 world zinc consumption grew at an average annual growth rate of 2.0%. Since 2001 world zinc consumption has grown annually by 3.6% in 2002, 3.9% in 2003, 7.2% in 2004, 3.6% in 2005, 4.1 % in 2006 and 3.7% in 2007 (Brook Hunt, Nov 2007). Forecast demand growth for 2008 is 4.5% and 4.4% for 2009, or approximately 520,000tpa with continued high consumption in China offsetting the expected slow down in North America and Europe in 2008.

Usage



Consumption



Increasing Zinc Recycle

The amount of zinc from recycling varies around the world, with about 25% recycle in the developed world. Increasing recycling from galvanized steel is producing more zinc furnace dust from steel mills for re-smelting. Galvanized steel provides approximately 35% of all recycled zinc. Recycled brass accounts for 25% and recycled zinc diecast parts and smelting and galvanizing residues the remainder. Zinc recycle is highest for automobiles at 30% decreasing to 3% for steel used in the construction sector (IZA 2006). The life-cycle for cars is about 10 years compared to construction materials at 35 years. Recycled zinc is expected to grow slowly, particularly when zinc concentrate supply is constrained and new technologies for recycling are developed.

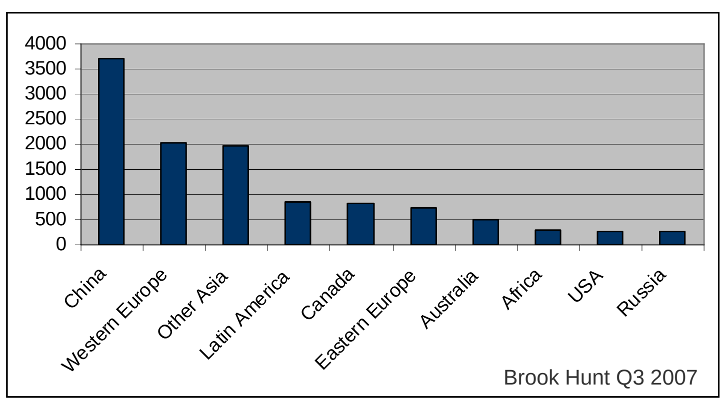
Zinc Metal Production ~ The China Story

Zinc Smelting Capacity

World smelting capacity increased 3.3% during the period 1993 to 2002, the increase primarily due to smelter expansions in China and Korea. These increases are a direct response to increasing zinc consumption in the Asia/Pacific region.

World smelting capacity is expected to increase to 10.9Mt in 2006 and increase a further 9.7% in 2007 and thereafter at about 2% per year (Brook Hunt 2006). Smelting capacity in Asia comprised 58% of global capacity in 2005, and planned expansions are almost entirely in Asia and Russia.

2007 Global Zinc Smelter Production (kt Zn)



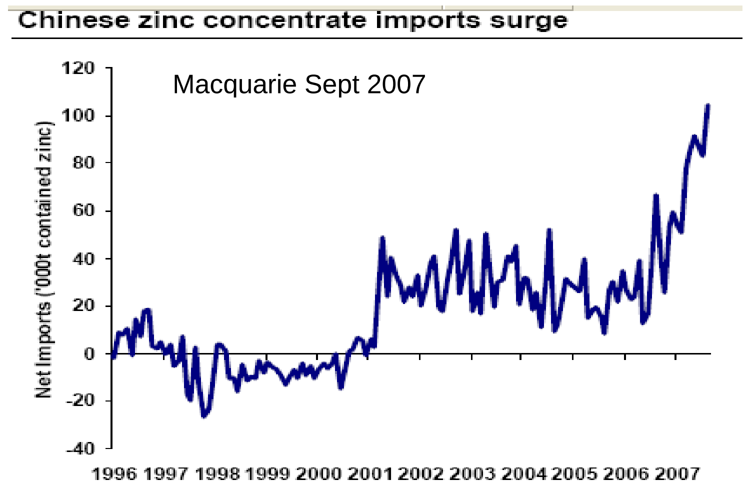
China Dominates New Refined Zinc Production

China is the largest zinc refiner in the world with 32% of the World's zinc smelting/refining capacity followed by Western Europe with 18%. China has expanded its zinc smelter capacity 61% in 3 years from 2.3Mt annually in 2003 to a forecast 3.7Mt in 2007 and is forecast to increase to approximately 5.2Mt by 2010. Most of the increased capacity is projected to come from expansion and modernization of existing smelters while small inefficient polluting smelters are shut down. 2007 smelter capacity is only slightly larger than 2007 consumption; however, the capacity growth is expected to match China's usage. Recent consideration of removing the VAT tax rebate reflects efforts by China to match production to consumption and restrict overbuilding of capacity, which should be positive for zinc prices in the long term.

OUTLOOK: CHINESE CONSUMPTION RE-BALANCING THE ZINC MARKET

From 1990 through 2000, China accounted for 63% of metal supply growth, resulting in massive exports that undermined the price of zinc. During this decade, China's zinc consumption has continued to grow at a high rate. Consumption is estimated to have increased 11.5% in 2007 to 3.5M tonnes and 9.5% growth is forecast for 2008 (Brook Hunt, Nov. 2007) matching new supply.

China's growth in consumption was largely responsible for reduction of LME inventories in the 2002-2006 period and has resulted in significant increase in concentrate imports in 2006 and 2007 to meet expanding internal demand and increased smelting capacity.



China Galvanized Steel Production

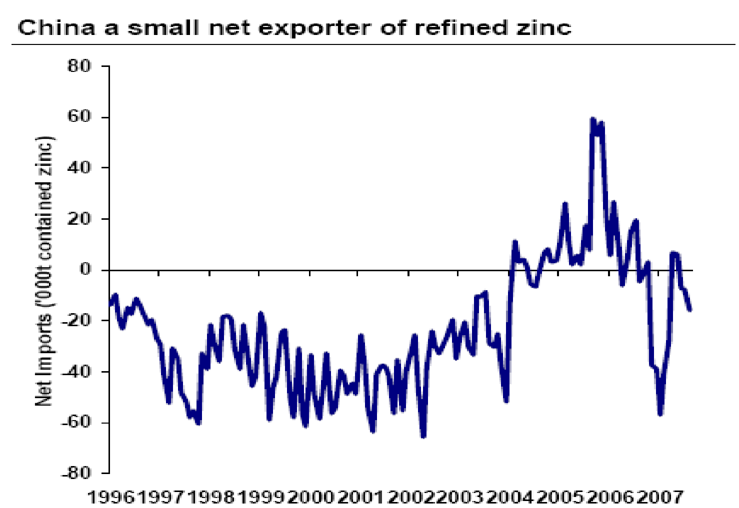
A key part of increased consumption has been the dramatic increase in galvanized steel production in China that increased 42% in 2007 (consuming 740,000 tonnes of zinc) and is forecast to increase an additional 35% in 2008. The increased consumption of galvanized steel in China is very positive for zinc consumption growth in China.

China Zinc Exports and Imports

China after more than a decade of being a major net zinc exporter, became a net importer of zinc in 2004. This shift corresponded with a significant shortfall of supply, and contributed to the rapid run up in prices in the period 2004 – 2006.

During this period, China's net zinc imports peaked in mid 2006 during a time of very tight zinc supply. Since then zinc imports have remained near balance with fluctuations related to destocking and rebuilding of inventories in response to global price differentials and local market premia. The tightness of supply in 2006 benefited from the resumption of many small zinc mines in 2006 that added about 250,000 tonnes of new supply, significantly reducing the requirement for imported zinc concentrate.

Although China was a net exporter of 128,000 tonnes of refined metal in first 10 months of 2007 this was offset by import of 139,000 tonnes of zinc alloys; however, in 2008 it is expected to become a net exporter again as additional concentrate becomes available to utilize current idle capacity.



Source: Customs statistics, September 2007

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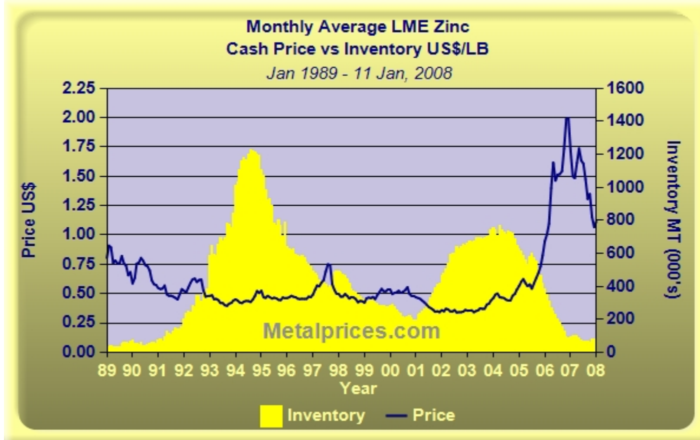
ZINC SUPPLY SHORTFALL ELIMINATES LME INVENTORIES IN 2007

Inventories of LME Zinc at Low Levels

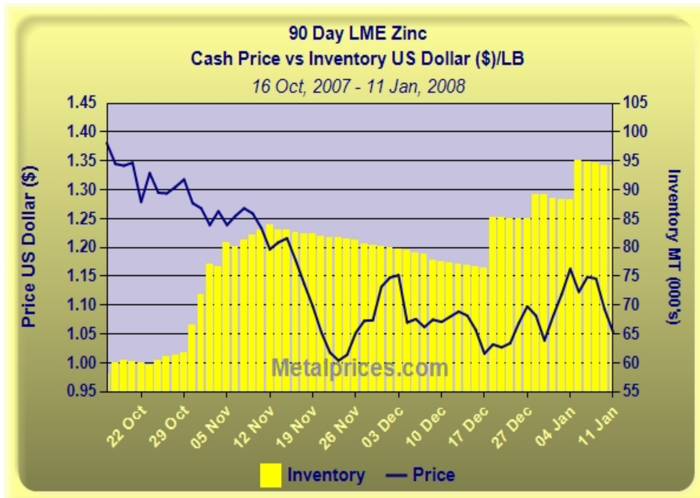


During the 2002-2004 period of excess supply and low demand, LME inventories together with hidden inventories (producer inventories and unsold zinc concentrate at mine sites) built up to approximately 1,500,000 tonnes that led to a 20-year low in zinc price.

LME stocks declined from a mid 2004 peak of 730,000 tonnes to a low of 59,000 tonnes in Oct 2007. Rapid decline in LME inventories and the elimination of hidden inventories is due to the approx. 500,000 tpa deficits in 2004 and 2005. LME inventories have since increased to 95,000 tonnes as of mid. Jan 2008.

The other main inventory is the Shanghai warehouse which is now reported separately, as its proximity to China makes it the warehouse of choice for trade in and out of China. Inventories in the Shanghai warehouses have increased to 57,000 tonnes in early January 2008, up significantly from approximately 25,000 from at the end of October. The increase is consistent with the shift from supply deficit in first 9 months of 2007 to modest surplus in Q4 2007, perhaps exacerbated by some destocking in China in the wake of the announcement of possible cancellation of the VAT tax rebate and a new export tax; which has now been withdrawn by the Chinese government.

ZINC PRICE REACHES NEW HIGHS FOLLOWED BY RAPID DECLINE



On Nov 24, 2006 the zinc price on the LME reached an all time high of US$2.09/lb before correcting to a new cycle low of US$1.00 per pound on November 22, 2007. The price strengthened on short covering in December and got support from re-indexing of the commodity indexes in early January rising to US$1.16 per pound.

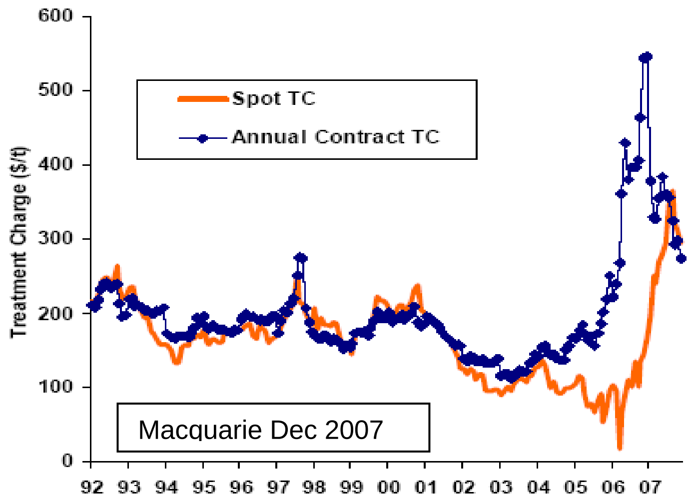
Zinc price is expected to drift downwards as inventories build; however metal inventories remain very low and an increase in inventories appears to be fully factored into current metal prices as is reflected in the flatness of the backwardation in the current forward curve for zinc.

Any disruption of mine output or any downgrades in current mine output could put zinc supply back into balance in the first half of 2008; however, new mine supply will eventually lead to inventory buildup in second half of 2008 and 2009. Investors are reminded of the 506,000 tonnes downgrade of 2007 production as existing mines were unable to sustain production. The downgrades were mainly underground mines that are old and tired and unable to sustain increased production over longer periods. Mine production in China is similarly expected to disappoint if zinc prices stay at current levels.

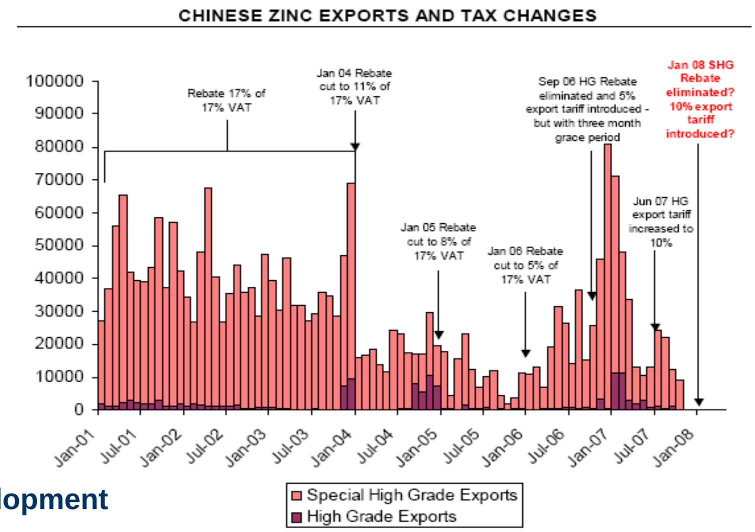
Zinc price will in part be determined by the refined metal exports from China, which could be negatively impacted by the proposal to remove the 5% VAT tax rebate and imposition of a 10% export tax; which has subsequently been retracted or deferred??. An export tax could significantly decrease China's refined metal exports and rebalance zinc output with resultant higher prices for zinc; however, increased concentrate availability will contribute to higher treatment charges.

Zinc Treatment Charges

Spot treatment charges have oscillated wildly during the past two years in response to rapidly changing zinc prices. With higher zinc prices, the price participation portion of aggregate treatment charges increased with resultant spot treatment cost for concentrates declining to almost zero in early 2006. In 2007, spot treatment charges spiked upwards closing the gap with long term contract treatment charges, as concentrate availability improved and expectations grew as to surplus zinc concentrates and increasing inventories.



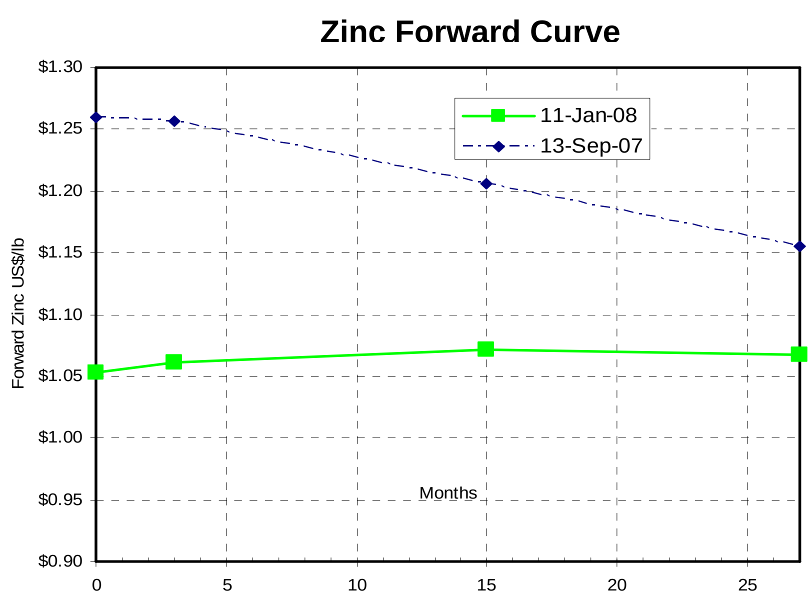
For 2008, it is expected that contract treatment charges will be approximately $300/tonne at basis price US$2500/tonne for determining up/down escalators for price fluctuations. The negotiations of frame contracts over the next several weeks has been somewhat demystified for Chinese smelters with the retreat on removal of the 5%VAT tax rate and a 10% export tax (a US$360/tonne cost).



The attached chart illustrates the effect of numerous tax changes on zinc exports that have been used by China to control zinc production in China (Brook Hunt Nov 2007). The proposed export taxes would have seriously discouraged Chinese export of metal and therefore significantly reduced Chinese concentrate imports, which in turn would lead to lots of supply and higher treatment charges and higher zinc prices associated with less refined metal output. (Macquarie Dec 2007).

Zinc Forward Prices – the Key to New Mine Development

The flatness of the forward curve for zinc suggests that the expected increase in LME zinc inventories is largely factored into the market and suggests that zinc prices may well be near their bottom. Over the intermediate term, the expectation of mine depletions commencing 2010 and resultant supply problem, should see the zinc forward market move into contango or an increase in near term zinc price.



The forward price curve is very important to new mines seeking traditional debt financing. Banks in determining debt capacity for zinc projects are valuing unhedged zinc at long term prices (currently US$0.60 per pound) for the purposes of determining cashflow for use in determining project debt capacity. As most zinc mines have minimal by-product credits to hedge, the attractiveness of the forward zinc price curve will determine the extent of bank project financing for projects. In the absence of effective hedging,

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few new zinc projects will secure significant senior debt financing and the supply problem will continue indefinitely or until zinc mines can be financed by other means. Zinc projects without significant byproduct credits will either be quite reliant on the equity markets for project financing or forced to enter into joint venture relationships to secure the necessary equity financing to complete project financing. The high cost of financing in today's equity markets sets the stage for takeover and merger activity for advanced projects by cashed up producers.

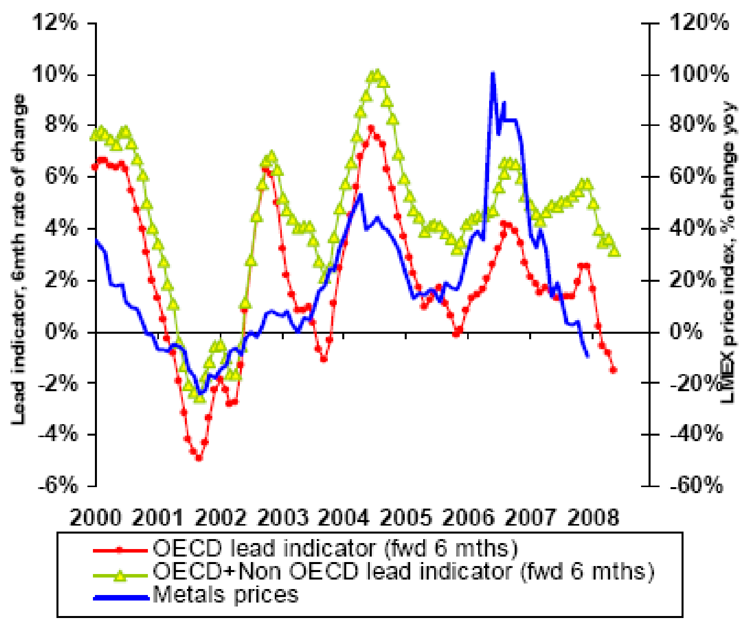
ECONOMIC OUTLOOK THE FINAL PIECE OF THE PUZZLE

With continuing debt crisis problems in the United States, the fear of a significant slowdown in their economy and peripheral effects on other global economies has created significant market uncertainty.

The chart (Macquarie Jan 2008) illustrates that metal prices have mirrored the OECD lead indicator; both having declined sharply during the past 12 months. Unless a deep recession in the US leads to a global recession; which is unlikely, metal prices appear to have fully factored in the current slowdown.

As resolution of the debt situation in the US progresses over the next few months, and the US stimulates its economy with further monetary stimuli, the economy in the US should recover in H2 2008 and these indicators and metal prices should bottom and turn upwards. In retrospect the rapid decline in metal prices appear to reflect a normal market correction of going too far too fast, rather than dramatic decline in world economic activity.

Base metals price growth and OECD and World LIs



Global GDP growth of key economies is expected to decline modestly in 2008, following the continued strong growth in China (17.6%), Korea (4.7%) and India offsetting slower growth in USA (2.0%) and Europe (2.0%) during the past year (Brook Hunt, Macquarie and others):

- **United States ~** US industrial production grew at 2.1% in first 10 months of 2007 with the strongest growth in Q3, followed by 0.3% growth in November. US housing starts for November declined 24.2% compared to November 2006 confirming continued weakness in that market as the subprime loan crisis continues; on a more positive note November unemployment at 4.7% remained unchanged from October 2007.

- **Japan ~** Japanese IP grew 2.7% during the first 10 months of 2007 and 3.3% in October YOY suggesting slow recovery in later part of year after negative impact of new housing regulations. Automobile production remains strong at 4.3% YOY growth in October.

- **India ~** IP growth is estimated at 9.9% for 2007, down slightly from 10.5% in 2006, due in part to continued strong growth in construction sector (11.1%).

- **Europe ~** IP growth in Eurozone was up 3.8% for October with strongest growth in Germany. Unemployment rate declined slightly in October to 7.2%; the outlook is for modest growth in 2008.

- **China** IP growth through November of 18.4% slightly stronger than last years 16.4% growth. Inflation increased to an 11 year high of 6.9% in November due to increased food and fuel costs. US trade surplus for first 11 months of 2007, increased to US$238 billion, and increase of 52% over same period in 2006.

THESE FACTORS SUGGEST A BETTER ZINC MARKET COMING SOON!

The Yukon Zinc and Selwyn Resources Projects are Well Positioned to Supply Asian Zinc Demand

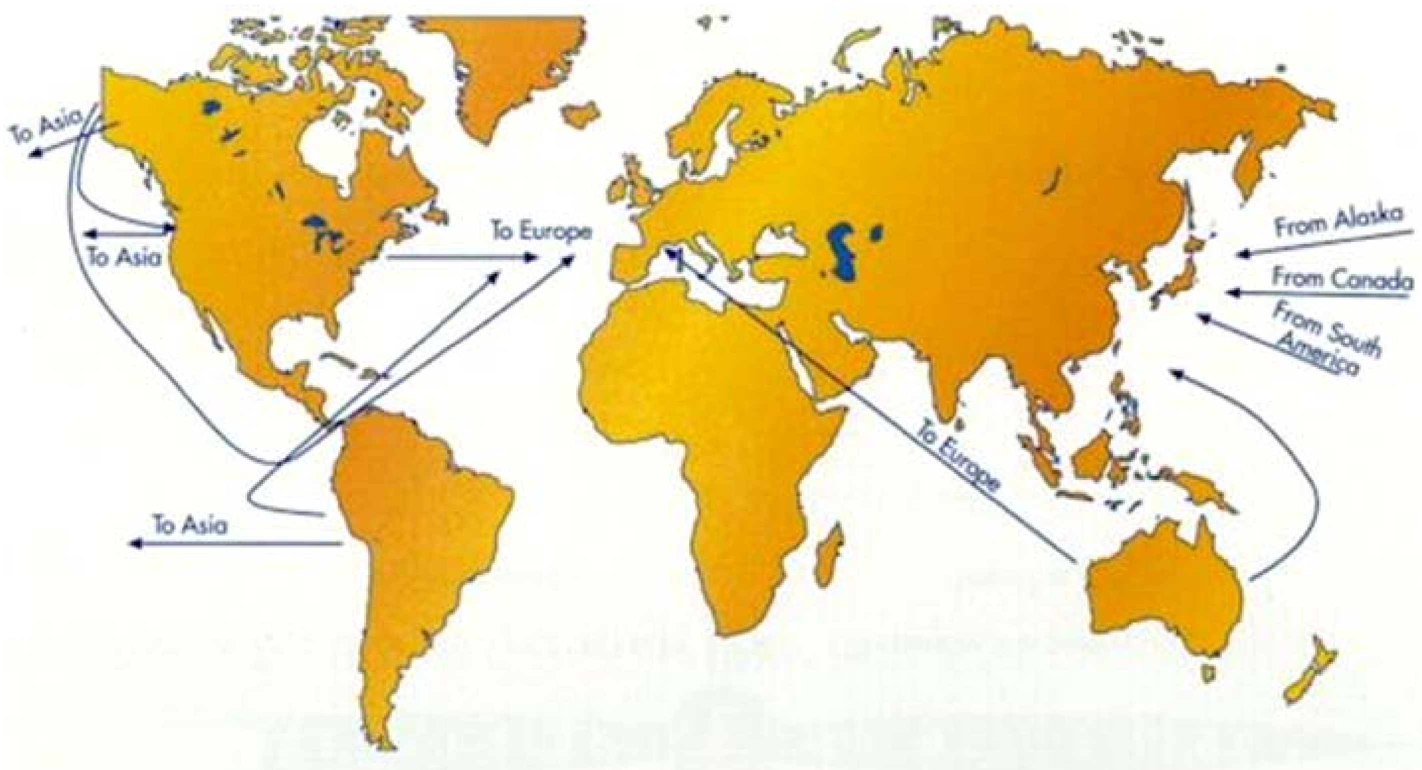
Yukon Zinc's project consists of the development of the exceptionally high grade Wolverine deposit as a significant new zinc-silver development project. In addition to producing approximately 118M pounds of zinc annually, it will have significant byproduct production: 4,900,000 ounces of silver, 20,200 ounces of gold, 10.3M pounds of copper, 12.9M pounds of lead.

Selwyn Resources is advancing the world class zinc-lead deposit in the Selwyn District in the eastern Yukon, as a new major open pit and underground mine operation, producing approximately 300,000 tonnes of zinc and 100,000 tonnes of lead annually.

It is expected that smelting companies in China, Japan and Korea will continue to be aggressive in sourcing new concentrate supplies. The latter is an opportunity for the Yukon Silver-Zinc Project to secure a portion of the required mine development financing. Interestingly, both Korea and China have recently indicated interest in investing in foreign projects to secure concentrate supply, and China has consumed all of the available selenium for purchase.

World Trade Flow of Zinc Concentrates

The Wolverine and Selwyn Projects are well positioned to supply zinc concentrate to the growing markets in China, Japan and Korea. Yukon Zinc is advancing its project for commencement of production in late 2009 whereas Selwyn's giant zinc mine is targeted to commence production in 2013.



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