



Management Discussion & Analysis

for the Year Ended December 31, 2007

Introduction

The following Management Discussion and Analysis ("MD&A") for Yukon Zinc Corporation, (the "Company" or "Yukon Zinc") analyzes the operating results and financial condition for the fourth quarter 2007 ("Q4") and the year ended December 31, 2007. This MD&A was prepared to conform to National Instrument 51-102, and was approved by the Board of Directors prior to its release. The MD&A should be read in conjunction with the Audited Consolidated Financial Statements for the years ended December 31, 2007 and December 31, 2006. Where appropriate, Q4 results for fiscal 2007 were compared to the unaudited interim statements for Q4 2006 and/or to Q3 2007. The references to Notes refer to those in the Company's Consolidated Financial Statements. All dollar amounts are in Canadian dollars unless otherwise indicated. Some numbers in this MD&A have been rounded for discussion purposes.

Certain forward-looking statements are discussed in the MD&A with respect to the Company's activities and future financial results. These activities and results are subject to significant risks and uncertainties that may cause projected results or events to differ materially from actual results or events. The Company is a reporting issuer in British Columbia, Alberta, Ontario and Quebec and its shares trade on the TSX Venture Exchange ("TSX.V") under the symbol "YZC". Additional information relating to the Company is available on SEDAR at www.sedar.com. Terms of certain agreements are described more fully in the Notes to the Consolidated Financial Statements.

Overview

The Company is in the business of exploration and development of its mineral properties in the Yukon Territory, Canada. Its focus is on advancing the Wolverine Project through completion of project financing with the goal of bringing this project into production. Wolverine is a base-precious metals property located in the Finlayson District of the Yukon.

In January 2007, the Board of Directors accepted a positive, independent optimized feasibility study (the "OFS") by Wardrop Engineering Inc. ("Wardrop") of the Wolverine Project. Wolverine will be an underground mining operation with processing facilities designed to produce zinc, copper and lead concentrates. Average annual metal production in the first three years is forecast at 53,400 tonnes of zinc, 4,900 tonnes of copper, 6,000 tonnes of lead, 4.9 million ounces of silver and 20,000 ounces of gold contained in concentrates. Refer to SEDAR for more details of the OFS. With the Barclays debt facility commitment providing base financing, in the second half of 2007 management focused on completing the equity portion of the Wolverine financing arrangements with a minimum of further share issuances. This equity financing was unable to be completed due to deteriorating financial markets. Management and the Board are now engaged in discussions with third parties who have expressed an interest in participating in the Wolverine Project or a corporate transaction. At the same time, the Company is continuing efforts, using the Barclays debt facility as a basis, to achieve a fully financed Wolverine Project on terms reasonable to our shareholders.

Organization – Management and the Board of Directors

The Company has an experienced Board and management team. During the prior year, 2006, the Company expanded its Board and enhanced its management team to ready itself for Wolverine construction and operations. Mr. Mark Lettes was appointed to the Board of Directors and to the Audit Committee. Mr. Lettes has extensive experience in mine finance, insurance, metal hedging and treasury functions. Most recently he was Senior Vice President and CFO of Apex Silver Mines Limited and prior to that, he provided similar services to Amax Gold and Amax Inc. Also during 2006, the Company appointed Mr. Raymond Mah Chief Operating Officer of the Company. Mr. Mah assumed responsibility for the review and optimization of the feasibility study for the Wolverine Project and for all aspects of

development and mining operations. He is a civil engineer with extensive international experience in mine design, cost engineering, and construction management associated with mine development, and he has experience in mine evaluations and operations. Prior to joining the Company he was Manager of Design and Cost Engineering for Placer Dome Inc. ("Placer Dome").

Highlights in 2007

A number of important milestones were achieved during 2007. These include:

- Announced the positive results of the Wardrop OFS in January 2007 and subsequently SEDAR-filed the OFS results in a National Instrument 43-101 ("NI 43-101") compliant Technical Report;
- Pincock Allen & Holt ("PAH") was engaged and provided an independent review and report on Wardrop's OFS;
- Engaged Barclays Capital, the investment banking division of Barclays Bank PLC ("Barclays"), in March 2007 to provide senior debt Project financing. Barclays subsequently retained PAH to act as their independent engineers;
- Barclays provided an underwritten term sheet for US\$140 million of project debt in August 2007;
- Completed a 26 kilometre, Phase I mine access road from the Robert Campbell Highway;
- Received the final major Wolverine permit, the "A" Water Licence, in October 2007. The Company had previously been granted a Mining Licence in December 2006;
- A \$140 million equity financing was announced in October 2007 and a short form prospectus was filed in November 2007 for up to \$130 million of convertible debt and equity units. This equity financing was withdrawn in early December 2007 due to poor equity market conditions. A smaller private placement of units and flow-through shares, with gross proceeds totaling \$6.9 million, closed in mid-December 2007. Commencing in December, the Company undertook discussions with industry participants interested in providing additional equity to meet working capital requirements and to provide for the equity portion of Wolverine Project financing.

Summary of Wardrop OFS

- Mining reserves of 5.2 million tonnes provides for an operating mine life of 8.3 years. This excludes an extended mine life from any of the Inferred Resources that may be brought into the mineable category;
- Planned annual mining production is 620,000 tonnes of diluted ore, for an average rate of 1,700 tonnes per day ("tpd");
- Approximately 1,700 tpd of run-of-mine ("ROM") ore will be processed through a Dense Media Separation ("DMS") plant to provide 1,400 tpd of mill feed;
- Operating costs are expected to be \$95.58 per tonne mined, based on mining costs of \$42.18/tonne, processing costs of \$14.49/tonne, maintenance \$8.45/tonne, general and administration \$15.25/tonne and power costs of \$15.21/tonne;
- Capital costs are estimated by Wardrop to be \$207.7 million including \$24.4 million of contingency.
- The OFS capital and operating costs are in early 2007 dollars and are subject to updating as necessary to reflect any cost increases.

Summary of Subsequent Events

On February 26, 2008 the Company disclosed that it is evaluating financing alternatives to alleviate a current working capital shortfall (subsequently addressed by an \$8 million financing – see below) and to provide the additional working capital necessary to maintain equipment purchase contracts and the development schedule and other activities related to the Company's Wolverine Project. The Company also indicated that it is engaged in discussions with a number of third parties who have expressed an

interest in participating in the Wolverine Project. These discussions range from a merger with the Company, a major share investment in the Company to an acquisition of all of the shares of the Company. The Company also has engaged Paradigm Capital Inc. to assist and coordinate discussions with the interested parties and to provide the Board with relevant information to enable it to assess the fairness of any proposal which may be received.

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 \$8 million is sufficient to eliminate the current working capital deficit and provides additional working capital. The Offering consisted of \$8 million Units, each Unit consist of one common share and one-half common share purchase warrant and will be 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.

On March 26, 2008, the Company announced that Barclays has extended their US\$140 million senior debt finance facility commitment to June 30, 2008. It is expected that the current debt markets may require some change to the Barclays facility terms, which is provided for under a "market flex" provision of the Barclays term sheet.

On January 25, 2008, the Company engaged Paradigm Capital Inc. ("Paradigm") to act as a financial and investment advisor with respect to an identified transaction. In exchange for Paradigm's expertise, the Company will pay to Paradigm a 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 opposite party 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.

On April 21, 2008 the Company announced that it has signed an Agreement with Griffin Mining Limited ("Griffin") whereby Griffin will acquire all of the issued shares of Yukon Zinc through a court approved plan of arrangement. The shares of Griffin are traded on the Alternative Investment Market ("AIM") of the London Stock Exchange. Under the terms of the transaction the shareholders of Yukon Zinc will receive one ordinary share of Griffin for every nine common shares of Yukon Zinc held. This represents a value of approximately C\$0.206 per Yukon Zinc share based upon the closing price of the Griffin shares on AIM on April 18, 2008 of 0.9225 British Pound Sterling; and a British Pound Sterling - Canadian dollar exchange rate of approximately 2.01. This represents a premium of 47% to the closing price of the Yukon Zinc shares on the TSX-V on April 18, 2008 and 39% premium to the 20 day volume weighted average trading price of the Yukon Zinc shares on the TSX-V. After completion of the transaction, the shareholders of Yukon Zinc will hold approximately 16% of the issued Griffin shares, with the current Griffin shareholders holding the remaining 84%. It is expected that the transaction will close by July 31, 2008. The transaction is subject to a number of conditions that are customary for transactions of this nature, including execution of definitive transaction documents, a favourable vote of at least 66 2/3% of the Yukon Zinc shares voted at a special meeting of the shareholders of Yukon Zinc called to approve the transaction, regulatory and court approvals and completion of due diligence.. Yukon Zinc has agreed to pay a break fee to Griffin, under certain circumstances, of C\$2,500,000. Yukon Zinc has also provided Griffin with certain other customary rights, including the right to amend its offer in response to any competing bid.

Selected Financial Data

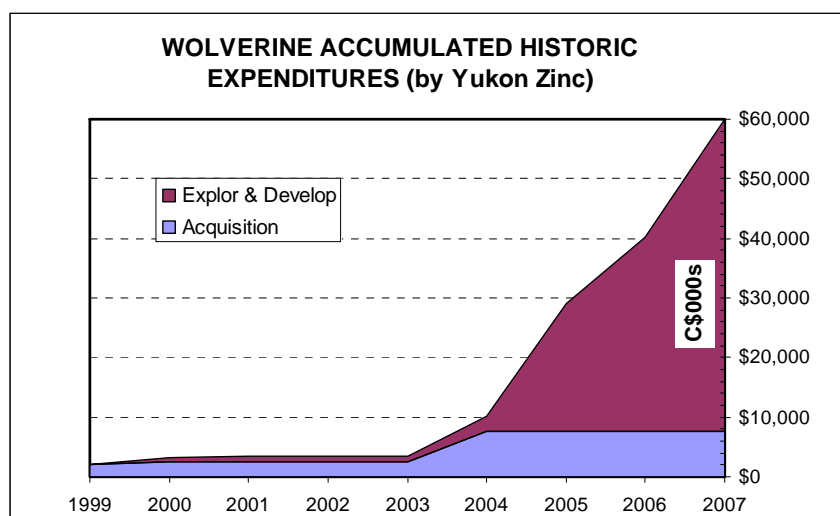
As at December 31	2007	2006	2005
	\$000s	\$000s	\$000s
Cash including restricted cash	\$4,478	\$3,348	\$7,303
Working capital (Deficit)	(947)	4,907	7,551
Mineral properties	60,089	41,287	31,721
Shareholders' equity	\$63,104	\$44,062	\$40,109
Shares - issued and outstanding	396,347,650	266,186,729	229,014,851

Wolverine Property

The Company has a 100% interest in the Wolverine property, subject to certain royalties. The Wolverine Project is within the traditional territory of the Ross River Dena Council and Kaska First Nations. Communities near the Project include Ross River, Faro and Watson Lake.

As at December 31, 2007, the Company held 1,064 mineral claims covering approximately 19,500 hectares of lands located 198 kilometres north-northwest of the town of Watson Lake and 16 kilometres west of the Robert Campbell Highway in the Yukon. The Wolverine property contains a volcanogenic massive sulphide deposit with zinc, lead, copper, silver and gold mineralization. Until mid-2007, access to the property was by way of air or winter trail. During Q3 of 2007, a 26 kilometre Phase 1 all-season access road was completed from the Robert Campbell Highway to the site.

Since 1999, the Company has spent approximately \$60 million on acquisition, exploration, and pre-feasibility development of the Wolverine Project (excluding asset retirement obligation accruals and tax credits).



Wolverine History

History

In 1995 Westmin Resources Limited ("Westmin") optioned the property from Atna Resources Ltd ("Atna") and a drilling program was conducted that resulted in the discovery of the Wolverine deposit. At the end of 1995, Westmin entered into a 60/40 joint venture ("JV") with Atna. An airstrip was constructed near the deposit in 1996 and drilling programs significantly expanded the known area of mineralization. In 1998, all activities ceased when Westmin was acquired by Boliden Ltd. Yukon Zinc (known as Expatriate Resources Ltd. at the time) acquired a 60% interest in the Wolverine JV from Boliden in 1999 and together with Atna, conducted metallurgical evaluations and investigated marketing opportunities. There had been concerns about the high selenium levels in the zinc concentrate and the impact that this would

have on project economics.

In 2000, the Company agreed to purchase the Kudz Ze Kayah (KZK) exploration claims in the Finlayson District from Cominco Ltd. (now TeckCominco Ltd.) and engaged Hatch Ltd. to do a pre-feasibility study. This study assessed a combined development plan known as the Finlayson Project, which included an open pit and milling operation at KZK and an underground mining operation at Wolverine. Pre-feasibility results were positive and the environmental permitting process began. Shortly thereafter, due to a lack of financing, the Company relinquished its acquisition agreement with Cominco and the permitting process was suspended.

The Company increased its interest in the Wolverine JV to 100% in 2004 by acquiring Atna's 39.4% interest for \$2.0 million plus 10 million common shares and 5 million common share purchase warrants, which were valued at \$2.3 million and \$0.7 million, respectively. Atna retained a sliding scale royalty payable on gold and silver production. The net smelter return royalty ("NSR"), payable only on silver and gold, is 4% when the silver price exceeds US \$5.00 per ounce and 10% if the silver price exceeds US \$7.50 per ounce. No royalty is payable to Atna on base metals.

Included in the Wolverine property are claims (the "Initial Claims") plus other mineral claims within a two kilometre area of interest which are subject to NSR royalties payable to the original claim holders; Equity Engineering Ltd. ("Equity") and Strategic Metals Corporation. Equity is entitled to NSR royalties of 0.5% which may be purchased at any time for \$0.5 million. One of the Initial Claims, the Kink 3 claim, is subject to a 1% NSR royalty which may be reduced to 0.5% after cumulative payments of \$0.5 million have been made. The Kink 3 claim covers approximately 50% of the Wolverine deposit.

In 2005, the Company developed a production-sized decline to the ore zone followed by test mining to define the mining conditions for a feasibility study. A comprehensive program including surface drilling, underground work, permitting and metallurgical studies, was conducted in 2005 totalling \$19.2 million. This program was successful in confirming resources in the Measured and Indicated categories required for feasibility study mining reserves. In 2005, Hatch was commissioned to conduct a Feasibility Study (FS).

2006 Developments

An independent NI 43-101 compliant resource estimate for the Wolverine Project was released in January 2006 and the Hatch FS was completed in May 2006. On May 9, 2006, the Company announced the positive recommendations made in the FS. Management determined that there was an error in the determination of mining costs, which was assessed and immediately addressed in filings made May 11 and May 16, 2006 on SEDAR. The Company initiated a comprehensive peer review process, which required independent engineers and consultants for each discipline to review the critical assumptions and methodologies used in the FS. In July 2006, the Company engaged a second independent engineering firm, Wardrop, to review the initial report and to optimize construction, development and operations for the Wolverine Project. Wardrop coordinated the efforts of the independent peer reviewers and evaluated means of improving efficiencies and project economics.

2007 Developments

Wardrop completed their OFS in January 2007. The OFS was favourably received by the Board of Directors, and the related NI 43-101 Technical Report was SEDAR-filed in March 2007. Pincock Allen & Holt ("PAH") was engaged by independent advisors to conduct a due diligence review of the OFS and supporting documents in November 2006 and completed a positive report in February 2007. The PAH report concluded that the development plan and related economics of the Project as presented in the OFS were reasonable. During the year, Procon Mining and Tunnelling ("Procon"), which was contracted in 2005 to provide advanced exploration and test mining services, continued to keep a small crew on site to maintain and dewater underground workings through out the year.

Management, with the assistance of external advisors, is evaluating financial alternatives to fund project construction and development. The availability of Project financing depends upon the OFS, commodity markets, availability of investment capital, investor interest in the resource sector in general, and the Company's ability to demonstrate that it has an economic mineral resource at Wolverine.

Wolverine Project – Wardrop OFS

Project Development

The Wolverine Project is relatively remote but road access to the site was established during 2007 via a new 26 kilometer mine access road to the existing Robert Campbell Highway. Previous access was by air transportation or winter trail only. The Project will be operated on a fly in – fly out basis, with personnel flown from Whitehorse, Ross River and other nearby communities. The Project is expected to take about two years for financing, engineering, construction and commissioning. During any future operations, concentrates would be trucked to the Port of Stewart, British Columbia, approximately 870 km from the site and from there exported to markets in Asia.

Project Costs (Jan 2007 dollars)

The total capital cost for the design and construction of the Project is estimated to be \$207.7 million. The cost estimates for the surface facilities, which include infrastructure and ore processing facilities, are \$175.8 million before a \$24.4 million contingency and \$7.5 million in owner's costs.

Annual operating costs are expected to be approximately \$59.4 million or \$95.58 per tonne based on 621,000 tonnes mined per year, as follows:

Project Operating Costs	Annual Cost	Cost per Tonne
	\$ 000's	\$
Mining	26,204	42.18
Processing	9,002	14.49
Maintenance	5,249	8.45
Power costs	9,449	15.21
General and administration	9,476	15.25
Total	\$59,380	\$95.58
Tonnes mined per year	621,235	

Marketing

Wardrop reviewed reports prepared by independent consultants for the Company in 2005 and updated the numbers in 2006 to reflect changes in the market. The marketability of the three base metal concentrates that the Company intends to produce; the applicable prices for the payable metals; smelting and refining terms; penalties on certain impurities; and transportation costs were all reviewed. The long term fundamentals for zinc, copper, lead and silver remain relatively strong although more recently industry sources indicate the balance has shifted more to the smelters and treatment charges have increased accordingly for 2008.

Permitting

The Wolverine Project falls under the jurisdiction of the Yukon Territory government. The major permits for the Advanced Exploration Phase include:

- Mining Land Use Permit under the *Yukon Quartz Mining Act*, Department of Energy Mines and Resources, (received January 18, 2005);
- A Type B Water Licence under the *Yukon Waters Act*, (received April 5, 2005);

The permits required to advance the Project into production were originally applied for in late 2004, triggering an Environmental Assessment (EA). Following the EA public review process in 2005-6, regulatory authorities concluded that "*taking into account the implementation of mitigation measures and follow-up, the Project as proposed is not likely to cause significant adverse environmental effects.*" Following the submissions of additional documentation in 2006, and a public hearing in 2007, the following permits have been issued:

- A Quartz Mining License (QML), under the *Yukon Quartz Mining Act*, Department of Energy Mines and Resources (received December 5, 2006);
- A Type A Water Licence under the *Yukon Waters Act*, (received October 2007).

Construction and operational activities, as presented in the OFS, are in accordance with the conditions placed on the Project by these licenses.

Mineral Resource Estimate

Following the 2005 definition drilling program, a NI 43-101 compliant mineral resource estimate was made. This remains unchanged (US \$80/tonne cut-off). The Inferred resources are in the deeper portion of the deposit and require additional in-fill drilling to improve resource confidence.

Resource Category	Tonnes	Zn (%)	Ag (g/t)	Cu (%)	Au (g/t)	Pb (%)
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
Total M & I	4,461,000	12.14	354.8	1.16	1.69	1.58
Inferred	1,693,000	12.16	385.4	1.23	1.71	1.74

The preceding 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. All resource estimates reported in this MD&A are calculated in accordance with the Canadian NI 43-101 and the Canadian Institute of Mining and Metallurgy Classification system. These standards differ significantly from the requirements of the United States Securities and Exchange Commission ("SEC").

The SEC permits U.S. mining companies in their SEC filings to disclose only those mineral deposits that qualify as proven or probable "reserves" because a determination has been made based on an appropriate feasibility study that the deposits could be economically and legally extracted or produced. The term "resource" does not equate to "reserves" and normally may not be included in documents filed with the SEC and readers are cautioned not to assume that "resources" will be converted into "reserves" in the future. This disclosure uses the term "inferred resource", which is recognized in Canadian regulations but it is not accepted by the U.S. SEC. "Inferred resources" have a great amount of uncertainty as to their existence and as to their legal and economic feasibility. It cannot be assumed that all or any part of the "inferred 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. Investors are cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or that the Company may economically or legally mine the Resource.

Mining Plan and Reserves (Diluted)

The diluted Proven and Probable mining reserves based on the Measured and Indicated resources provide for an 8.3 year production plan.

Reserve Category	Tonnes	Zn (%)	Ag (g/t)	Cu (%)	Au (g/t)	Pb (%)
Proven	564,000	10.31	246.9	0.96	1.24	1.24
Probable	4,588,000	9.59	286.2	0.91	1.37	1.26
Total	5,152,000	9.66	281.8	0.91	1.36	1.26

A portal and 5 by 5 metre ramp to the upper part of the mineral zones was completed as part of the underground test mining program in 2005. The existing portal and decline will be rehabilitated as the main production access. Additional development work is planned to provide stope access. Underground operations at the Wolverine Project are planned to achieve a daily production rate of 1,700 tpd.

Drift and fill mining was selected as the stoping method, and it will be modified to adjust to changing ore widths. Paste back-fill will be used as the primary filling material for the mine. The fill will be prepared on surface at the mill and pumped through a piped delivery system for placement in the stopes.

The Company plans to use trackless diesel mining equipment for both development and production purposes. Ore and waste haulage will be done using load-haul-dump units and 50 tonne underground trucks. All drilling will be done using electric-hydraulic units.

Processing

Milling involves crushing, DMS, and two-stage grinding followed by differential flotation processes to produce three concentrates; zinc; copper; and lead. In addition to the primary metals, the concentrates contain gold, silver and selenium.

The processing facilities at Wolverine will be designed to treat an annual plant feed of 621,000 tonnes, with a daily throughput expected to average 1,700 tpd at a plant availability of 80% for the secondary crushing and DMS section. The grinding circuit will be a conventional rod mill – ball mill circuit with classification by cyclones. Conventional flotation cells will be used in each of the three flotation circuits.

Metallurgical test-work programs including DMS and flotation tests were carried out in a number of laboratories over the last decade. The metallurgical test-work program in 2004 established the process plant flow-sheet design. This design includes a DMS pre-concentration circuit to limit the amount of waste material in run-of-mine ore delivered to the primary processing circuit. Application of this technology at Wolverine is expected to have positive benefits, not only in reducing mill process costs on a unit of production basis, but also in providing greater mining flexibility and lower mining costs. The effective removal of waste in the mill allows less selective mining, with emphasis on maximizing recovery of the high-grade ores, particularly in areas where excessive waste rock dilution may occur. Excessive dilution is common in areas with multiple bands of massive sulphide mineralization; hanging-wall failure; contamination of ore with footwall material; and in areas of thin massive sulphide lenses. DMS has been successfully employed at several other underground base metal mines.

Wolverine Property Costs

Costs incurred on the Wolverine Project in 2007, before tax recoveries and the asset retirement obligation, were \$17.8 million (2006: \$12.8 million). The Company incurred \$1.4 million in environmental costs, \$1.3 million in engineering costs and \$15.1 million in project development costs (2006: \$1.5, \$1.8 and \$9.5 million respectively). The environmental costs were directed primarily to achieving completion of the Type A Water Licence. Project development costs included site access road construction, site preparation and site maintenance.

No exploration drilling was done at Wolverine in 2006 or 2007. An estimate of the asset retirement cost of \$0.96 million was recorded in 2007 and \$1.6 million in 2006. A schedule of detailed property cost expenditures is included in the audited financial statements.

Other Mineral Properties

The Company has interests in other mineral properties in the Yukon that are described in the Notes to the Consolidated Financial Statements. No exploration program was conducted on the Finlayson District and other exploration properties while the Company focused on the Wolverine Project. Capitalized mineral property costs associated with the Finlayson District totalling \$4.5 million were previously written off in 2006. These costs were primarily field costs and geological consulting costs incurred over several years. The Company intends to maintain most of the current mineral claims and undertake additional work on these claims at a future date.

Results of Operations

The following financial data was derived from the Company's Consolidated Financial Statements for each of the eight most recently completed quarters:

Summary by Quarter \$000's	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Corporate expenses (net interest & other income)	1,738	3,396	923	798	610	474	629	401
Stock based compensation	51	127	402	679	319	68	392	622
Write off mineral properties	-	-	-	-	4,456			
Gain on sale of investments/other	-3	2	2	-175	-655		-2	-38
Future income tax recovery	-485	-1488	-517	-354	-4083			
Net loss (income)	1,301	2,037	810	948	647	542	1,019	985
Net loss (income) / share – basic & diluted	0.00	0.02	0.00	0.00	0.00	0.00	0.00	-0.01

Selected Annual Information

	2007	2006	2005	2004
\$ 000's (except loss per share)	\$000s	\$000s	\$000s	\$000s
Gain on sale of investments	(175)	(695)	-	-
Interest and other income	(177)	(234)	(193)	(95)
Net loss for the year	5,096	3,193	424	2,066
Loss per share - basic and diluted	0.02	0.01	0.00	0.02
Total assets	71,847	50,088	43,823	30,097
Long term liabilities	2,600	4,540	2,423	-
Dividends	-	-	-	-

Restatements in 2006

- An accrual for YMETC receivable in Q1 2006 of \$0.4 million was recorded and the \$1.1 million received in July 2006 pertaining to the eligible exploration expenditures made in 2005 was booked against the restated receivable balance as at December 31, 2005;
- Under the flow-through share “look-back” rules, the Company is able to issue flow-through shares to investors and transfer the tax benefits associated with the Canadian Exploration Expenditures (“CEE”) to them in the year of purchase. The actual exploration expenditures may be made in the following year, provided that the Company pays a monthly tax (interest) on the unspent CEE. In Q1 2006, in accordance with the look-back rules, the Company renounced \$10.4 million from the October 2005 financing. A retroactive adjustment was booked to Q1 2006 for \$3.5 million as an income tax recovery in the Consolidated Statement of Operations when the renunciation was made; since it is considered more likely than not that the Company will recover the value associated with previously unrecognized tax pools (see Note 13 of the Consolidated Financial Statements);
- The amount of the future income tax (“FIT”) liability associated with the renunciation of \$10.4 million to flow-through share subscribers in Q1 2006 was decreased from \$3.7 million to \$3.5 million, with the difference increasing share capital accordingly, due to a correction in the effective tax rate from 35.62% to 34.10%. This adjustment was made retrospectively to Q1 2006, in conjunction with the recognition of the income tax recovery, discussed above.

Year 2007

The net loss for 2007 was \$5.1 million compared to a loss of \$3.2 million for 2006. The major contributor to this increase was extra costs related to Wolverine project financing. These costs totaled \$3.8 million in 2007 compared to Nil in 2006. Salaries & benefits and general & administrative costs also increased in 2007 to \$2.8 million (2006; \$2.0 million), due to a combination of staff additions and higher administration costs related to the Wolverine Project advancement and salary increases in a competitive industry environment. Stock based compensation in 2007 was slightly lower at \$1.3 million (2006: \$1.4 million). There were no writedowns of mineral property costs in 2007 (2006: \$4.5 million). Future income tax

recovery in 2007 totaled \$2.8 million (2006: \$4.1 million). This item relates to flow-through share renunciations in 2007. (Note 13 of the Consolidated Financial Statements)

Fourth Quarter 2007

The net loss in Q4 2007 was \$1.3 million compared to \$0.7 million in Q4 2006. The higher loss was due to higher corporate costs, primarily legal and other expenses associated with the Barclays project financing.

Investment in Selwyn Resources Ltd.

Selwyn Resources Ltd ("Selwyn"), formerly Pacifica Resources Ltd., is a related company with the same Chief Executive Officer and certain other common officers and directors. In 2007, the Company sold 0.4 million common shares of Selwyn for net proceeds of \$0.3 million to hold 5.6 million shares. This represents approximately 4% of the issued and outstanding shares of Selwyn. The shares have a market value of approximately \$1.5 million (\$0.265 per share) as at year end.

Investment in Savant Explorations Ltd.

During the second quarter, Selwyn transferred its non-core assets to a public company, Savant Explorations Ltd. ("Savant"). Shares in Savant were issued to all shareholders of record of Selwyn including the Company. Yukon Zinc Corporation was issued 612,146 shares pursuant to this transaction. As at December 31, 2007, the 612,146 Savant shares have a market value of approximately \$0.2 million (\$0.285 per share). The Company has determined the investment in Savant shares as available for sale, and therefore calculated the comprehensive loss for the year ended December 31, 2007 as \$33,001, based on a share price decline from \$0.35 to \$0.285 per share.

Liquidity and Capital Resources

The Company has limited financial resources and does not generate revenue from its operations. Therefore, like many junior exploration and development companies, it has financed its operations by raising capital in the equity markets. Management, with the assistance of financial advisors, is evaluating various financial alternatives to fund Wolverine Project construction and development. There can be no assurance that the Company will be successful in its financing efforts.

During 2007, the Company raised a total of \$24.1 million in gross proceeds from the issuance of equity. A substantial portion of these funds, after related legal and share issuance costs, were used for Wolverine Project expenditures, in particular, the mine access road, increase in environmental bonding, and site development and engineering, plus fees and costs related to the Barclays loan facility. In 2007, net expenditures on mineral properties and property & equipment were \$18.8 million and \$1.9 million respectively. In addition, during the year, \$3.8 million was spent in advancing the Barclays loan financing and for the cost of the cancelled \$130 million prospectus financing. These costs included legal, due diligence and arrangement fees.

On March 14, 2007, the Company received proceeds of a bridge loan in the amount of \$0.8 million which amount was secured by a pledge of 2.0 million common shares of Pacifica and bore interest at 12% per annum. This was repaid with interest in Q2, 2007. The Company also had an obligation to transfer 50,000 common shares of Savant Explorations Ltd. ("Savant") to the lender when the Company received shares of Savant pursuant to the Plan of Arrangement transaction among Savant, Pacifica and the shareholders of Pacifica. This obligation was also fulfilled.

The Company had a working capital deficit of \$0.9 million as at December 31, 2007, compared to a working capital surplus of \$4.9 million as at December 31, 2006. As at December 31 2007, the Company's overall cash was \$4.5 million, including cash of \$3.5 million reserved for flow-through expenditures. Year-end accounts payable aggregated \$6.1 million, and cash available to fund payables and on-going corporate overhead expenditures was \$0.9 million. On March 11, 2008, the Company announced an \$8 million non-brokered private placement financing and this financing, which closed on March 19th 2008. On closing, accounts payable were substantively reduced, leaving limited working capital for on-going expenses.

Proceeds from the sale of Selwyn shares provided \$0.3 million in the year ended December 31, 2007. The other significant source of cash was the Yukon Mineral Exploration Tax Credit (YMETC) program. The Company received a YMETC cash refund of \$0.9 in 2007 compared with \$1.1 million in 2006 for the YMETC, which amounts were based on 25% of eligible exploration expenditures incurred in the preceding year, as previously determined. The YMETC has been recalculated and additional refunds accrued, as discussed elsewhere in this MD&A.

Fourth Quarter 2007

Following the withdrawal of the planned \$130 million equity financing in early December due to poor market conditions, the Company raised gross proceeds of \$6.9 million in late December from the issuance of \$3.5 million flow-through shares to be spent on future eligible expenditures and \$3.4 million (gross) from the issuance of units. A large portion of the funds from the issuance of the units, net of legal and offering expenses, were used for payments to creditors. The flow-through funds raised are being used for on-going expenditures (post December 20, 2007) that are eligible for flow-through funding.

Cash, including cash restricted to flow-through expenditures, increased by \$0.8 million in Q4 2007 to \$4.5 million at year end from \$3.7 million as at September 30, 2007. During Q4, the Company spent \$5.4 million on mineral properties and \$1.0 million on property and equipment. Payables increased by \$1.7 million during the quarter, ending the year with a balance of \$6.1 million.

Capital Requirements

In the first quarter of 2007, the Company engaged Barclays to arrange for senior project debt financing. Following Barclays due diligence and an independent engineers report commissioned by them, Barclays provided a written commitment letter in August 2007 for a senior debt facility of US\$140 million. The Company estimates the Wolverine Project capital funding requirement to be approximately \$260 million. This figure includes direct and indirect capital costs, project working capital, project loan interest incurred during construction, funding of a US\$25 million capital cost overrun account, legal, and regulatory, consulting and other professional fees associated with obtaining financing. An additional \$130 million is required to fully fund the Wolverine Project. During 2007, the Company raised \$24.1 million in gross proceeds from the issuance of equity. A substantial portion of these funds were used for Wolverine Project expenditures, in particular, the mine access road, site development and engineering. These project expenditures in 2007 will therefore reduce the required \$130 million of required additional funding.

To finance the equity portion of the Wolverine Project funding requirements, the Company will need to rely on the sale of securities and/or enter into joint venture or other corporate transaction arrangements with third parties, likely including an industry participant. The timing of, and ability to close on, any transaction will depend upon equity market conditions and/or the Company's ability to complete a transaction with such third parties, and there is no certainty that the Company will be able to do so in a timely manner.

Refer to Contingencies, Commitments and Subsequent Events in the Notes and elsewhere in this MD&A for a further discussion of capital resources.

Off Balance Sheet

The Company did not enter into any off balance sheet transactions or commitments as defined by NI 51 – 102, except as disclosed in the Notes and below.

New Accounting Policies

The Company has adopted new accounting policies for 2007 (see Note 2 (e) of the Notes to the audited Consolidated Financial Statements).

Share Capital Summary as at April 16, 2008

Issued and Outstanding	Common Shares	Stock Options	Agents' Options & warrants	Fully Diluted
Balance, December 31, 2006	266,186,729	21,988,000	15,453,704	303,628,433
2007 transactions:				
Flow through shares issued	47,890,185			
Ordinary Shares Issued in Units Offerings	79,058,286			
Issued on Exercise of Stock Options	745,000			
Issued on Exercise of Warrants	2,467,450			
Warrants Granted			44,781,989	
Warrants exercised/expired			-15,453,704	
Stock options exercised		-745,000		
Stock options Cancelled/expired		-4,565,000		
Options granted		6,900,000		
Balance December 31, 2007	396,347,650	23,578,000	44,781,989	464,707,639
Subsequent transactions Issued in Non-brokered private placement	59,259,259		29,629,629	
Balance April 16, 2008	455,606,909	23,578,000	76,511,618	555,696,527
Contingent commitment to issue Warrants:				
Hill Street Capital, subject to conditions			2,000,000	
Barclays Capital, commitment subject to conditions			3,500,000	

Critical Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles in Canada ("GAAP") requires the Company to select from possible alternative accounting principals and to make estimates and assumptions that affect the reported results. Critical accounting policies that affect the financial statements are summarized in Note 2 to the audited Consolidated Financial Statements.

Contingencies and Commitments

Bonding Requirements

As a condition of the QML, the 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. In January 2007 the Company established a \$1.0 million term deposit to cover the bonding requirement. Upon the commencement of construction of the access road and the industrial complex an additional \$0.6 million and \$1.0 million, respectively, are required to be held pursuant to the terms of the QML.

Financing Commitments

Pursuant to the terms of agreements with its financial advisors, Yukon Zinc has the following obligations:

- Barclays Capital – a \$1.0 million termination fee is payable if their mandate is terminated as a result of a change in control of the Company; or if the Company accepts senior Project financing from alternative sources. Barclays is entitled to a total of 3.5 million share purchase warrants exercisable into an equivalent number of common shares at \$0.26 per share for a period of five years. The warrants available for exercise are staged and conditional upon the achievement of key milestones

and regulatory approval. Of this total, 2.1 million warrants (60%) vested in 2007. One-half of the required Barclays commitment fee was due, and was paid, on acceptance of the US\$140 underwritten commitment letter in August 2007.

- An advisory agreement with Hill Street Capital (HSC) terminated Q3, 2007. Under this agreement, 2.0 million share purchase warrants, with each warrant vested and exercisable upon closing of a transaction with certain parties. The HSC warrants provide for the issuance of one common share at a price of \$0.265 per share for two years from the date of regulatory acceptance. Under the “trailing rights” provisions of the terminated agreement, HSC may become entitled, under certain circumstances, to receive the warrants.

The Kaska Nation - SEPA Commitments

The Company has made commitments pursuant to the terms of the agreement with the Kaska and Ross River Dena Council, some of which are considered privileged information. The agreement provides for their participation in the Wolverine Project through employment and service contract opportunities. In 2007, the Company made payments totaling less than \$0.2 million in aggregate to the Ross River Dena Council. If a production decision is made and Wolverine mine construction begins, a one time payment of \$0.1 million will become payable in addition to approximately \$0.1 million of annual fees during operations.

Exploration

Over the next twelve months, the Company has expenditure commitments of approximately \$0.1 million to maintain its exploration properties. The Company intends to focus on the advancement of the Wolverine Project. No surface exploration is planned. Any underground exploration is subject to completion of project financing and the availability of exploration funds under the project financing agreements.

Other Commitments

Pending the completion of Project financing, the Company is conserving cash by keeping operational and procurement activities and expenditures to a minimum. Other contingencies and commitments are disclosed in the Notes to the Consolidated Financial Statements and elsewhere in this MD&A.

Related Party Information

Selwyn and Savant Explorations Ltd. (“Savant”) are related companies with certain common officers and directors, with whom the Company shares office space and some administration expenses. The intention of these cost sharing arrangements is to improve efficiencies and to share expertise.

These services were provided in the normal course of operations for consideration established and accepted by the related parties, which management believes were reasonable under the circumstances. There were small inter-company balances outstanding for services rendered and for reimbursement of common office expenses.

Dr. Harlan Meade is President, CEO and a Director of the Company, and also President, CEO and a Director of Selwyn and a Director of Savant. Mr. Robert McKnight is CFO, Vice-President Corporate Development and a Director of Yukon Zinc, and is also a Vice President Corporate Development of Selwyn and a Director of both Selwyn and Savant. Mr. Jason Dunning is Vice President of Exploration for both Yukon Zinc and Selwyn.

Other related party transactions and balances are disclosed in the Notes to the Consolidated Financial Statements and elsewhere in this MD&A.

Financial Instruments, Equity and Comprehensive Income

In April 2005, the Accounting Standards Board issued new accounting standards dealing with the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income which, consistent with US and international reporting standards, require that certain gains and losses be recorded in a separate statement as comprehensive income. Fair value is considered the most relevant

measure for financial instruments, which are any contracts that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

These new standards are effective for financial statements relating to fiscal years beginning on or after October 1, 2006. The Company adopted these policies effective January 1, 2007 and has reported comprehensive income, equity and financial instruments in accordance with the relevant sections in the CICA handbook (sections 1530, 3251, and 3855, respectively). In addition to disclosing a new comprehensive income statement, the primary effect on the Company will be that all financial instruments will be measured at fair value.

The Company's investment in Selwyn was carried as a book value at December 31, 2007 of \$1.6 million. Based on the year-end closing price of \$0.265 per share, the market value of the Selwyn shares held was \$1.5 million. The Company's investment in Savant was carried as a book value at December 31, 2007 of \$0.03 million. Based on the year-end closing price of \$0.285 per share, the market value of the Savant shares held was approximately \$0.17 million. Comprehensive loss for 2007 was \$3.2 million based on the decline in share price of the Selwyn shares held and to much a lesser degree on the Savant shares held.

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. With regard to receivables, there is significant risk that the YMETC receivable may not be realized in full, or in part, nor is the timing of any YMETC receipts determinable. With regards to the current accounts payables, the Company had insufficient funds as year end to meet these payables. However the \$8 million financing that closed on March 19th, 2008, is sufficient to meet all current payables and provide limited working capital going forward.

Derivatives and Hedging

The Company does not currently have any derivative products. However, in August 2007 the Company received a committed term sheet from Barclays Capital that contemplates a senior debt facility for the Wolverine Project. When, and if, such debt financing is completed and available for drawdown, it is expected that, to meet lending requirements, the Company will be required to enter into derivative instruments to reduce the risk exposure to future metal prices and possibly foreign currency and interest rate movements. It is currently expected that any such derivatives will be accounted for on a mark-to-market basis. Depending upon the terms of any financing facility, management will assess the impact of any embedded derivatives to the Company at that time. The new standard on Hedges, (section 1530), is applicable when a company chooses to designate a hedging relationship for accounting purposes. The impact of adopting this standard is not known at this time.

Management's Responsibility for Financial Information

Management has prepared the information and representations in this report. The financial statements have been prepared to conform to GAAP and, where appropriate, reflect management's best estimates and judgment. The financial information presented throughout this report is consistent with the data presented in the Consolidated Financial Statements.

Disclosure & Internal Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal control over financial reporting. They are assisted in this responsibility by the Company's senior management team.

Through the evaluation of the design of its internal controls, the Company has identified certain preexisting internal control weaknesses in the financial reporting process due to the small size of the financial team. As a result of the limited number of staff, there is little segregation of duties within the financial internal control system of the Company.

Management believes that it does control these weaknesses through certain control procedures including: a) the requirement for two senior management signatures on all cash disbursements; b) no signing officers can sign checks made out to themselves; c) regular visits by senior management to work sites

and, d) substantive periodic review of the financial statements to ensure disclosure controls and procedures are effective. As well, the Company is expanding the size of its financial staff.

The broad scope of senior management's oversight is expected to compensate for any individual weaknesses. As such, the Company's Chief Executive Officer and Chief Financial Officer have concluded that disclosure controls and procedures are effective to provide reasonable assurance that all material or potentially material information about the activities of the Corporation is made known to them by others within Yukon Zinc. However, management does not expect that the Company's disclosure controls and procedures would prevent all errors or fraud. Management believes that any system of internal controls over financial reporting, no matter how well designed or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

In 2006, management determined that certain control deficiencies existed, primarily with respect to the calculation and documentation of expenditures eligible for the YMETC recovery, which resulted in a failure to recapture the full entitlement. This control deficiency, and associated remediation, was fully disclosed in the 2006 MD&A. Tax filings were amended in 2007 and re-filed to allow recovery of the additional YMETC. The Company previously expected to recover an additional \$1.8 million for 2005. However, the re-filing of the 2005 amended tax return was denied by the Canada Revenue Agency (CRA) on technical grounds, hence the recovery of the related YMETC is uncertain. The Company has engaged tax counsel to make representations to the CRA on this matter. In the meantime, the estimated amount of YMETC to be recovered for the 2005 tax year is now being considered as non-current asset (see Note 14 of the Note to the audited Consolidated Financial Statements).

Management has also taken steps to replace the existing accounting software with a more sophisticated system, but implementation will be done in conjunction with an assessment of the broader corporate needs for an ERP system if and when a Wolverine production decision is made.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in MI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Dependence on Management

The Company is dependent on a relatively small number of key personnel, the loss of any of whom could have an adverse effect on the Company. Recent additions to management have improved the depth and breadth of management skills. The Company does not maintain key employee insurance on any of its employees.

Outlook

With the assistance of the Board and its financial advisors, management is reviewing its financial alternatives and actively seeking the equity portion of Wolverine Project financing. A transaction to raise the required equity could include: public share issuance(s), a direct investment in the Wolverine project, or a corporate transaction that may involve an investment in the Company, a merger, or offer for the Company. Currently no proposals have been received that are acceptable to the Board of Directors.

If, and when, sufficient financing is obtained to allow for a Wolverine production decision by the Board, or a corporate transaction is concluded, a mine construction schedule for Wolverine will be re-evaluated. If no transaction is concluded and if financing is not obtained sufficient to allow Wolverine project construction to commence, the Company would likely reduce all Wolverine and corporate costs to levels that would preserve the long term value of the Wolverine asset for shareholders.

Additional Disclosure for Venture Issuers without Significant Revenue

Additional disclosure concerning Yukon Zinc's general and administrative expenses and mineral property costs is provided in the Company's Consolidated Statement of Loss and Deficit and the Consolidated Schedules of Mineral Property Costs contained in its Consolidated Financial Statements for the year ended December 31, 2007.

Risks and Uncertainties

Critical factors affecting the Company's performance are zinc and silver prices and the availability of equity and project development funds. The ability to attract capital to the Company is dependent on a number of external market factors including the general state of the equity markets and movements in commodity prices, which fluctuate on a daily basis and are affected by a number of factors beyond the control of Yukon Zinc. If, because of a sustained decline in prices, financing were not available to meet cash operating costs, the feasibility of continuing operations would be evaluated and if warranted, would be discontinued.

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The Wolverine Project has estimated mineral reserves and resources; however, substantial expenditures will be required to allow the Company to obtain any additional required environmental approvals, permits and financing required to commence commercial operations from this Project.

The figures presented for both mineral reserves and mineral resources are only estimates. The estimating of mineral reserves and mineral resources is a subjective process and the accuracy of reserve and resource estimates is a function of the quantity and quality of available data and the assumptions used and judgments made in interpreting engineering and geological information. There is significant uncertainty in any reserve or resource estimate, and the actual deposits encountered and the economic viability of mining a deposit may differ materially from the Company's estimates.

Estimated mineral reserves or mineral resources may have to be recalculated based on changes in metal prices, further exploration or development activity or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence reserve or resource estimates. Market price fluctuations for metals, increased production costs or reduced recovery rates, or other factors may render the present proven and probable mineral reserves of the Company uneconomical or unprofitable to develop at a particular site or sites. A reduction in estimated reserves could require material write-downs in the Company's investment in the Wolverine Project and increased amortization, reclamation and closure charges.

Feasibility studies are used to determine the economic viability of a deposit. Many factors are involved in the determination of the economic viability of a deposit, including the achievement of satisfactory mineral reserve estimates, the level of estimated metallurgical recoveries, capital and operating cost estimates and the estimate of future metal prices. Capital and operating cost estimates are based upon several factors, including anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, ground and mining conditions, expected recovery rates of the metals from the ore and anticipated environmental and regulatory compliance costs. Each of these factors involves uncertainties and as a result, the Company cannot give any assurance that its development or exploration projects will become operating mines. If a mine is developed, actual operating results may differ from those anticipated in the OFS.

As at 2007 year end, the Company required funds to repay its current creditors. These immediate working capital needs were addressed in the \$8 million equity financing that closed on March 19th 2008. Additional funds may be required in future for corporate overhead, exploration and Wolverine development activities or acquisitions of additional properties or other interests that may be appropriate to enhance the Company's financial or operating interests. The Company has historically raised capital through equity financing and in the future may raise capital through equity or additional debt financing, joint ventures, production sharing arrangements or other means. There can be no assurance that, in future, the Company will be able to obtain necessary financing in a timely manner on acceptable terms, if at all.

Increased Costs and Compliance Risks

Legal, accounting and other expenses associated with public company reporting requirements have increased significantly in the past few years. The Company anticipates that costs may continue to increase with recently adopted corporate governance requirements, including new rules implemented by the TSX.V and the CSA. Like many smaller public companies, the Company faces a significant impact from compliance with the requirement for management to evaluate the effectiveness of internal control over financial reporting. Any failure to effectively implement new or improved internal controls, or to

resolve difficulties in their implementation, could harm the Company's operating results, cause the Company to fail to meet reporting obligations or result in management being required to give a qualified assessment of the Company's internal controls over financial reporting. Any such result could cause investors to lose confidence in the Company's reported financial information, which may have an adverse effect on the Company's share price.

Environmental and Other Regulatory Requirements

The Company's operations require permits from various governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with the applicable laws, regulations and permits. While major permits have been received allowing for construction of the Wolverine project to begin, there can be no assurance that all other future permits which the Company may require for the construction of mining facilities and the future conduct of mining operations will be obtainable on reasonable terms; or that such laws and regulations may not be changed and result in an adverse effect on the Company's Wolverine mining project.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and mining activities could have a material adverse impact on the Company. Capital expenditures or production costs may be increased, or the level of achievable production may be reduced, or the Company may be required to abandon or delay the development of new mining properties as a result of changes in regulations.

Forward-Looking Statements

This discussion and analysis contains forward-looking statements about the Company's future prospects, and the Company provides no assurance that actual results will meet management's expectations. Forward-looking statements include estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur.

Forward-looking statements may be identified by such terms as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". Such forward-looking statements are made pursuant to the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995 and similar securities legislation in Canada. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results relating to, among other things, results of exploration, project development, reclamation, capital costs, and the Company's financial condition and prospects, could differ materially from those currently anticipated in such statements for many reasons such as; changes in general economic conditions and conditions in the financial markets; changes in demand and prices for the minerals the Company expects to produce; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological and operational difficulties encountered in connection with the Company's activities; and changing foreign exchange rates and other matters discussed in this MD&A. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. Further information regarding these and other factors, which may cause results to differ materially from those projected in forward-looking statements, are included in the filings by the Company with securities regulatory authorities that may be viewed on SEDAR at www.sedar.com. The Company does not undertake to update any forward-looking statement

that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.