



CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2007

(Unaudited)

Yukon Zinc Corporation
Consolidated Balance Sheets

		June 30, 2007 (Unaudited) \$	December 31, 2006 (Audited) \$
ASSETS			
Current			
Cash and cash equivalents	Note 2(d)	7,501,563	3,347,129
Cash reserved for flow-through expenditures	Note 3	4,777,950	1,272
Receivables	Note 4	191,774	442,737
Due from related parties	Note 10	175,717	52,853
Investment held for trading	Note 5	-	5,308
Prepaid expenses and deposits		230,931	69,280
Yukon mineral exploration tax credit		2,474,110	2,474,110
		15,352,045	6,392,689
Investment held for resale	Note 6	3,842,601	1,863,790
Property and equipment	Note 7	426,861	480,535
Mineral properties	Schedule	46,631,362	41,287,451
Reclamation deposit	Note 8	1,092,796	64,000
		67,345,665	50,088,465
LIABILITIES			
Current			
Accounts payable and accrued liabilities		1,929,884	1,455,409
Due to related parties		-	30,705
		1,929,884	1,486,114
Long Term Liabilities			
Future income tax liability	Note 12	2,343,000	2,900,000
Asset retirement obligations	Note 9	1,640,000	1,640,000
		5,912,884	6,026,114
SHAREHOLDERS' EQUITY			
Share capital	Note 11	81,274,523	65,195,301
Accumulated comprehensive income	Note 6	1,573,543	-
Contributed surplus	Note 11	4,781,599	3,305,207
Deficit		(26,196,884)	(24,438,157)
		61,432,781	44,062,351
		67,345,665	50,088,465
Nature and continuance of operations (Note 1)			
Contingencies and commitments (Note 13)			
Subsequent events (Note 14)			
Approved on behalf of the Board of Directors		" <u>Lorne Anderson</u> " " <u>Harlan Meade</u> "	
		Lorne B. Anderson Harlan D. Meade	
		Director Director	

Yukon Zinc Corporation
Consolidated Statements of Operations and Deficit

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007 (Unaudited)	2006 (Unaudited)	2007 (Unaudited)	2006 (Unaudited)
Expenses				
Salaries and benefits	\$ 471,989	\$ 154,684	\$ 764,587	\$ 329,638
Stock based compensation (note 12e)	401,831	391,923	1,080,848	1,013,438
General and Administrative	366,007	305,698	490,608	486,362
Project Financing	76,315	75,000	369,899	75,000
Investor communications	73,037	149,922	179,881	253,354
Loss before the following	\$1,389,179	\$1,077,227	\$2,885,823	\$2,157,792
(Gain)/Loss on sale of investment	2,410	(1,604)	(172,881)	(39,935)
Interest and other income	(63,989)	(56,391)	(82,356)	(114,065)
Loss before tax	1,327,600	1,019,232	2,630,586	2,003,792
Future income tax recovery (note 2(k))	(517,368)	-	(871,859)	-
Net loss for the period	810,232	1,019,232	1,758,727	2,003,792
Deficit, beginning of period	25,386,652	22,230,134	24,438,157	21,245,574
Deficit, end of the period	\$26,196,884	\$ 23,249,366	\$26,196,884	\$23,249,366
Loss/(income) per share – basic and diluted	\$0.00	\$0.00	\$0.01	\$0.01
Weighted average number of shares outstanding	315,963,374	246,474,475	285,603,920	240,983,843

Yukon Zinc Corporation
Consolidated Statements of Cash Flow
(Unaudited – prepared by management)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2007	2006	2007	2006
Cash provided by (used for):				
Operating Activities				
Net loss for the period	\$ (810,232)	\$(1,019,232)	\$(1,758,727)	\$(2,003,792)
Items not involving cash:				
Amortization	31,788	35,394	63,392	61,475
Stock based compensation	401,831	391,923	1,080,848	1,013,438
Future income tax recovery	(517,368)	-	(871,859)	-
Gain on sale of investment	-	-	(175,291)	-
Loss on write-off of property and equipment	-	6,797	-	6,797
	(893,981)	(585,118)	(1,661,637)	(922,082)
Change in non-cash working capital items:				
Receivables	(52,812)	267,767	250,963	150,125
Due from related parties	4,493	-	(122,864)	-
Prepaid expenses and deposits	(136,721)	14,156	(161,651)	(44,141)
Accounts payable and accrued liabilities	45,032	(1,804,897)	111,593	(358,834)
Due to related parties	-	-	(30,705)	-
Investments held for trading	-	1,770	-	21,234
	(1,033,989)	(2,106,322)	(1,614,301)	(1,153,698)
Investing Activities				
Expenditures on mineral properties, net of recoveries	(3,040,819)	(2,468,113)	(5,343,911)	(6,569,353)
Accounts payable for deferred mineral property costs	751,166	-	362,882	-
Expenditures on property and equipment	(8,106)	(81,068)	(9,721)	(388,972)
Reclamation Deposit	-	-	(1,028,796)	-
Proceeds on sale of investment	887	-	304,444	-
	(2,296,872)	(2,549,181)	(5,715,102)	(6,958,325)
Financing Activities				
Selwyn Resources Ltd. Commitment	(5,752)	(81,319)	(14,378)	(287,043)
Loan	(800,000)	-	-	-
Shares issued for cash	15,187,290	1,977,683	17,187,290	5,782,937
Shares issued options and warrants exercised	164,450	-	266,700	-
Shares issue cash costs	(1,118,097)	2,734	(1,179,097)	2,734
	13,427,891	1,899,098	16,260,515	5,498,628
Increase (decrease) in cash and cash equivalents	10,097,030	(2,756,405)	8,931,112	(2,613,395)
Cash and cash equivalents, beginning of the period	2,182,483	7,446,121	3,348,401	7,303,111
Cash and cash equivalents, end of the period	\$ 12,279,513	\$ 4,689,716	\$12,279,513	\$ 4,689,716
Cash and cash equivalents consists of the following:				
Cash and cash equivalents	\$ 7,501,563	\$ 4,689,716	\$ 7,501,563	\$ 4,689,716
Cash reserved for flow-through expenditures	4,777,950	-	4,777,950	-
Cash and cash equivalents, end of the period	\$ 12,279,513	\$ 4,689,716	\$ 12,279,513	\$ 4,689,716

The accompanying notes are an integral part of these consolidated financial statements

Yukon Zinc Corporation

**Consolidated Statement of Comprehensive Income - Unaudited
For the Three Months Ended June 30, 2007**

	For the Three Months ended June 30, 2007	For the Six Months ended June 30, 2007
Net loss for the period before comprehensive income	\$ 810,231	\$ 1,758,726
Unrealized (gains)/losses on available for sale investments	168,772	1,388,588
Comprehensive loss	\$ 979,003	\$ 3,147,314

**Consolidated Statement of Changes in Shareholders' Equity – Unaudited
For the Three Months Ended June 30, 2007**

	June 30, 2007 \$
Share Capital	
Balance - beginning of period	67,307,551
Private placement of flow-through shares	5,000,300
Private placement	10,186,990
Stock option exercise	164,450
Payment to Selwyn Resources Ltd.	(5,751)
Fair value of shares, upon exercise of options	87,768
Share issue cash costs	(1,466,785)
Balance - end of period	81,274,523
Contributed Surplus	
Balance - beginning of period	3,904,597
Agents' compensation	348,688
Stock based compensation – grants	401,831
Stock based compensation - exercise	(87,768)
Capital Distribution – Savant	214,251
Balance - end of period	4,781,599
Deficit	
Balance - beginning of period	(25,386,652)
Loss for the period	(810,232)
Balance - end of period	(26,196,884)
Accumulated other comprehensive income	
Balance - beginning of period	1,742,315
Unrealized losses on available for sale investments for the period	(168,772)
Balance - end of period	1,573,543
Total Shareholders' Equity	61,432,781

YUKON ZINC CORPORATION
CONSOLIDATED SCHEDULE OF MINERAL PROPERTY COSTS
For the Six Months Ended June 30, 2007

Mineral Properties	Wolverine	Others	Total
	\$	\$	\$
Project development	4,298,916	-	4,298,916
Engineering	261,469	-	261,469
Environment & community	725,301	-	725,301
Exploration	21,955	120	22,075
Acquisition costs	4,245	31,905	36,150
Total additions during the period	5,311,886	32,025	5,343,911
Balance, December 31, 2006	40,139,868	1,147,583	41,287,451
Balance, June 30, 2007	45,451,754	1,179,608	46,631,362

1. Nature and Continuance of Operations

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

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

These unaudited consolidated financial statements are prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern which assumes that the Company will realize its assets and discharge its liabilities in the normal course of business. The Company's ability to meet its obligations and maintain its operations is contingent upon successful completion of financing arrangements. For further information refer to the Company's audited consolidated financial statements and related notes for the year ended December 31, 2006

2. Significant Accounting Policies

a) *Presentation and Basis of Consolidation*

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

b) *Use of Estimates and Measurement Uncertainty*

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

c) *Translation of Foreign Currency*

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

d) *Cash and Cash Equivalents*

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

2. Significant Accounting policies, continued

e) *Financial Instruments, Equity and Comprehensive Income*

The accounting policies followed by the Company are set out in Note 2(e) to the audited consolidated financial statements for the year ended December 31, 2006 and have been consistently followed in the preparation of these consolidated financial statements except that the Company has adopted the following CICA guidelines effective for the Company's first quarter commencing January 1, 2007:

Section 3855 – Financial Instruments – Recognition and Measurement. Section 3855 requires that all financial assets, except those classified as held to maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost. Investments classified as available for sale are reported at fair market value (or mark to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. Investments subject to significant influence are reported at cost and not adjusted to fair market value.

Section 1530 – Comprehensive Income. Comprehensive income is the change in the Company's net assets that results from transactions, events and circumstances from sources other than the Company's shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available for sale securities which are not included in net income (loss) until realized.

Transition adjustment to opening balance: the adoption of Sections 3855 and 1530 impacts the opening equity and losses of the Company. The unrealized gain on the available for sale securities ('Selwyn' and 'Savant' see note 7) from purchase to March 31, 2007 was \$1,227,941 net of tax of \$211,981 which is reported as an adjustment to the opening balance of accumulated other comprehensive income. The unrealized loss on the available for sale securities for the three months ended June 30, 2007 was \$168,772 net of tax of \$36,217 which is reported in the current period.

f) *Property and Equipment*

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

g) *Mineral Properties*

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

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

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

2. Significant Accounting Policies, continued

h) Asset Retirement Obligations

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

i) Stock- Based Compensation

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

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

j) Loss per Share

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

There were no securities with potential dilutive effect as at June 30, 2007 other than the outstanding options and the share purchase warrants described in Notes 12 (c) and 12 (d), respectively.

k) Income Taxes

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

l) Flow-Through Shares

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

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

3. Cash Restricted for Flow-through Expenditures

On May 22, 2007, the TSX.V approved the Company's flow-through private placement financing to issue 16,130,000 common shares at \$0.31 per share for gross proceeds of \$5,000,300. Restricted cash is maintained in a separate bank account upon which cheques relating specifically to CEE qualifying expenditures are drawn. As at June 30, 2007, the balance of restricted cash is \$4,777,950.

4. Receivables

Receivables as at June 30, 2007 totaled \$191,774 (December 31, 2006: \$442,737). Included in the receivables is \$10,622 in bank interest and \$169,872 in GST receivables.

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

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

Each stock option that was outstanding at the time of the Arrangement entitles the holder to acquire one common share of the Company and, additionally, 0.092025 of a common share of Pacifica (the "Pacifica Commitment"). The stock options subject to this commitment are indicated in the tables in Notes 12(d) and 12(e). Upon exercise of one of these options, the Company is required to remit to Pacifica \$0.25 per share for each share of Pacifica issued.

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

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

6. Investment Held for Resale

The Company holds 5,648,001 shares of Selwyn Resources Ltd. (formerly Pacifica Resources Ltd.) with a market value of \$3,671,200 (\$0.65 per share).

The Company has determined the investment of Selwyn as available for sale, and therefore calculated the comprehensive loss for the quarter ended June 30, 2007 as \$131,396, based on a share price decline from \$0.68 to \$0.65 per share.

During the period, Selwyn transferred non-core assets to a public company, Savant Explorations ("Savant"). Shares in Savant were issued to all share holders of record of Selwyn. As such, the Company received 612,146 shares of Savant with a current market value of \$171,401 (\$0.28 per share).

6. Investment Held for Resale, Continued

The Company has determined the investment of Savant as available for sale, and therefore calculated the comprehensive loss for the quarter ended June 30, 2007 as \$37,326, based on a share price decline from \$0.35 to \$0.28 per share.

7. Property and Equipment

Property and Equipment	June 30, 2007			December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Field equipment	325,162	85,179	239,983	325,162	58,514	266,648
Vehicles	97,189	39,488	57,701	97,189	29,305	67,884
Furniture and fixtures	81,221	39,198	42,023	78,009	34,707	43,302
Computers and other	75,436	36,834	38,602	70,330	31,024	39,306
Software	80,955	69,624	11,331	80,954	58,293	22,661
Leasehold Improvements	50,850	13,629	37,221	50,260	9,526	40,734
Total	\$710,813	\$283,952	\$426,861	\$701,904	\$221,369	\$480,535

8. Deposit

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

During the quarter ended March 31, 2007 the Company paid \$195,000 pursuant to the quartz mining license for commencement of Phase 1 road construction. Interest accrues at a rate of prime less 2.35%, with \$2,045 accrued as of June 30, 2007. Also paid was \$755,546 for on-site liabilities and reclamation activities associated with the advanced exploration phase and \$78,250 for water treatment and discharge associated with the underground mine workings. Interest on these deposits was accrued to June 30, 2007.

9. Asset Retirement Obligations – ARO

Upon review of the acquisition, construction, development, and normal operations of the Wolverine Property in the second quarter of 2007, the Company reasonably estimates that no material amount of liability should be added to the December 31, 2006 asset retirement obligation of \$1,640,000.

10. Related Party Transactions

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

The Company shares office space and some administration expenses with Selwyn which is a company with certain common officers and directors. As at June 30, 2007, \$175,717 (December 31, 2006: \$52,853) was due from Selwyn.

10. Related Party Transactions, continued

For quarter ended June 30, 2007 the following is a summary of related party transactions:

- Legal fees of \$167,003 (six months ended June 30, 2007 - \$253,163) were incurred by an association of lawyers in which the Corporate Secretary of the Company is a Partner.
- Selwyn has been invoiced by the Company for their proportionate share of salaries for certain shared officers and employees. The amount invoiced to Selwyn was \$131,543 in Q2 2007 (six months ended June 30, 2007 - \$269,822).
- Consulting fees of \$5,198 (six months ended June 30, 2007 - \$10,003) were paid to a Director for the three months ended June 30, 2007 pursuant to the terms of a consulting agreement made effective December 14, 2006;

11. Share Capital

Issued and Outstanding	Number of shares	Total Value \$	Contributed Surplus \$
Balance, December 31, 2006	266,186,729	65,195,300	3,305,206
Issued for cash:			
Private placement of flow-through shares at \$0.31 per share	6,451,613	2,000,000	-
Exercise of stock options	375,000	102,250	-
	6,826,613	2,102,250	-
Payment to Selwyn Resources Ltd. (formerly Pacifica Resources Ltd.)	-	(8,627)	-
Fair value of shares, upon exercise of options	-	79,628	(79,628)
Fair value of options vested: stock based compensation	-	-	679,017
Subtotal, before share issue costs	6,826,613	2,173,251	599,389
Fair value of agents' compensation: share issue costs	-	-	-
Share issue cash costs	-	(61,000)	-
Transactions in the year	6,826,613	2,112,251	599,389
Balance, March 31, 2007	273,013,342	67,307,551	3,904,595
Issued for cash:			
Private placement of flow-through shares at \$0.31 per share	16,130,000	5,000,300	-
Private placement of shares at \$0.20 per share	50,934,950	10,186,990	-
Exercise of warrants	605,980	134,450	-
Exercise of stock options	250,000	30,000	-
	67,920,930	15,351,740	-
Payment to Selwyn Resources Ltd. (formerly Pacifica Resources Ltd.)	-	(5,751)	-
Capital distribution – Savant	-	-	214,251
Fair value of options vested: stock based compensation	-	87,768	314,065
Subtotal, before share issue costs	67,920,930	15,433,757	528,316
Fair value of agents' compensation: share issue costs	-	(348,688)	348,688
Share issue cash costs	-	(1,118,097)	-
Transactions in the year	67,920,930	13,966,972	877,004
Balance, June 30, 2007	340,934,272	81,274,523	4,781,599

11. Share Capital, continued

a) Authorized

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

b) Private Placements

A private placement of 16,130,000 flow-through shares at a price of \$0.31 per share, for gross proceeds of \$5,000,300 was completed June 8, 2007. The Company paid brokerage fees of \$340,018. The shares are subject to the regulatory four month hold period.

A private placement of 50,934,950 shares at a price of \$0.20 per share, for gross proceeds of \$10,186,990 was completed April 23, 2007. The Company paid brokerage fees of \$658,389. The shares are subject to the regulatory four month hold period.

c) Share Purchase Warrants

Share Purchase Warrants	Expiry Date	Exercise Price \$	Balance June 30, 2007 #
July 2005 Agents' compensation options	21-Jul-07	0.22	639,340
July 2006 Private Placement	31-Jul-07	0.31	4,000,000
Agents' compensation options	31-Jul-07	0.25	1,222,200
October 2005 Private Placement	22-Oct-07	0.25	7,003,500
Agents' compensation options	22-Oct-07	0.22	1,982,684
April 2007 Private Placement	23-Apr-09	0.30	25,467,475
Agents' compensation options	24-Apr-09	0.20	3,565,446
Total			43,880,645
Weighted average exercise prices			\$ 0.259
Commitment to issue warrants, conditional			
Hill Street Capital warrant		0.265	2,000,000

d) Stock Options

As at June 30, 2007, the Company had one stock-based compensation plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares at any given time. The vesting of each option grant is determined by the Board of Directors. When an employee is terminated or resigns, the date of expiry of the options held is generally revised to expire ninety days after the final day of employment. The options with revised expiry dates are disclosed below. All stock options that were outstanding at the time of the Arrangement (Note 7) are subject to the Pacifica Commitment as indicated in the tables below.

During the quarter the Company granted options to purchase up to 1,900,000 shares of the Company's stock at an average exercise price of \$0.25. Because a portion of these options vested in the quarter, \$76,227 was recorded as stock-based compensation expense in the current period. A further \$325,604 relating to stock options granted in previous periods and vesting in the current period was also recorded as stock-based compensation expense. The stock based compensation for the same period of 2006 was \$391,923.

In addition, 250,000 stock options were exercised for proceeds of \$30,000 and 1,065,000 options expired.

11. Share Capital, continued

Expiry Date	Exercise Price	Balance 31-Mar-07	Granted	Exercised	Cancelled Expired	Balance 30-June-07
	\$	#	#	#	#	#
30-Jun-07	0.330	470,000	-	-	(470,000)	-
14-May-07	0.120	250,000	-	(250,000)	-	-
25-Nov-07	0.100	120,000	-	-	-	120,000
1-Apr-08	0.110	420,000	-	-	-	420,000
4-Nov-08	0.280	200,000	-	-	-	200,000
21-Jan-09	0.380	250,000	-	-	-	250,000
21-Jun-09	0.270	2,335,000	-	-	-	2,335,000
11-Aug-09	0.270	450,000	-	-	-	450,000
13-Sep-09	0.270	50,000	-	-	-	50,000
Subject to Pacifica commitment		4,545,000	-	(250,000)	(470,000)	3,825,000
30-Jun-07	0.330	595,000	-	-	(595,000)	-
14-Jan-10	0.280	2,755,000	-	-	-	2,755,000
1-Feb-10	0.280	55,000	-	-	-	55,000
15-Feb-10	0.280	500,000	-	-	-	500,000
2-Mar-10	0.280	300,000	-	-	-	300,000
1-Apr-10	0.320	175,000	-	-	-	175,000
26-May-10	0.270	450,000	-	-	-	450,000
7-Sep-10	0.220	300,000	-	-	-	300,000
13-Jan-11	0.400	4,193,000	-	-	-	4,193,000
8-Feb-11	0.580	240,000	-	-	-	240,000
18-May-11	0.240	3,700,000	-	-	-	3,700,000
18-Jul-10	0.260	600,000	-	-	-	600,000
5-Oct-11	0.250	1,400,000	-	-	-	1,400,000
11-Oct-11	0.270	700,000	-	-	-	700,000
9-Nov-11	0.370	420,000	-	-	-	420,000
9-Mar-12	0.250	4,100,000	-	-	-	4,100,000
26-Apr-12	0.250	-	900,000	-	-	900,000
1-May-12	0.240	-	1,000,000	-	-	1,000,000
Total		25,028,000	1,900,000	(250,000)	(1,065,000)	25,613,000

Pacifica Resources commitment paid on exercise **\$5,752**
Pacifica Resources commitment **\$98,812**

e) Fair Value Determination

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

11. Share Capital, continued

Weighted Average Fair Value Assumptions	Options		Warrants	
	Three Months Ended		Three Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Expected share price volatility	87.63%	105.94%	87.31%	108.43%
Expected option life in years	3.0	3.0	2.0	2.0
Risk-free interest rate	4.58%	4.08%	4.58%	3.08%
Expected dividend yield	-	-	-	-
Value assigned to Options / Warrants				
Weighted average value per option / warrant	\$0.25	\$0.21	\$0.29	\$0.22
Fair value as calculated, total granted	\$304,909	\$1,013,438	\$348,688	\$46,217
Fair value vested	\$401,831	\$391,923	\$61,982	\$46,217

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

12. Future Income Tax Liability

As at June 30, 2007 the Company had an estimated FIT liability of \$2,343,000 arising from taxable temporary differences. The significant components of the Company's future income tax assets (liabilities) were as follows:

	As at June, 30 2007	As at December 30, 2006
	\$	\$
Future Income Tax Liability		
Mineral property costs in excess of tax pools	(14,718,728)	(14,718,728)
Non-capital loss carry-forwards	7,836,565	5,049,492
Property and equipment tax pools in excess of book value	1,062,815	999,752
Market value of Investments in excess of tax value	(1,051,327)	-
	(6,870,675)	(8,669,484)
Expected statutory rates	34.10%	34.10%
Future income tax liability, rounded	(\$2,343,000)	(\$2,900,000)

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

Subsequent to June 30, 2007 the Company received \$883,000 of this amount, representing its 2006 YMETC claim as filed, and continues to pursue the Reassessment of its 2005 filing to recover the balance of the amount receivable.

13. Contingencies and Commitments

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

a) *Macquarie Bank Ltd.*

During the period, the Company paid Macquarie \$75,000 for consideration of Macquarie relinquishing its right to back into any debt facility provided by another source (up to 40%) as provided in their mandate agreement. If there is a syndication of a portion of the loan facility during the period from March 1 – November 30, 2007, then Macquarie may elect to participate for up to 25% of the syndicated portion on the same terms as offered to other financial institutions.

13. Contingencies and Commitments, continued

b) *Hill Street Capital*

Pursuant to an agreement made August 29, 2006 as amended October 16, 2006, the Company engaged Hill Street Capital ("HSC") as a financial advisor for a term of six months at a fee of US \$30,000 per month commencing September 1, 2006. Upon securing and completing project financing (the "Transaction"), the Company would be required to pay a success fee of 1 – 2% of the Transaction value, depending upon the nature and terms of the Transaction. In addition, subject to final TSX.V approval, the Company is required to issue 2,000,000 share purchase warrants, with each warrant vested and exercisable upon consummation of a transaction for one common share at a price of \$0.265 per share for two years from the date of regulatory acceptance.

The advisor agreement was extended and effective March 1, 2007 HSC reduced its monthly fee to US \$10,000.

c) *Pincock Allen & Holt*

In November 2006, Pincock Allen & Holt ("PAH") was engaged by HSC to act as Independent Engineers for the review of the Company's Wolverine Project. The Company was committed to paying the costs associated with their evaluation of the feasibility study, which were budgeted to be US \$142,000 plus expenses. For the three months ended June 30, 2007 US\$30,051 had been incurred. Total fees incurred to June 30, 2007 were \$143,551.

d) *Office Lease Obligations*

The Company entered into five year lease agreements in 2004 to rent office space, which were subsequently amended to increase the available space. Two related companies shared the premises for most of 2006 and reimbursed the Company for their pro-rata portion of the rent (Note 13). Lease obligations are currently approximately \$245,000 per year (\$20,400 per month). Selwyn Resources Ltd. has agreed to reimburse the Company for approximately 45% of the lease costs.

e) *Equipment Lease Obligations*

As of June 30, 2007 the Company had leasing arrangements for five heavy equipment vehicles and 1 4WD truck. Total costs per month for equipment lease obligations are \$19,708. The leases on the heavy equipment begin to expire starting in January 2008 with the last lease expiring in February 2009. The lease on the 4WD truck runs until June 2010.

f) *Environmental Bonding Requirements*

As a condition of the Quartz Mining License, ("QML") Water B Licence and the Mining Land Use Permit the Company is required to maintain security deposits in amounts determined by the Government regulators. The total may be adjusted depending upon environmental assessments. Upon the commencement of construction of the access road and the industrial complex an additional \$585,000 and \$1,000,000, respectively, is required to be held pursuant to the terms of the QML. In the period, the Company paid \$78,250 for water treatment and monitoring purposes as stipulated in the Mining Land Use Permit.

g) *Employees*

In the event that the Company is unable to secure the financing necessary to proceed with the development of its Wolverine Project by December 31, 2007, certain employees and an officer may elect to leave the Company and if they do, the Company would be obliged to pay a total of \$212,500.

14. Subsequent Events

a) *Warrant Exercise*

1,395,270 warrants were exercised at prices ranging from \$0.22 to \$0.25.

b) *Project Financing*

On August 27, 2007, The Company received a commitment letter from Barclays Capital ("Barclays") for a senior project finance facility (the Facility) in the amount of US \$140 million. The Facility carries an interest rate of LIBOR plus 3.00% pre-construction completion, 2.25% for the first four years post-completion, and 2.75% after four years post-completion. Financial maturity is 7.5 years from financial closing and will be repayable in semi-annual installments.

The Facility is secured against the assets of the project.

Barclays require certain minimum debt service reserves and ratios relating to projected debt service coverage and ratios. Failure to meet certain of these tests could result in a possible acceleration of the loan repayment.

The commitment letter is subject to conditions precedent, including the raising of sufficient equity capital to complete the project development.