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Management's Discussion and Analysis

For the Quarter Ended June 30, 2007

Introduction

The following management discussion and analysis ("MD&A") for Yukon Zinc Corporation, (the "Company" or "Yukon Zinc") is dated August 20, 2007 and provides an analysis of Yukon Zinc's financial results for the quarter ended June 30, 2007 compared to the same period in the previous year. As at August 20, 2007 the Company had 342,795,742 common shares issued and outstanding. 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 following information should be read in conjunction with the Company's June 30, 2007 unaudited consolidated financial statements and related notes and with the Company's audited consolidated financial statements and related notes for the year ended December 31, 2006, which were prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"). The accounting policies have been consistently followed in preparation of these financial statements except that the Company has adopted the guidelines governed by Sections 3855 and 1530 of the CICA Handbook, "Financial Instruments – Recognition and Measurement" and "Comprehensive Income", respectively, effective for the Company's first quarter commencing January 1, 2007 whereby the Company is required to disclose comprehensive income and its components.

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 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 the Company's website at www.yukonzinc.com or on SEDAR at www.sedar.com.)

Overview

The Company is in the business of exploration and development of its mineral properties in the Yukon Territory, Canada. Its focus is on advanced exploration and feasibility related engineering and permitting work being done at the Wolverine Project with the goal of bringing this project through construction and development to become a producing mine. 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 of the Wolverine Project by Wardrop Engineering (the "OFS"). 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. Refer to SEDAR for more details.

On August 20, 2007 the Company secured a commitment from Barclays Capital for a US\$140 million senior debt for the Wolverine Project. Management is evaluating opportunities for an additional approximate US\$110 million to provide all funds necessary for completion of the Wolverine Project including US\$25 million for any excess of project costs.

Highlights during the period include:

- Closed a unit offering announced on April 10, 2007 for gross proceeds of \$10,186,990
- Closed a brokered Flow-Through share financing announced on May 22, 2007 for proceeds of \$5,000,300.
- Announced the appointment of Mr. Bill Hatton as Project Manager for the Wolverine Project,
- Selected and awarded to Arctic Construction Ltd. a contract for the initial construction of the 24km access road for the Wolverine Project. Commenced construction of road in mid-June.
- Completion of the public hearing of the Yukon Water Board during the first week of May, 2007 in support of Company's Type A Water License Application.

Highlights subsequent to period end:

- 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.

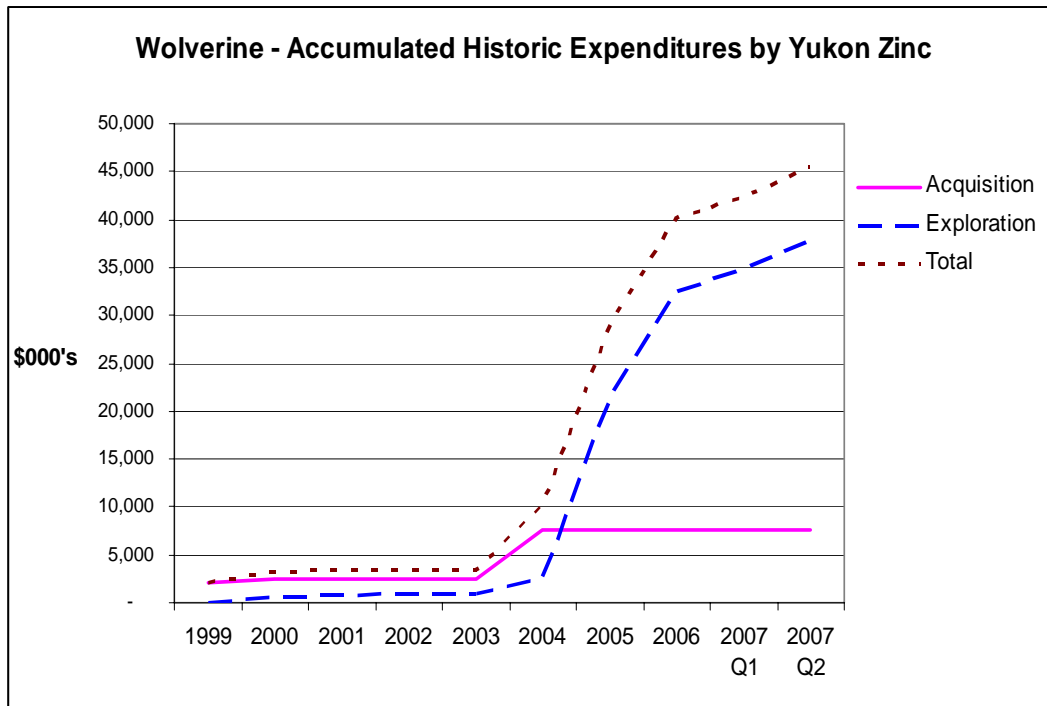
Barclays require certain minimum debt service reserves and ratios relating to projected debt service coverage and ratios. Failure to meet certain of these tests could result in a possible acceleration of the loan repayment.

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

Wolverine Property

The Company has a 100% interest in the Wolverine property, subject to certain royalties. As at June 30, 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.

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. Access to the property is currently by air support and winter road. On May 7, 2007 the Company announced that they had selected and awarded to Arctic Construction Ltd. a contract for the construction of the approximate 24 km access road for the Wolverine project. Over the past seven years the Company has spent approximately \$45.5 million on acquisition, exploration, and pre-feasibility development of the Wolverine Project as at June 30, 2007.



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 Westmin in 1999 and together with Atna, conducted metallurgical evaluations and investigated marketing opportunities. At the time, there were concerns about the high selenium levels in the zinc concentrate and the impact that this would have on project economics.

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. 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 totaling \$19.2 million. This program was successful in confirming resources in the Measured and Indicated categories required for completion of a feasibility study. In 2005, Hatch was commissioned to conduct a feasibility study.

Wardrop Engineering was commissioned in July 2006 to review the Hatch study and consider some optimization measures. The Optimized Feasibility Study (OFS) was completed by Wardrop in January 2007 and demonstrated improved project economics. The OFS is the basis of current project financing and development activities.

Wolverine Project

Project Development

The Wolverine Project is remote. Currently, access to the site is by air transportation only. A contract for construction of a 24 km long access road was awarded to Arctic Construction on May 7, 2007. The mobilization of equipment and camp for Access Road construction began June 4, 2007 and construction started June 11. Currently 20 km's of the road has been completed. The Phase 1 road will provide for transportation of equipment and supplies required for on-going maintenance of the site and initial construction activities at site. Completion of this Phase 1 of the road will allow for a fast start to construction of various mine facilities when project financing is available.

At the mine site, earthworks is underway for the main camp facilities. The civil work is being managed and completed by Yukon Zinc with their operators and equipment at the site. Procon Mining and Tunnelling Ltd. is the underground mining contractor on site, continuing to provide support services for the underground mine.

Other development activities include the resumption of detailed engineering for mine and mill development and advancement of the Company's Water License Application with the completion of the public hearing of the Yukon Water Board during the first week of May, 2007.

The Project will be operated on a fly-in, fly-out basis, with personnel flown from Whitehorse, Ross River and other nearby communities. The OFS projected development to take about two years for completion of permitting, project financing, engineering, construction and commissioning. During operations, it is proposed that concentrates will 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

Wardrop estimated the initial capital cost for the design and construction of the Project to be \$207.7 million. The cost estimates, which include infrastructure, mine and ore processing facilities, are \$175.8 million with 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 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.

Permitting

The major permits and approvals required in the Yukon 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);
- Land Treatment Facility Permit, under the *Environment Act*, (received June 2, 2006)
- A Quartz Mining License, under the *Yukon Quartz Mining Act*, Department of Energy Mines and Resources (received December 5, 2006);
- An Access Permit from the *Yukon Department of Highways and Public Works*, (submitted for approval);
- A Type A Water Licence under the *Yukon Waters Act*, (in progress).

In 2004, applications for a Type A Water Use Licence and Quartz Mining License were submitted to the Yukon Water Board ("Board") and the Yukon Department of Energy, Mines and Resources ("EMR"), respectively, which triggered an environmental assessment. Through extensive consultation with local communities, government agencies and First Nations, a number of environmental factors were assessed and an Environmental Assessment Report ("EAR") completed in October 2005. The EAR underwent a public review and it was approved on September 20, 2006.

Effective December 5, 2006, the Company received a Quartz Mining License, ("QML"), which allows for project construction to proceed for most facilities and the access road. This is the key permit that outlines the conditions for project development and operations. Construction and operational activities, as presented in the OFS, are in accordance with the conditions placed on the Project by this license.

The Project is currently operating under a Type B Water Licence which allows for taking and discharging sufficient water to support the advanced exploration stage of the property. To move the Project into production, a Type A Licence is required. On May 2-4, 2007 a public hearing was held for the Type A Water Licence by the Yukon Water Board. The submission and review process is now complete and the company anticipates receipt of the Licence in the 2nd half of 2007.

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	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 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 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, Dense Media Separation "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 Expenditures

In the six months ended June 30, 2007 the Company recorded net additions to its deferred mineral property costs of \$5,311,886 (quarter ended June 30, 2007 - \$3,067,004.)

Procon was engaged in 2005 to provide advanced exploration and test mining services. Approximately \$5.3 million was incurred in establishing a portal for the mine and conducting pilot test mining in 2005. In 2006 an additional \$1.7 million was incurred in advanced exploration activities and \$3.9 million for maintenance costs, dewatering the mine adit area and rehabilitating the underground workings.

Project management and support costs were for the six months ended June 30, 2007 were \$4,298,913 (quarter ended June 30, 2007 - \$2,505,880). The Company incurred \$1,008,843 in environmental, engineering and site maintenance costs during the six months ended June 30, 2007 (\$511,551 during Q2). These costs were associated with continued water treatment of mine waters and underground refurbishment, and engineering and environmental work associated with continued permitting of the Type A Water License application.

Project Spending is Detailed Below:

Wolverine Project	31-Dec-06	2007	30-Jun-07
	Balance	Additions	Balance
	\$	\$	\$
Project Development:			
Pilot test mining, dewatering, portal	9,153,288	1,584,560	10,737,848
Winter trail and road assessment	1,384,443	901,267	2,285,710
Project management and support	1,733,685	365,009	2,098,694
Consumables	2,608,234	413,799	3,022,033
Camp labour and supplies	832,174	487,674	1,319,848
Transportation and air support	1,629,488	368,612	1,998,100
Rental, equipment and repairs	985,344	148,806	1,134,150
Geochemistry, hydrogeology, other	639,349	29,186	668,535
Subtotal Project Development	18,966,005	4,298,913	23,264,918
Engineering:			
Engineering, feasibility	1,232,485	36,227	1,268,712
Engineering consulting, other	583,382	187,037	770,419
Geotechnical engineering	769,225	13,912	783,137
Metallurgical evaluation	418,777	24,291	443,068
Subtotal Engineering	3,003,869	261,467	3,265,336
Environmental and Community:			
Hydrology and water evaluation	757,627	121,536	879,163
Other environmental	806,914	247,664	1,054,578
Waste characterization	217,848	96,582	314,430
Consultants and contractors	317,902	128,034	445,936
Aboriginal liaison and consultation	749,346	125,000	874,346
Ecosystems	346,777	6485	353,262
Subtotal Environment and Community	3,196,414	725,301	3,921,715
Total Advanced Exploration	25,166,289	5,285,681	30,451,970
Exploration:			
Geological consulting , other	3,218,377	-	3,218,377
Drilling	2,350,679	17,401	2,368,080
Air support and fuel	1,651,207	-	1,651,207
Labour	1,424,592	-	1,424,592
Field costs	793,014	4,058	797,072
Assays and analysis	152,068	496	152,564
Exploration	9,589,937	21955	9,611,892

Acquisition Costs	7,598,626	4,245	7,602,871
Subtotal	42,354,852	5,311,886	47,666,738
Asset retirement obligations	1,640,000	0	1,640,000
Recoveries, tax credits	-3,854,983	0	-3,854,983
Total	40,139,868	5,311,886	45,451,754

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. Deferred costs on these properties totaled \$1,179,000 as at June 30, 2007. (June 30, 2006: \$987,000).

No exploration program has been conducted on the other Finlayson District properties since 2005 while the Company focused on the Wolverine Project. Capitalized mineral property costs associated with the Finlayson District totalling \$4.5 million were 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 these mineral claims, however, it will be devoting most of its efforts to advancing the Wolverine Project during 2007.

Similarly, there has been no exploration on the Logan or Swift properties during the period.

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:

	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Summary by Quarter \$000's	2005	2005	2006	2006	2006	2006	2007	2007
Corporate expenses	206	353	472	718	562	520	817	987
Stock based compensation	36		622	392	68	319	679	402
Write off mineral properties	-	-	-	-	-	4,456	-	-
Gain on sale of investments/other	-	-	(38)	(2)	-	(655)	(175)	2
Future income tax recovery	-	2,423	(3,537)	-	-	(546)	(354)	(517)
Net loss (income)	242	2,776	(2,528)	1,060	567	4,094	948	810
Net loss (income) / share – basic & diluted	0.0	0.01	(0.01)	0.0	0.0	0.02	0.00	0.00

A net loss before tax of \$1,327,600 was reported for the three months ended June 30, 2007 (\$0.004 per share) compared to a net loss before tax of \$1,065,842 (\$0.004 per share) for the three months ended June 30, 2006. Salaries and benefits increased from \$154,684 to \$471,989 due to the addition of the project development team, and management bonuses paid out in the current quarter.

The Company reported a net loss before tax of \$2,630,586 (or \$0.008 per share) for the six month period ended June 30, 2007, compared with net loss of \$ 2,003,792 (\$0.006 per share) for the same period in 2006. The results of operations were largely influenced by increasing general and administrative expense related to the advancing of the Wolverine project in addition to increased financial advisory fees relating to ongoing project financing.

During the three months ended June 30, 2007 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 period, \$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. For the six month period ended June 30, 2007 the Company granted options to purchase up to 6,000,000 shares of the Company's stock at an average exercise price of \$0.25. \$226,156 was recorded as stock-based compensation expense as related to vesting in the current year to date and a further \$854,697 relating to stock options granted in previous periods and vesting in the current year to date was recorded as stock-based compensation expense. The Black-Scholes valuations are subject to significant variations depending upon the assumptions used and changes in market conditions, especially share price volatility.

Financial advisory fees for the three months ended March 31, 2007 was \$110,300 greater than the same period in the previous year (\$185,300 compared to \$75,000) due to services provided by Hill Street Capital in search of alternative equity investment by potential strategic partners, and fees paid to Pincock Allen & Hold for project evaluation expenses. Financial advisory fees for the six months ended June 30, 2007 increased to \$369,899 from \$75,000 in the same period of 2006. This consisted of \$146,124 paid to Hill Street Capital, \$111,775 to Pincock Allen & Holt, and \$112,000 in legal fees associated with the senior debt financing due diligence.

Office and general expenses remained consistent with the same period last year as the Company continued to occupy its present office space under the terms of the lease.

Investment in Selwyn Resources Ltd. (formerly Pacifica Resources Ltd.)

Selwyn Resources Ltd. ("Selwyn") is a related company with the same Chief Executive Officer and certain other common officers and directors. As at June 30, 2007, the Company held approximately 5.6 million common shares of Selwyn, which had a market value of \$3.7 million. This represented approximately 4.7% of the issued and outstanding shares of Selwyn.

Liquidity and Capital Resources

The Company has limited financial resources and does not generate any revenue from operations, so 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.

The Company had a working capital balance of \$13.4 million as at June 30, 2007. During the current period, the Company's cash position increased by \$8.9 million to \$12.3 million as the Company closed both its June 8, 2007 brokered Flow-Through share financing and the April 23, 2007 Unit Offering. Cash used in operating activities during the current period totaled \$1.2 million (\$2.0 million for the same period in 2006). Stock based compensation expense of \$1.1 million was the largest non-cash item affecting operating activities.

On March 14, 2007, the Company received a loan in the amount of \$0.8 million which was secured by a pledge of 2.0 million common shares of Pacifica, and bearing interest at 12% per annum. The loan was repayable on or before May 14, 2007. On April 24, 2007 the Company repaid the loan principal plus interest of \$10,783.

In April, the Company received gross proceeds of \$10.2 million (\$9.5 million net of financing costs) upon closing of its unit offering. The offering resulted in the issuance of 50,934,950 Units, each Unit comprising one Common share and one-half Share Purchase Warrant, with each full Warrant being exercisable at \$0.30 per share for a period expiring on April 23, 2009. The Agents received a cash commission equal to 6% of the gross proceeds.

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.

Change in Accounting Policies

Effective the first quarter commencing January 1, 2007, the Company has adopted the guidelines governed by Sections 1530 and 3855 of the CICA Handbook, "Comprehensive Income" and "Financial Instruments – Recognition and Measurement". Comprehensive income (Section 1530) is the change in a 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. 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. The adoption of Sections 1530 and 3855 impacts the retained earnings and losses of the Company. The unrealized gain on the available for sale securities from purchase to December 31, 2006 was \$2,970,256 net of tax of \$610,955 which is reported as an adjustment to the opening balance of accumulated comprehensive income. The unrealized loss of the available for sale securities for the six months ended June 30, 2007 was \$1,368,475 which is reported in the current period.

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

Reclamation Deposits

As a condition of the QML, Type B Water License and the Mining Land Use Permit, the Company is required to maintain security deposits in amounts determined by 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 requirement. Upon the commencement of construction of the access road and the industrial complex an additional \$0.6 million and \$1.0 million, respectively, is required to be held pursuant to the terms of the QML. In addition, the Company was obligated to fund approximately \$0.1 million on or before April 1, 2007 for water treatment and monitoring purposes as stipulated in the Mining Land Use Permit. This was done on March 28, 2007.

Financing Commitments

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

- Macquarie Bank– a fee of \$75,000 due on the earlier of July 15, 2007 and the acceptance of a financing term sheet from another source. Macquarie also has the right to participate in any syndicated portion of senior Project debt on terms equal to those offered to other participating banks; subsequent to June 30, 2007, a payment of \$75,000 was made to Macquarie.
- Hill Street Capital (HSC) – a fee of US \$10,000 per month payable until termination of the agreement; a success fee of 1 – 2% of the value of a defined equity transaction, payable upon closing of said transaction; and 2.0 million share purchase warrants with each warrant vested and exercisable upon closing of the transaction, for one common share at a price of \$0.265 per share for two years from the date of regulatory acceptance; Note that I spoke with them today and they agree that the \$10,000 payment will end at end of August.

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- Barclays Capital – a \$1.0 million termination fee payable if there is a change in control of the Company or if the Company accepts senior Project financing from alternative sources; 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 (see March 2, 2007 news release).

The Kaska Nation - SEPA Commitments

The Company has made commitments pursuant to the terms of an 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. As discussed in Note 17 (presumably this references the yearend F/S), the Company has made payments to the Ross River Dena Council and if a production decision is made and construction begins, the Company expects to pay at least \$0.4 million in 2007. On May 7, 2007 the company awarded its first contract under the socioeconomic Participation Agreement with Arctic Construction Ltd. and Ross River Dena Council ("Arctic Construction Ltd.") for the construction of the 24km access road for the Wolverine project.

Exploration

Over the next twelve months, the Company has expenditure commitments of approximately \$0.1 million to maintain its exploration properties and earn its interests. The Company intends to focus on the advancement of the Wolverine Project.

Pending the completion of Project financing, the Company is conserving cash by keeping operational and procurement activities 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 Resources Corp. ("Selwyn") is a related company 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 administrative 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, as disclosed in Note 11, for services rendered and for reimbursement of common office expenses.

Dr. Harlan Meade, President, CEO and a Director of the Company, is President, CEO and a Director of Selwyn. Mr. Robert McKnight, Vice President Corporate Development and a Director of Yukon Zinc, is a Vice President and Director of Selwyn. Mr. Jason Dunning is Vice President of Exploration for both Yukon Zinc and Selwyn. Robert Yeoman is a Director of 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 intends to adopt these policies effective January 1, 2007 and will report 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 booked at a cost of \$1.9 million on the balance sheet: based on the year-end closing price of \$0.90 per share: the market value was approximately \$5.4 million.

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 not exposed to significant interest, currency or credit risks arising from these financial instruments.

Derivatives and Hedging

The Company does not currently have any derivative products. However, in March 2007 the Company engaged Barclays to arrange for senior debt financing of the Wolverine Project. It is expected that to meet lending requirements, the Company will be required to enter into trades involving the use of derivative instruments to reduce the risk exposure to metal prices, and possibly foreign currency and interest rate movements.

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 Controls and Procedures (DC&P)

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 pre-existing 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 environment of the Company.

Management believes it controls these weaknesses through the requirement for two senior management signatures on all cash disbursements, visits by senior management to work sites and 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.

Audit Committee

The independent auditors have the responsibility of auditing the financial statements and expressing an opinion on them. The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee is composed of three independent directors, who meet at least quarterly with management and annually with the external auditors to review accounting, auditing, internal controls and financial reporting matters.

Outlook

The Company secured a commitment from Barclays Capital for a senior debt facility for US\$140 million. The Company is evaluating financing alternatives for the approximate US\$110 million to meet all requirements necessary to complete the financing, construction and commissioning of the Wolverine Project. (see subsequent events).

Management is negotiating terms for long term concentrate off-take agreements and is evaluating zinc smelter proposals. The Company has negotiated and prepared all major contracts for engineering and procurement services relating to mine construction and operation.

Share Capital Summary as at August 20, 2007

Issued and Outstanding	Common Shares	Stock Options	Agents' Options & Warrants	Diluted
Balance, December 31, 2006	266,186,729	21,988,000	15,453,704	303,628,433
Q1 2007 transactions:				
Flow through shares issued	6,451,613	-	-	6,451,613
Stock options exercised	375,000	-	-	375,000
Exercised/cancelled during the period	-	(1,060,000)	-	(1,060,000)
Options granted	-	4,100,000	-	4,100,000
Balance, March 31, 2007	273,013,342	25,028,000	15,453,704	313,495,046
Private placement shares issued	67,064,950	-	29,032,921	96,097,871
Options exercised	855,980	(250,000)	(605,980)	-
Exercised/cancelled during the period	-	(1,065,000)	-	(1,065,000)
Options granted	-	1,900,000	-	-
Balance, June 30, 2007	340,934,272	25,613,000	43,880,645	408,527,917
Subsequent event transactions:				
Agents' options exercised	1,861,470	-	(1,861,470)	-
Exercised/cancelled during the period	-	-	(4,000,070)	(4,000,070)
Balance, August 20, 2007	342,795,742	25,613,000	43,880,645	404,527,837

Contingent Commitments to Issue Warrants:

Hill Street Capital warrant – commitment, subject to conditions	2,000,000	406,527,837
Barclays Capital warrant – commitment, subject to conditions	3,500,000	410,027,837

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 quarter ended June 30, 2007.

Risks and Uncertainties

Critical factors affecting the Company's performance are zinc, lead, copper and silver and gold prices and the availability of equity and project development funds.

The ability to attract capital to the Company is dependent on movements in commodity prices and general equity market conditions, 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 the 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.

The Company will be required to obtain additional financing in the future to fund its exploration and 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 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 could have a material 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. There can be no assurance that all permits which the Company may require for the construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations will not have an adverse effect on any 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.

Subsequent Events

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.

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.