



CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

(Unaudited)

Yukon Zinc Corporation
Consolidated Balance Sheets

		September 30, 2007 (Unaudited) \$	December 31, 2006 (Audited) \$
ASSETS			
Current			
Cash and cash equivalents	Note 2(d)	3,707,512	3,347,129
Cash reserved for flow-through expenditures	Note 3	3,597	1,272
Receivables	Note 4	545,529	442,737
Due from related parties	Note 10	204,423	52,853
Investment held for trading	Note 5	-	5,308
Prepaid expenses and deposits		113,006	69,280
Yukon mineral exploration tax credit	Note 13	-	2,474,110
		4,574,067	6,392,689
Yukon mineral exploration tax credit	Note 13	1,591,425	-
Investments held for resale	Note 6	3,357,093	1,863,790
Property and equipment	Note 7	1,255,325	480,535
Mineral properties	Schedule	54,534,269	41,287,451
Reclamation deposits	Note 8	1,092,796	64,000
		66,404,975	50,088,465
LIABILITIES			
Current			
Accounts payable and accrued liabilities		4,448,916	1,455,409
Due to related parties		-	30,705
		4,448,916	1,486,114
Long Term Liabilities			
Future income tax liability	Note 12	772,000	2,900,000
Asset retirement obligations	Note 9	1,640,000	1,640,000
		6,860,916	6,026,114
SHAREHOLDERS' EQUITY			
Share capital	Note 11	81,901,409	65,195,301
Accumulated comprehensive income	Schedule, Note 6	1,170,863	-
Contributed surplus	Note 11	4,706,391	3,305,207
Deficit		(28,234,604)	(24,438,157)
		59,544,059	44,062,351
		66,404,975	50,088,465
Nature and continuance of operations (Note 1)			
Contingencies and commitments (Note 14)			
Subsequent events (Note 15)			
Approved on behalf of the Board of Directors	"Lorne Anderson"	"Harlan Meade"	
	Lorne B. Anderson	Harlan D. Meade	
	Director	Director	

Yukon Zinc Corporation
Consolidated Statements of Operations and Deficit

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007 (Unaudited)	2006 (Unaudited)	2007 (Unaudited)	2006 (Unaudited)
Expenses				
Project Financing	\$2,349,554	\$118,393	\$2,719,453	\$193,393
Stock based compensation (note 11c)	127,292	68,488	1,208,140	1,081,926
General and Administrative	699,366	270,744	1,189,973	850,768
Salaries and benefits	275,013	109,067	1,039,600	438,705
Investor communications	141,746	38,835	321,627	180,066
Loss before the following	\$3,592,971	\$605,527	\$6,478,793	\$2,744,858
Tax on unspent flow through funds	-	16	-	11,680
Write off equipment, technology costs and other	-	-	-	6,797
(Gain)/Loss on sale of investment	1,563	-	(171,318)	(39,935)
Interest and other income	(68,641)	(63,632)	(150,997)	(177,697)
Loss before tax	3,525,893	541,911	6,156,478	2,545,703
Future income tax recovery (note 2(k))	(1,488,172)	-	(2,360,031)	-
Net loss for the period	2,037,721	541,911	3,796,447	2,545,703
Deficit, beginning of period	26,196,883	23,249,366	24,438,157	21,245,574
Deficit, end of the period	\$28,234,604	\$ 23,791,277	\$28,234,604	\$23,791,277
Loss/(income) per share – basic and diluted	\$0.01	\$0.00	\$0.01	\$0.01
Weighted average number of shares outstanding	316,481,961	258,604,910	303,019,978	247,117,600

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2007	2006	2007	2006
Cash provided by (used for):				
Operating Activities				
Net loss for the period	\$ (2,037,721)	\$(541,911)	\$(3,796,447)	\$(2,545,703)
Items not involving cash:				
Amortization	32,915	31,324	96,306	92,799
Stock based compensation	127,292	68,488	1,208,140	1,081,926
Future income tax recovery	(1,488,172)	-	(2,360,031)	-
Gain on sale of investment	-	-	(175,291)	(39,935)
Loss on write-off of property and equipment	-	-	-	6,797
	(3,365,686)	(442,099)	(5,027,323)	(1,404,116)
Change in non-cash working capital items:				
Receivables	(353,755)	7,405	(102,792)	157,040
Due from related parties	(28,706)	(9,821)	(151,570)	(9,331)
Prepaid expenses and deposits	117,925	31,904	(43,726)	(12,237)
Accounts payable and accrued liabilities	248,005	61,671	359,598	297,689
Due to related parties	-	-	(30,705)	-
Investments held for trading	-	-	(5,308)	-
	(3,382,217)	(350,940)	(5,001,826)	(970,955)
Investing Activities				
Expenditures on mineral properties, net of recoveries	(7,902,908)	(1,660,822)	(13,246,819)	(8,230,175)
Accounts payable for deferred mineral property costs	2,271,027	365,405	2,633,909	(229,447)
Yukon Mineral Exploration Tax Credit Received	882,685	-	882,685	-
Expenditures on property and equipment	(861,378)	(7,824)	(871,096)	(396,794)
Reclamation deposits	-	(2,971)	(1,028,796)	(2,971)
Proceeds on sale of investment	-	-	309,750	61,168
	(5,610,574)	(1,306,212)	(11,320,367)	(8,798,219)
Financing Activities				
Selwyn Resources Ltd. commitment	-	-	(14,379)	(287,043)
Shares issued for cash	-	5,000,000	17,187,290	10,782,937
Shares issued; options and warrants exercised	446,189	-	712,889	-
Share issue cash costs	(21,802)	(416,018)	(1,200,899)	(413,285)
	424,387	4,583,982	16,684,901	10,082,609
Increase (decrease) in cash and cash equivalents	(8,568,404)	2,926,830	362,708	313,435
Cash and cash equivalents, beginning of the period	12,279,513	4,689,716	3,348,401	7,303,111
Cash and cash equivalents, end of the period	\$ 3,711,109	\$ 7,616,546	\$3,711,109	\$ 7,616,546
Cash and cash equivalents consists of the following:				
Cash and cash equivalents	\$ 3,707,512	\$ 5,679,724	\$ 3,707,512	\$ 5,679,724
Cash reserved for flow-through expenditures	3,597	1,936,822	3,597	1,936,822
Cash and cash equivalents, end of the period	\$ 3,711,109	\$ 7,616,546	\$ 3,711,109	\$ 7,616,546

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 September 30, 2007	For the Nine Months ended September 30, 2007
Net loss for the period before comprehensive income	\$ 1,845,443	\$3,604,169
Unrealized (gains)/losses on available for sale investments	402,680	1,799,394
Comprehensive loss	\$ 2,248,123	\$ 5,403,563

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

	September 30, 2007 \$
Share Capital	
Balance - beginning of period	81,274,523
Warrant exercise	446,189
Fair value of shares, upon exercise of options	202,499
Share issue cash costs	(21,802)
Balance - end of period	81,901,409
Contributed Surplus	
Balance - beginning of period	4,781,598
Stock based compensation – grants	127,292
Stock based compensation - exercise	(202,499)
Balance - end of period	4,706,391
Deficit	
Balance - beginning of period	(26,196,883)
Loss for the period	(2,037,721)
Balance - end of period	(28,234,604)
Accumulated other comprehensive income	
Balance - beginning of period	1,573,543
Unrealized losses on available for sale investments for the period	(402,680)
Balance - end of period	1,170,863
Total Shareholders' Equity	59,736,337

YUKON ZINC CORPORATION
CONSOLIDATED SCHEDULE OF MINERAL PROPERTY COSTS - Unaudited
For the Nine Months Ended September 30, 2007

Mineral Properties	Wolverine	Others	Total
	\$	\$	\$
Project development	11,214,675	-	11,214,675
Environment & community	1,127,022	-	1,127,022
Engineering	810,537	-	810,537
Exploration	27,524	120	27,644
Site	23,480		23,480
Acquisition costs	4,245	39,215	43,460
Total additions during the period	13,207,483	39,335	13,246,818
Balance, December 31, 2006	40,139,868	1,147,583	41,287,451
Balance, September 30, 2007	53,347,351	1,186,918	54,534,269

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 the Project was technically and economically 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 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 6) 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 September 30, 2007 was \$402,680 net of tax of \$82,828 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 September 30, 2007 other than the outstanding options and the share purchase warrants described in Notes 11 (c) and 11 (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 September 30, 2007, the balance of restricted cash is \$3,597.

4. Receivables

Receivables as at September 30, 2007 totalled \$545,529 (December 31, 2006: \$442,737). Included in the receivables is \$17,530 in bank interest and \$516,046 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 11(d) and 11(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. Investments Held for Resale

The Company holds 5,648,001 shares of Selwyn Resources Ltd. with a market value of \$3,219,360 (\$0.57 per share).

The Company has determined the investment of Selwyn as available for sale, and therefore calculated the comprehensive loss for the quarter ended September 30, 2007 as \$374,756, based on a share price decline from \$0.65 to \$0.57 per share.

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. Yukon Zinc Corporation was issued 612,146 shares with a market value of \$137,733 (\$0.225 per share).

The Company has determined the investment in Savant shares as available for sale, and therefore calculated the comprehensive loss for the quarter ended September 30, 2007 as \$27,924, based on a share price decline from \$0.28 to \$0.225 per share.

7. Property and Equipment

Property and Equipment	September 30, 2007			December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Field equipment	325,162	98,511	226,651	325,162	58,514	266,648
Vehicles	97,189	44,579	52,610	97,189	29,305	67,884
Furniture and fixtures	81,338	41,452	39,886	78,009	34,707	43,302
Computers and other	86,669	41,242	45,427	70,330	31,024	39,306
Software	80,955	75,290	5,665	80,954	58,293	22,661
Leasehold Improvements	52,335	15,792	36,543	50,260	9,526	40,734
Construction in Progress	848,543	-	848,543	-	-	-
Total	\$1,572,191	\$316,866	\$1,255,325	\$701,904	\$221,369	\$480,535

8. Deposits

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 ("QML") for commencement of Phase 1 road construction. 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 September 30, 2007.

9. Asset Retirement Obligations – ARO

Upon review of the acquisition, construction, development, and normal operations of the Wolverine Property in the third 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 September 30, 2007, \$194,067 (December 31, 2006: \$52,853) was due from Selwyn.

The Company shares office space and some administration expenses with Savant. As at September 30, 2007, \$10,198 was due from Savant.

10. Related Party Transactions, continued

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

- Legal fees of \$162,091 (nine months ended September 30, 2007 - \$272,755) 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 \$135,442 in Q3 2007 (nine months ended September 30, 2007 - \$421,454).
- Consulting fees of \$5,006 (nine months ended September 30, 2007 - \$14,114) were paid to a Director for the three months ended September 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.	-	(8,627)	-
Fair value of options exercised & vested	-	79,628	599,389
Subtotal, before share issue costs	6,826,613	2,173,251	599,389
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 & stock options	855,980	164,450	-
	67,920,930	15,351,740	-
Payment to Selwyn 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
Share issue costs (cash & fair value of agents' compensation)	-	(1,466,785)	348,688
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
Issued for cash:			
Exercise of warrants	1,861,470	446,189	-
	1,861,470	446,189	-
Fair value of shares, upon exercise of warrants	-	202,499	(202,499)
Fair value of options vested: stock based compensations	-	-	127,292
Subtotal, before share issue costs	1,861,470	648,688	(75,207)
Share issue cash costs	-	(21,802)	-
Transactions in the year	1,861,470	626,886	(75,207)
Balance, September 30, 2007	342,795,742	81,901,409	4,706,392
Transactions subsequent to year end:			
Exercise of stock options	120,000	12,000	-
Balance, November 26, 2007	342,915,742	81,913,409	4,706,392

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) Share Purchase Warrants

Share Purchase Warrants	Expiry Date	Exercise Price \$	Balance September 30, 2007 #
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-08	0.20	3,565,446
Barclays Capital Warrant	28-Jun-12	0.26	2,100,000
Total			40,119,105
Weighted average exercise prices			\$ 0.263
Commitment to issue warrants, conditional			
Hill Street Capital Warrant		0.265	2,000,000
Barclays Capital Warrant		0.260	1,400,000

* Note - these warrants expired unexercised subsequent to September 30, 2007.

c) Stock Options

As at September 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 5) are subject to the Pacifica Commitment as indicated in the tables below.

During the quarter the Company granted options to purchase up to 900,000 shares of the Company's stock at an average exercise price of \$0.26. Because 25% of these options vested in the quarter, \$61,512 was recorded as stock-based compensation expense in the current period. A further \$65,780 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 \$68,488.

11. Share Capital, continued

Expiry Date	Exercise Price	Balance 30-Jun-07	Granted	Exercised	Cancelled Expired	Balance 30-Sept-07
	\$	#	#	#	#	#
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		3,825,000	-			3,825,000
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
10-Jul-12	0.250	-	400,000	-	-	400,000
3-Aug-10	0.270	-	500,000	-	-	500,000
Total		25,613,000	900,000			26,513,000

* Note – these options were exercised subsequent to September 30, 2007

d) 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	
	September 30,		September 30,	
	2007	2006	2007	2006
Expected share price volatility	82.70%	98.2%	87.31%	108.4%
Expected option life in years	3.0	3.0	2.0	1.0
Risk-free interest rate	4.60%	4.00%	4.58%	3.10%
Expected dividend yield	-	-	-	-
Value assigned to Options / Warrants				
Weighted average value per option / warrant	\$0.26	\$0.22	\$0.29	\$0.11
Fair value as calculated, total granted	\$140,481	\$100,050	-	-
Fair value vested	\$127,292	\$70,782	-	-

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 September 30, 2007 the Company had an estimated FIT liability of \$772,000 arising from taxable temporary differences. The significant components of the Company's future income tax assets (liabilities) were as follows:

Future Income Tax Liability	As at	As at
	September 30 2007	December 30, 2006
	\$	\$
Mineral property costs in excess of tax pools	(14,718,728)	(14,718,728)
Non-capital loss carry-forwards	12,155,993	5,049,492
Property and equipment tax pools in excess of book value	1,105,448	999,752
Market value of Investments in excess of tax value	(808,573)	-
	(2,265,860)	(8,669,484)
Expected statutory rates	34.10%	34.10%
Future income tax liability, rounded	(\$772,000)	(\$2,900,000)

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

13. Yukon Mineral Exploration Tax Credit

During the period, the Company received \$882,685 representing its full 2006 YMETC claim as filed. The remaining balance of \$1,591,425 relates to a requested Reassessment of the Company's 2005 YMETC claim, a Notice of Objection having been filed by the Company with the Canada Revenue Agency in respect to the initial Assessment. As there is no clear statutory procedure or timeline for addressing such requested amendments, the Company has reclassified this receivable as non-current. In the event that the Reassessment request is disallowed, the receivable would be reclassified within deferred mineral property costs.

14. Contingencies and Commitments

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

a) *Macquarie Bank Ltd.*

During the prior 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.

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. This agreement has now been terminated, and the warrants have not been issued.

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 September 30, 2007 \$22,429 had been incurred. Total fees incurred to September 30, 2007 were \$131,431.

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 and Savant Explorations Ltd have agreed to reimburse the Company for approximately 55% of the lease costs.

e) *Equipment Lease Obligations*

As of September 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.

14. Contingencies and Commitments, continued

f) Environmental Bonding Requirements

As a condition of the Quartz Mining License, ("QML") 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. Upon the commencement of construction of the phase 2 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. Interest will be paid on these bonds for the period that they are held.

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.

15. Subsequent Events

a) Financing

On October 4, 2007 the Company announced filing of a preliminary prospectus in certain provinces of Canada for a brokered, best-efforts offering of securities (the "Offering") with a syndicate lead by Haywood Securities Inc., co-lead by Paradigm Capital Inc., and including Blackmont Capital Inc. ("the Agents"). The net proceeds will be used to fund the balance of the Wolverine Project capital funding requirements and for general corporate purposes. The net proceeds of the Offering will be held in escrow, less \$15 million, which will be released to the Company to meet the additional funding requirements of the Barclays Capital US\$140 million underwritten senior debt Facility. The completion of the Offering, together with the Barclays Facility, will enable the Company to proceed with construction at the Wolverine Project. In addition, completion of the Offering will enable the Company to consider certain corporate initiatives, which could include applying to the Toronto Stock Exchange for the listing of the Company's securities and a consolidation of the share capital of the Company. The Company announced initial pricing of the Offering on November 7, 2007 and made certain amendments to the previously-announced preliminary prospectus offering. In consultation with the syndicate lead by Haywood Securities Inc. and Paradigm Capital Inc., the Company elected to amend the Offering to exclude the Debt Units and to provide for the sale of Class A Subscription Receipts ("Class A Receipts") and Class B Subscription Receipts ("Class B Receipts") and units ("the Equity Units").

On November 23, 2007 the Company announced the filing of its final prospectus. The final prospectus contemplates an Offering amount of up to \$130 million of securities with an overallotment option of 10%. The final prospectus terms also re-priced the Offering from the terms previously detailed in the November 7th News Release. The Offering continues to provide for the sale of Class A Receipts, Class B Receipts and Equity Units. Each Class A Receipt will be priced at Cdn\$1,000 and will entitle the holder to acquire for no additional consideration (i) \$1000 principal amount of subordinated secured convertible notes ("Convertible Notes"), and (ii) 700 common shares ("Common Shares") of the Company. The Convertible Notes will mature eight years and six months after the closing of the Offering (the "Closing"). An interest rate of 11.0% per annum will apply to each Convertible Note and will be paid semi-annually. The interest will accrue from Closing. The conversion price for the Convertible Notes is \$0.20 per Common Share. If at any time after the fifth anniversary of the closing of the Offering, the weighted average trading price of the Common Shares is greater than \$0.2625 for any 20 consecutive trading days, the Company may, subject to certain conditions, require the Convertible Notes to be converted upon 30 days notice. Each Equity Unit will be priced at \$0.16 and will consist of: (i) one Common Share and (ii) one-half of one Common Share purchase warrant (a "Warrant"). Each whole Warrant will entitle the holder to acquire an additional Common Share for a period of 5 years at an exercise price of \$0.23. Each Class B Receipt will be priced at Cdn\$0.16 and will entitle the holder to acquire, for no additional consideration, one Common Share and one-half of one Warrant. The Offering is expected to close on or about the end of November or such other later date as the Company and the Agents mutually agree.

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15. Subsequent Events, continued

The Securities will be sold in certain provinces of Canada, and the Agents may also arrange for the sale of the Securities in certain foreign jurisdictions, pursuant to applicable securities laws. The Agents will receive a 3.75 percent selling commission on proceeds from the sale of Debt Units and Convertible Note Units and will receive a 6.00 percent commission on proceeds from the sale of Equity Units. In addition, the Agents will receive compensation options equal to 6.00 percent of the number of Equity Units sold. The compensation warrants will have a term of 24 months from the closing date and have an exercise price equal to the issue price of the Common Shares under the Offering.

b) Grant of Type A Water Licence

On October 3, 2007 the Company was granted a Type A Water Licence for the Company's Wolverine Project by the Yukon Government. The Type A Water Licence sets out the conditions for the use of water during construction and operations at the Wolverine Project and the deposit of waste into water as required for the tailings facility. The Licence extends to the end of 2027, thereby incorporating all phases of development, operation and closure of the Wolverine Project. With both the Quartz Mining Licence and Type A Water Licence in place, development and operation of a mine at the Wolverine Project can now proceed.

c) Exercise of Options

120,000 stock options were exercised at \$0.10.