

WOLVERINE PROPERTY

Yukon Zinc Corp.

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Corporate headquarters

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Stock symbol: none, private company

PROJECT STATUS

Pre-development



Location

130 air-km southeast of Ross River

Ownership

Jinduicheng Molybdenum Group Ltd. and
Northwest Nonferrous International Investment
Company Ltd.

Commodity

Zinc, lead, copper, silver, gold

Ore type

Sulphide

Mineral reserve*

Proven: 0.564 million tonnes grading 10.31% Zn,
246.9 g/t Ag, 0.96% Cu, 1.24 g/t Au and 1.24% Pb

Probable: 4.588 million tonnes grading 9.59% Zn,
286.2 g/t Ag, 0.91% Cu, 1.37 g/t Au and 1.26% Pb

Total reserves: 5.151 million tonnes grading
9.66% Zn, 281.8 g/t Ag, 0.91% Cu, 1.36 g/t Au
and 1.26% Pb

*NI 43-101-compliant technical report by
Wardrop, October, 2007

Mining method

Underground

HISTORY

The property was originally staked as the Fetish claims in July, 1973 by Finlayson JV (Chevron Canada Limited, Union Oil Company of Canada Ltd., and Marietta Resources International Ltd. and Messrs. L.T. and Harris Clay), which conducted grid soil sampling, mapping and trenching later in the year and drilled two holes. Additional Fetish claims were staked in August, 1974. The property was restaked as the Kink claims in September, 1982 by Archer, Cathro and Associates and optioned briefly to Esso Mineral Ltd., which conducted airborne and geophysical surveys later in the year.

By July, 1993, only one Kink claim remained and the rest of the property was restaked as the Foot 1-20 claims by Atna Resources, which later added the Pak and Toe claims. Atna explored with prospecting, geological mapping, and soil and silt geochemistry in September, 1993. The property was optioned by Westmin Resources Limited., and a drill program in 1995 resulted in the

discovery of the Wolverine deposit on the Kink claims. By the end of 1995, Westmin had earned a 60% interest in the project and entered into a 60/40 joint venture, with Westmin as operator.

In February, 1998, Boliden Limited acquired the assets of Westmin Resources Limited. In May, 1998, Boliden Westmin Ltd. entered into a letter of intent with Expatriate Resources Ltd. to sell its interest in mineral properties and assets in the Finlayson Lake area, including Boliden Westmin's 60% interest in the Wolverine project. Expatriate completed the sale agreement with Boliden in March, 1999 and became the operator of the Wolverine joint venture.

In 1999, joint venture partners Expatriate Resources and Atna Resources spent \$200 000 conducting metallurgical and marketing investigations on the Wolverine ore.

On March 1, 2000, Expatriate Resources Ltd. announced an agreement to purchase 560 km² of prime exploration

lands from Cominco Ltd., including the Kudz Ze Kayah and GP4F deposits. The Finlayson project consolidated the Kudz Ze Kayah, GP4F and Wolverine deposits into a single development plan. A positive pre-feasibility study was completed by Hatch Resources and additional drilling was completed by Expatriate Resources on the Wolverine deposit.

In September, 2001, Expatriate Resources terminated the acquisition agreement with Teck Cominco for the Kudz Ze Kayah project.

In April, 2003, Expatriate Resources announced plans to evaluate the joint development of the Wolverine deposit with its Logan deposit, located approximately 170 road-km south. Expatriate has since decided on a stand-alone development scenario for the Wolverine deposit.

In November, 2004, Expatriate submitted its Project Description Report to the Yukon government's Department of Energy, Mines and Resources. This report describes the development of the Wolverine deposit as a 1250-tonne/day underground mine.

Subsequent to this, Expatriate announced a reorganization plan whereby the company's non-Finlayson district, Yukon, exploration projects would be transferred to a new exploration company.

In December, 2004, following the closing of the transaction, Expatriate changed its name to Yukon Zinc Corp.

On May 4, 2005, the company announced that the preparation of the portal site was complete and excavation of the decline had started. On September 20, the first massive sulphides were intersected on the upper end of the Lynx zone. On November 7, the 5 x 5 m decline to the upper end of the Lynx zone was completed. Ground conditions in the vicinity of the ore were found to be better than expected. The more favourable conditions in the ore and immediate hanging-wall rocks is very positive to the mine plan and suggest lower levels of dilution than have been previously assumed. The decline is sized for production and will be utilized as the main haulage ramp during operations.

In July 2005, the company reached a Socio-Economic Participation agreement with Ross River Dena Council for its participation in the exploration and development of the Wolverine deposit and Yukon Zinc's extensive exploration lands in the Finlayson District in southeast Yukon. Ross River Dena Council represents the Kaska Nation, whose

traditional territory encompasses Yukon Zinc's mineral claims within the Finlayson District.

In August, 2005, Yukon Zinc concluded the sale of 2 million common shares of the Company to the Ross River Dena Council at a price of \$0.20 per share for proceeds of \$400 000. The shares are subject to a regulatory hold period that expires November 29, 2005 and a shareholders agreement with Yukon Zinc that, among other things, provides Yukon Zinc with certain rights to find buyers for any shares that the Council may wish to sell following the expiry of the mandatory hold period.

In November, 2005, the Environmental Assessment Report was submitted to regulatory authorities. Regulatory review resulted in a determination that with the proposed mitigation measures, the project is not likely to cause significant adverse environmental effects.

On March 15, 2006, the company announced updated 43-101 compliant resource estimation for the property.

On May 9, 2006, Yukon Zinc Corporation announced the results of the feasibility study completed by prime consultant Hatch Ltd. and the sub-consultants. Errors were noted in the report and a revised feasibility study was released on May 16, 2006

On December 5, 2006, the company received a Quartz Mining License providing the terms and conditions for commencement of most of the mine construction activities.

In mid-January 2007, the final submission for a Type A Water License was submitted to the Yukon Water Board. A Type A Water License is required for water use and waste deposition during construction and operation activities.

In January, 2007, Yukon Zinc released the results of an optimized Feasibility Study completed by Wardrop Engineering Inc. and various sub-consultants. Highlights of the study include the following:

Mining reserves provide for 9.5 years of operations that includes 1.5 years of pre-production development. Conversion of Inferred resources into mining reserves with more in-fill drilling could extend mine life an additional three years.

Operating cost per tonne mined is \$95.58; resulting in life-of-mine cash cost of zinc of approximately US\$0.26 per pound after deducting by-product revenue

on the basis of average metal prices over the preceding two years (Two-Year Backward Average Prices).

Capital cost at the expanded production rate is estimated at \$183.2 million before contingency of \$24.3 million and working capital of \$15 million.

Three-year full production Cumulative Pre-tax Cash Flow is estimated at \$217.7 million for the Two-Year Backward Average Prices scenario, increasing to \$439.3 million for metal prices in effect in November, 2006 (Current Prices scenario).

Using Two-Year Backward Average Price scenario for metals, the project has a 26.3% pre-tax internal rate of return that increases to 56.8% under the Current Price Scenario.

Average annual metal production in the first three years of full production is forecast at approximately 53 400 tonnes of zinc, 4,860 tonnes of copper, 6,010 tonnes of lead, 4,933,200 ounces (139 850 000 g) of silver and 20,200 ounces (573 000 g) of gold contained in the zinc, copper and lead concentrates (note however that not all of the metals in concentrate are payable).

In August, 2007, Barclays Capital issued the company a commitment letter for a US\$140 million senior project debt facility. This Facility forms the lead portion of project financing for the Wolverine Project. Additional financing of \$140 million by Yukon Zinc will complete the project financing.

The initial phase of road construction for the proposed Wolverine mine was substantially completed in September, 2007 allowing large trucks to transport equipment and supplies to the site.

On October 3, 2007, the company received a Type A water licence for the Wolverine Project from the Yukon Water Board. This completes the environmental permitting of the Wolverine Project and provides the framework for developing Wolverine as a low-impact mine. The licence sets out the conditions for the use of water during construction and operations, 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.

Yukon Zinc completed some sitework in 2008. On July 2, 2008, the company was purchased and taken private by Jinduicheng Molybdenum Group Ltd. and Northwest Nonferrous International Investment Company Ltd.

Geology, mineralogy and ore reserves

The Wolverine deposit is a high-grade volcanogenic massive sulphide (VMS) body. The zinc-copper-lead-silver-gold mineralized rock is hosted within a thick sequence of felsic volcanic rocks interbedded with argillaceous and epiclastic sedimentary rocks of probable Devonian age within the Yukon-Tanana Terrane. The main sulphide minerals in the deposit, in decreasing order of abundance, are pyrite, sphalerite, chalcopyrite and galena. Most of the silver occurs with argentian tetrahedrite, with the remainder occurring in galena and electrum.

The 1996 field program, which cost an estimated \$6 million, commenced with construction of an air strip near the Wolverine deposit. Drilling started in mid-March and was completed in October. The known Wolverine zone was expanded to the northwest with the discovery of the Lynx zone immediately to the west. Exploration was also done on the Fisher zone and Toe claims. The 1996 drilling program significantly expanded the known area of mineralization at Wolverine and brought the number of massive-sulphide intersections from 15 in 1995, to 49 at the end of the 1996 program. Systematic geological and geochemical evaluation of the numerous airborne geophysical targets on the remainder of the claims was also carried out in 1996.

During the 1997 program, the Sable Zone was discovered 1.6 km southeast of the Wolverine zone by recognition of the footwall-type alteration zone in a drill hole. Thin zones of high-grade massive-sulphide minerals were intersected in two holes along with significant alteration. Chalcopyrite and pyrrhotite veins in chlorite-altered footwall rocks suggest feeder-style alteration associated with a massive-sulphide deposit.

Drilling in 1997 took place on the margins of the Wolverine deposit as outlined by the 1995 and 1996 drilling. Of the 22 successfully completed holes drilled in the Wolverine deposit during 1997, 19 intersected ore-grade mineralized rock.

In 2000, Expatriate Resources drilled seven holes in the Lynx zone of the Wolverine deposit, along the proposed path of an underground drift. The drill results confirmed a previous interpretation of the deposit based on wider spaced drilling conducted in earlier programs. Expatriate also drilled the down-dip extension of the Wolverine deposit and intersected additional massive sulphide mineralized rock.

In 2005, Yukon Zinc Corp. completed a two-phase definition diamond-drilling program on the Wolverine deposit. A total of 11 712.50 m in 59 NQ and NQ2-sized drill holes were completed to increase the confidence level of the grade and distribution of massive-sulphide mineralization across the deposit.

In March, 2006, a new National Instrument 43-101-compliant mineral resource estimate was completed. Inferred resources are in the deeper portion of the deposit and require additional in-fill drilling to improve resource confidence.

Mining plan and reserves

The diluted Proven and Probable mining reserves (October, 2007 technical report by Wardrop) based on the Measured and Indicated resources total 5 152 000 tonnes grading 9.66% Zn, 0.91% Cu, 1.26% Pb, 281.8 g/t Ag and 1.36 g/t Au, providing for an eight-year production plan. All reserves will be mined by underground methods.

Resource 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

FUTURE PLANS

Yukon Zinc is currently advancing the Wolverine zinc-silver-lead-copper-gold deposit to production. The 43-101-compliant Resource Estimate and Optimized Feasibility Study have been completed.

Drift and fill mining was selected as the stoping method, and it will be modified to adjust to changing ore widths. Stopes will be mined in 4-m-high horizontal lifts. Stopping blocks will be 20 m high, comprising five stope lifts each.

Paste backfill is employed as the primary fill system. The fill will be prepared on surface at the mill and pumped through a piped delivery system for placement in the stopes. Trackless diesel mining equipment will be employed. Ore and waste haulage will be accomplished using load-haul-dump units (LHDs) and 50-tonne underground trucks. All drilling will be done using electric-hydraulic units.

Metallurgy and processing

Extensive testwork conducted at SGS Lakefield and Process Research Associates has confirmed the application of Dense Media Separation (DMS) as an effective pre-concentration step and standard flotation as providing reasonable metal recovery to produce saleable concentrates. The run-of-mine (ROM) ores will undergo primary and secondary crushing to produce a minus one-inch product for processing in the DMS circuit. The DMS process uses simple gravity methods to segregate and remove less dense waste materials included in the ore during mining to provide a high-grade feed to the grinding circuit. Approximately 1700 tonnes per day of ROM ore will be processed through the DMS plant to provide 1400 tonnes per day of mill feed. This material will be ground to minus 53 microns in the primary grinding circuit prior to undertaking standard flotation to recover zinc, copper and lead concentrates. Re-grind of some mill products will occur at 80% passing 20 microns.

Recoveries of the metals to the concentrates are estimated as shown in Table 1.

Additional testwork and review has confirmed higher zinc and copper recoveries as compared with those used in the Hatch feasibility study. Mr. John Fox, P.Eng, of Laurion Consulting is the Independent Qualified Person for the metallurgical portion of the feasibility study.

Table 1. Metallurgical results showing metal recoveries to concentrates.

Recovery and concentrate quality											
		ASSAYS					RECOVERIES				
Product	Tonnes	Zn %	Cu %	Pb %	Ag g/t	Au g/t	Zn %	Cu %	Pb %	Ag %	Au %
Run-of-Mine	5 151 459	9.66	0.91	1.26	281.8	1.36					
Post DMS	4 238 149	11.70	1.10	1.52	340.86	1.64	99.65	98.90	99.55	99.52	99.47
Cu Concentrate	174 397	3.74	21.30	2.25	4,409	11.3	1.2	79.9	8.0	60.0	33.4
Pb Concentrate	132 958	12.4	1.97	22.30	1,625	13.5	2.4	4.3	46.0	12.9	23.2
Zn Concentrate	818 274	54.2	0.36	0.98	151	0.74	89.4	6.7	17.2	10.2	10.9

Infrastructure and transportation

It is planned to extend the airstrip to 1200 m and upgrade the surface for larger aircraft required for transport of construction and mine personnel. The development plan provides for the construction of a 150-person camp at the mine site to house workers at the mine during both construction and operations. Initial construction work will be supported from the 50-personz exploration camp.

Zinc, copper and lead concentrates are to be trucked approximately 860 km to concentrate loading facilities in the port of Stewart, British Columbia for trans-shipment to smelters in Asia. The high content of silver and gold in the copper and lead concentrates increases their unit value and reduces the impact of high transportation costs.