CANADA ZINC METALS CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2014

1.1 Date

This Management Discussion and Analysis ("MD&A") of Canada Zinc Metals Corp. ("Canada Zinc Metals" or the "Company") has been prepared by management as of February 27, 2015 and should be read in conjunction with the condensed consolidated interim financial statements and related notes thereto of the Company for the six months ended December 31, 2014 and 2013, and the consolidated audited financial statements and related notes thereto of the Company for the years ended June 30, 2014 and 2013, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC").

The Company is presently a "Venture Issuer", as defined in NI 51-102.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the issuer, including potential business or mineral property acquisitions and negotiation and closing of future financings. The issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions.

These forward-looking statements include statements regarding the success of exploration activities, permitting time lines, the requirements of future capital, drill results and the estimation of mineral resources and reserves. These statements involve known and unknown risks, uncertainties and other factors including but not limited to changes in commodity prices and, particularly, zinc prices, access to skilled personnel, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, actual performance of facilities, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained into this report should not be unduly relied upon. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Readers should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur.

1.2 Overall Performance

The Company was incorporated under the laws of the Province of British Columbia on February 10, 1988. The Company operates in one business segment, that being the exploration and development of mineral properties in Canada. As at the date hereof, the Company has mining interests in properties located in British Columbia.

Significant events and operating highlights for the six months ended December 31, 2014 and up to the date of these MD&A :

- During the 2014 exploration season, the Company completed eight HQ diamond drill holes on the Cardiac Creek deposit, totaling 2,855 metres. The drilling focused on targets along the up-dip, northwest and southeast areas of the deposit with the objective of expanding the boundary of the internal high grade core as well as expanding the overall perimeter of the deposit. A total of 715 sawn core samples, including industry standard QA/QC samples were taken and sent for lab analysis. Detailed analysis is included in "2014 Diamond Drilling Program" section below.
- In September 2014, the Company completed a flow-through private placement of 1,955,090 common shares at a price of $0.55 per share for gross proceeds of $1,075,300.
- In October 2014, the Company completed a private placement of 988,220 flow-through shares at a price of $0.55 per flow-through share for gross proceeds of $543,521, and non-flow through private placement of 580,750 units at a price of $0.50 per unit for gross proceeds of $290,375.

- In November 2014, the Company commenced a large-scale airborne gravity gradiometry geophysical survey, which will consist of the acquisition and subsequent analysis of airborne gravity data over two large property blocks, one covering the Akie property and one covering the Mt. Alcock and Yuen North properties.
- Teck Resources Limited ("Teck") has commenced a similar airborne gravity gradiometry survey over the Company's 100% owned Pie, Cirque East and Yuen contiguous block of properties pursuant to the option agreement (the "Option Agreement') dated September 6, 2013.
- Teck provided the Company with a copy of a Report on the 2014 Field Program for the Pie, Cirque East and Yuen Properties summarizing exploration work conducted by Teck in Year One of the Option Agreement. The 2014 program was completed between July and August 2014 and included geological mapping, rock sampling and re-logging and analysis of 3,350 meters of historical Pie drill core representing 8 drill holes drilled on South Pie in the mid-1990's. Results are discussed in more detail in the "Agreement with Teck and Korea Zinc" section below.

AKIE PROPERTY, KECHIKA TROUGH DISTRICT, BC (zinc, lead, silver)

The Company holds a 100% interest in the Akie Property, which is located approximately 260 kilometers north-northwest of the town of Mackenzie in northeastern British Columbia.

The Akie zinc-lead-silver property is situated within the Kechika Trough, the southernmost extension of the regionally extensive Paleozoic Selwyn Basin, one of the most prolific sedimentary basins in the world for the occurrence of sedimentary exhalative (SEDEX) zinc-lead-silver deposits and stratiform barite deposits.

Drilling on the Akie property by Inmet Mining Corporation during the period 1994 to 1996 and by Canada Zinc Metals since 2005 has identified a significant deposit of SEDEX-style zinc-lead-silver mineralization named the Cardiac Creek deposit. The deposit is hosted by variably siliceous, fine grained clastic rocks of the middle to late Devonian Gunsteel Formation, the same host formation for other known deposits in the district, including Teck Resources/Korea Zinc's jointly-owned Cirque deposit, located about 20 kilometres to the northwest.

In the spring of 2012, the Company re-engaged Rob Sim, P. Geo., to evaluate, calculate and produce an updated 43-101 compliant resource for the Cardiac Creek deposit. Robert Sim is an independent consultant and served as the Qualified Person responsible for the preparation of the 2012 NI 43-101 Technical Report on the Akie Project and is responsible for the 2008 and 2012 mineral resource estimates for the Cardiac Creek deposit.

The technical report, entitled "NI 43-101 Technical Report Akie Zinc-Lead-Silver Project, British Columbia, Canada" and dated March 14, 2012, can be found on SEDAR (www.sedar.com). The report updated the work done by the Company since May of 2008, the date of the previous 43-101 compliant resource calculation. The new resource builds on surface diamond drilling completed by the Company during the period mid-2008 to the end of 2011 and establishes the Cardiac Creek deposit as one of the premier undeveloped zinc-rich base metal projects in the world.

The Company has outlined a NI 43-101 compliant mineral resource including an indicated resource of 12.7 million tonnes grading 8.4% zinc, 1.7% lead and 13.7 g/t silver (at a 5% zinc cut-off grade) and an inferred resource of 16.3 million tonnes grading 7.4% zinc, 1.3% lead and 11.6 g/t silver (at a 5% zinc cut-off grade). Using this estimate, the deposit contains 2.4 billion pounds of zinc, 472 million pounds of lead and 5.6 million ounces of silver in the indicated category, and 2.6 billion pounds of zinc, 482 million pounds of lead and 6.1 million ounces of silver in the inferred category (at 5% zinc cut-off).

Cardiac Creek Deposit: Mineral Resource Summary

Cut-off Grade (Zn %)	ktonnes	Zn (%)	Pb (%)	Ag (gpt)	Combined Zn + Pb (%)
Indicated					
2	20,088	6.59	1.31	11.2	7.90
3	17,683	7.15	1.43	12.0	8.58
4	15,195	7.75	1.56	12.8	9.31
5	**12,731**	**8.38**	**1.68**	**13.7**	**10.06**
6	10,342	9.05	1.81	14.6	10.86
7	7,798	9.89	1.98	15.6	11.87
Inferred					
2	48,102	4.62	0.83	8.1	5.63
3	33,016	5.61	1.02	9.4	6.63
4	23,278	6.50	1.19	10.5	7.69
5	**16,287**	**7.38**	**1.34**	**11.6**	**8.72**
6	11,026	8.28	1.50	12.5	9.78
7	7,092	9.29	1.67	13.7	10.96

(1) "Base case" cut-off grade of 5% Zn highlighted in table
(2) Mineral resources are not mineral reserves as the economic viability has not been demonstrated.

The deposit remains open at depth and along strike. Further delineation and exploration drilling is being considered using both surface drilling and planned underground drilling stations located in the footwall of the deposit on the 950 metre elevation. All permitting and engineering designs are complete and in-hand in order to commence the underground drill program.

2014 Diamond Drilling Program

The Company completed 8 HQ diamond drill holes on the Cardiac Creek deposit, totaling 2,855 metres. The drilling focused on targets along the up-dip, northwest and southeast areas of the deposit with the objective of expanding the boundary of the internal high grade core as well as expanding the overall perimeter of the deposit. A total of 715 sawn core samples, including industry standard QA/QC samples, were taken and submitted to Acme Labs in Vancouver BC, an ISO 9001 and 17025 certified assay and geochemical analytical lab. No systematic issues were identified during the QA/QC process. As part of its QA/QC program, the Company sent approximately 10% of the processed samples to an independent laboratory (ALS Minerals in Vancouver) for routine confirmation purposes. The results from ALS Minerals indicate consistent results between the two labs with no significant variation fromthe Acme results.

Highlights from the 2014 drilling program are tabulated below.

Hole-ID	From (m)	To (m)	True Width (m)*	Zn (%)	Pb (%)	Ag (g/t)ǂ	Zn+Pb (%)
A-14-111	305.44	351.41	34.75	4.80	0.78	9.80	5.58
including	317.00	340.16	17.51	7.39	1.15	10.91	8.54
including	317.85	330.34	9.44	8.93	1.25	10.54	10.18
including	319.90	329.07	6.93	9.11	1.23	10.93	10.34
A-14-112	337.15	356.30	13.70	4.57	0.70	6.87	5.27
including	343.00	356.30	9.52	5.71	0.88	7.86	6.59
including	345.30	356.30	7.87	5.97	0.94	8.02	6.91
including	349.00	356.30	5.23	6.28	0.89	8.23	7.17

Hole-ID	From (m)	To (m)	True Width (m)*	Zn (%)	Pb (%)	Ag (g/t)ǂ	Zn+Pb (%)
A-14-115	173.69	203.56	20.87	5.09	0.92	7.31	6.02
including	176.70	184.90	5.72	6.04	1.26	8.18	7.30
including	191.54	203.56	8.42	7.43	1.19	10.72	8.62
including	196.45	201.05	3.22	10.16	1.69	13.97	11.85
A-14-117	346.00	367.80	15.38	3.35	0.58	5.33	3.93
including	355.00	367.80	9.03	3.92	0.71	6.15	4.63
including	361.38	369.49	5.72	5.45	0.94	8.49	6.39
including	362.25	367.80	3.92	6.21	1.11	9.49	7.32

(*) True widths are calculated on the basis that the deposit has an overall average dip of 70° to the southwest from the horizontal

(ǂ) Values below the detection limit have been given a value of half the detection limit for the purposes of weighted averages

Drill hole **A-14-111** targeted the up-dip edge of the internal high grade core of the deposit with a pierce point located along strike of holes A-07-49 and A-08-54 and up-dip of hole A-10-73B, with an average separation of approximately 75 metres. The hole intersected a well-developed proximal facies zone of thickly bedded, laminated pyrite and nodular barite mineralisation overlying the Cardiac Creek Zone. The Cardiac Creek zone, intersected from 305.44 to 351.41 metres, is characterized by thickly bedded pyrite, sphalerite and galena-rich sulphide mineralisation interbedded with siliceous black shale of the Gunsteel Formation. Higher grade sections of the zone are marked by an increasing concentration of silver grey sphalerite and galena within pyritic-rich sulphide beds and a transition from well-defined bedding planes to a more mottled appearance. The zone is underlain by a 4.11 metre thick interval of the Paul River Formation debris flow. The hole was terminated in footwall rocks at a downhole depth of 374.6 metres.

The hole returned 5.58% combined Zn+Pb and 9.80 g/t Ag over an extensive true width of 34.75 metres, from a downhole depth of 305.44 to 351.41 metres. Included within this significant envelope of mineralisation, which represents the Cardiac Creek zone, are intervals of high grade zinc, lead and silver mineralisation that are outlined in the table above. This includes 9.44 metres (true width) of combined 10.18% Zn+Pb and 10.54 g/t Ag, from a downhole depth of 317.85 to 330.34 metres. A total of 11 individual samples with an aggregate thickness of 7.40 metres exceeded 10% zinc (ranging from 10.5% zinc to 18.1% zinc) illustrating the high grade nature in the core of the deposit at this elevation.

Drill hole **A-14-112** targeted the northwest up-dip edge of the deposit with a pierce point located approximately 120 metres along strike from the excellent results obtained from A-13-106. A-13-106 returned an interval grading 7.53% combined Zn+Pb and 10.70 g/t Ag over 10.56 metres that included a high grade core grading 10.53% combined Zn+Pb and 13.69g/t Ag over 6.63 metres (please refer to company new release November 25, 2013).

Hole A-14-112 hole encountered weakly developed intervals of distal facies mineralisation in the hanging wall to the Cardiac Creek Zone from 279.43 to 337.15 metres. An immediate transition into the Cardiac Creek Zone facies occurred at 337.15 metres which continued to a depth of 358.62 metres. The Cardiac Creek Zone consisted of thickly bedded pyrite, sphalerite and galena-rich sulphide beds interbedded with black siliceous Gunsteel Formation shale. A thin interval of Paul River Formation debris flow underlies the deposit from 358.62 to 362.39 metres and the hole ended in Road River Group Silurian siltstone at a final downhole depth of 397.46 metres.

A-14-112 returned 5.27% Zn+Pb and 6.87 g/t Ag over a true width of 13.70 metres, from a downhole depth of 337.15 to 356.30 metres. This envelope of mineralisation contains several intervals of higher grade zinc, lead and silver mineralisation, including 6.91% combined Zn+Pb and 8.02 g/t Ag over a true width of 7.87 metres from a downhole depth of 345.30 to 356.30 metres. These intervals are outlined in the table above. A total of 9 samples returned zinc values in excess of 5% representing an aggregate length of 5.63 metres, including 3 samples greater than 10% zinc. These assays demonstrate the consistency of grade in an under-explored area of the deposit.

Drill hole **A-14-113** tested the up-dip of potential of the deposit along its northwestern edge approximately 75 metres up-dip from A-14-112. A well-developed zone of proximal facies mineralisation was intersected from 310.31 to 316.62

metres, consisting of thickly bedded pyrite and nodular barite. The Cardiac Creek zone, normally occurring at the base of the proximal facies, appears to have been intensely disrupted by a localized and late-stage disruptive quartz veining event. The proximal facies zone returned nominal results.

Drill hole **A-14-114** tested the up-dip potential of the deposit with a pierce point located approximately 60 metres from A-08-56 and A-08-57. The pierce point is located less than 100 metres from surface. The high-grade hole A-08-57 returned a large envelope of mineralisation grading 9.29% combined Zn+Pb and 10.71g/t Ag over 23.14 metres (true width) which included a high grade core of 14.76% Zn+Pb and 14.45g/t Ag over 9.04 metres (true width). No proximal facies mineralisation was encountered, however, the Cardiac Creek Zone was intersected from 121.77 to 128.38 metres returning 4.81% Zn+Pb and 5.43g/t Ag over 2.84 metres (true width) that is host to two distinct but thin intervals of high grade mineralisation.

Drill hole **A-14-115** targeted the up-dip and southeast edge of the internal high grade core of the deposit with a pierce point located up-dip from hole A-11-98 and along strike of the A-94-07, with an approximate separation of 85 metres. The Cardiac Creek Zone was intersected from 173.69 to 210.24 metres with two well-defined zones of mineralisation present; an upper zone from 173.69 to 184.90 metres and a lower zone from 191.54 to 210.24 metres. The mineralisation is characterized by thickly bedded pyrite, sphalerite and galena-rich sulphide mineralisation interbedded with siliceous black shale of the Gunsteel Formation.

The upper zone is represented by well-bedded sulphide mineralization comprised of predominantly sphalerite and galena and barite becoming more mottled downhole. High grade sulphide beds contain irregularly shaped, internally laminated fragments, often at angles to the main bedding orientation. The lower zone is marked by an increasing concentration of silver-grey sphalerite and galena with the sulphide beds becoming mottled in appearance and lacking defined bedding features. The zone is underlain by a 4.38 metre interval of Gunsteel Formation shale followed by a thin interval of debris flow of the Paul River Formation. The hole was terminated in footwall rocks at a downhole depth of 240.79 metres.

The hole returned 6.02% combined Zn+Pb and 7.31 g/t Ag over an extensive true width of 20.87 metres, from a downhole depth of 173.69 to 203.56 metres. Included within this significant envelope of mineralisation, which represents the Cardiac Creek zone, are intervals of high grade zinc, lead and silver mineralisation that are outlined in the table above. This includes 5.72 metres (true width) of combined 7.30% Zn+Pb and 8.18 g/t Ag, from 176.70 to 184.90 metres and 8.42 metres (true width) of combined 8.62% Zn+Pb and 10.72g/t Ag from 191.54 to 203.56 metres. A total of 7 individual samples with an aggregate true thickness of 3.48 metres exceeded 10% zinc (ranging from 10.8% zinc to 17.6% zinc) illustrating the high grade nature in the core of the deposit at this elevation.

Drill hole **A-14-116** targeted the southeast edge of the high grade core of the deposit in an area directly below Cardiac Creek which hosts the discovery showing. The pierce point is located along strike from hole A-13-105 and up-dip of hole A-11-93, with an average separation of approximately 85 metres. A-11-93 returned a high grade interval of 10.62% combined Zn+Pb and 11.82g/t Ag over a true width of 10.31 metres. The hole encountered a well-developed zone of proximal facies mineralisation from 342.76 to 401.17 metres consisting of thickly-bedded pyrite and minor nodular barite interbedded with siliceous black Gunsteel Formation shale. The proximal facies transitioned into the Cardiac Creek Zone at 401.17 metres which continued to a depth of 444.06 metres. The sulphides consist primarily of pyrite beds at the top of the zone grading to sphalerite and galena-enriched sulphide beds towards the base of the zone. The mineralisation is interbedded with siliceous black shale and minor chert of the Gunsteel Formation. A sequence of nodular to laminar and massive barite underlies the zone from 445.71 to 456.99 metres interbedded with minor amounts of debris flow of the Paul River Formation. A thin interval of limestone is present under the barite and the hole was completed to a depth of 476.40 metres in siltstone of the Road River Group.

A-14-116 returned 3.11% Zn+Pb and 5.08 g/t Ag over a true width of 21.22 metres, from a downhole depth of 406.17 to 442.35 metres. This envelope of mineralisation contains two internal intervals of higher grade mineralisation. This includes 3.49% Zn+Pb and 6.20 g/t Ag over 6.19 metres (true width) from 407.25 to 417.30 metres and 3.58% Zn+Pb and 4.98g/t Ag over 10.98 metres (true width) from 422.80 to 440.65 metres. A total of 8 individual samples with an aggregate true thickness of 3.97 metres exceeded 5% zinc (ranging from 5.2% zinc to 16.2% zinc) demonstrating the consistency of grade towards the southwest limits of the deposit.

Drill hole **A-14-117** targeted the up-dip and southeast edge of the internal high grade core of the deposit with a pierce point located approximately 85 metres up-dip from hole A-14-116 and along strike of the high grade hole A-11-96, which returned 10.01% combined Zn + Pb and 12.43 g/t Ag over 5.3 metres (true width). An extensive package of mineralisation representing the Cardiac Creek Zone was intersected from 327.83 to 369.49 metres with 4 distinct intervals of sulphide mineralisation interbedded with minor shale and chert. The mineralised intervals consist of thickly bedded sulphides comprised of laminated pyrite, sphalerite with minor barite and galena. Towards the base of the zone the bedding becomes poorly defined and the sulphides become more mottled in appearance, a general indication of higher grade material. The zone is underlain by a thin pyritic sulphide bed and debris flow and limestone of the Paul River Formation. The hole was completed at a depth of 387.10 metres in calcareous siltstone of the Road River Group.

The hole returned 3.93% combined Zn+Pb and 5.33 g/t Ag over a true width of 15.38 metres, from a downhole depth of 346.00 to 367.80 metres. Included within this extensive envelope of mineralisation are intervals of higher grade zinc, lead and silver mineralisation that are outlined in the table above. This includes 9.03 metres (true width) of combined 4.63% Zn+Pb and 6.15 g/t Ag, from 355.00 to 367.80 metres and 5.72 metres (true width) of combined 6.39% Zn+Pb and 8.49 g/t Ag from 361.38 to 369.49 metres. A total of 7 individual samples with an aggregate true thickness of 3.98 metres exceeded 5% zinc (ranging from 5.55% Zn to 9.27% Zn) illustrating the high grade nature in the core of the deposit at this elevation.

Drill hole **A-14-120** targeted the northwest edge of the deposit following up on the mineralisation intersected in hole A-14-112, with a pierce point located approximately 100 metres down-dip. The proximal facies was intersected from 406.05 to 421.32 metres and was underlain by the Cardiac Creek Zone from 421.32 to 428.75 metres. The mineralisation is represented by thickly bedded pyrite with minor nodular barite in the proximal facies grading to pyrite with bands of grey sphalerite and minor galena within the Cardiac Creek Zone. Intense localized quartz-carbonate veining is present along the upper and lower contacts of the mineralisation suggesting that the bulk of the Cardiac Creek Zone has been displaced. Nearby down-dip drill holes A-07-46 and A-10-74 do not display this veining indicating that there does not appear to be any disruption to the Cardiac Creek Zone at depth. The zone is underlain by mineralisation representative of the distal facies and the debris flow of the Paul River Formation. The hole was completed to a depth of 461.47 metres in calcareous siltstone of the Road River Group. The best intercept from the zone returned 4.59% combined Zn+Pb and 6.90 g/t Ag over a true width of 1.27 metres from a wider mineralised interval of 12.98 metres (true width) of combined 1.59% Zn+Pb and 3.22 g/t Ag.

The 2014 drilling program has provided valuable information across several select areas of the deposit including the high grade core, and the up-dip, northwest and southeast edges of the deposit. The extensive width of mineralisation intersected in drill holes A-14-116 and A-14-117 speaks to the consistency of the deposit along its southeastern edge while the results from hole 120 have pushed the known limits of the deposit to over 1,400 metres in strike length.

Akie Underground Development

In August 2011, the Company received an underground drill permit from the BC government for the Akie project which will facilitate advanced exploration of the Cardiac Creek deposit. Underground drilling is essentially unaffected by weather and will allow year-round operation. Planned development will initially be confined in the footwall of the deposit. Additional development would allow for a bulk ore sample to be taken providing data for pilot plant test work and marketability studies.

The underground drill permit is valid for a period of three years and is the main provincial permit required to build the surface and underground infrastructure required for a comprehensive diamond drill definition program on the Cardiac Creek deposit. The permit was originally issued with a duration date to December 2014 but by application in 2013 the Company has extended the duration date to December 2017.

The planned program is comprised of a first phase of 1,600 metres of underground development followed by 16,000 metres of underground diamond drilling, designed to upgrade the current 43-101 compliant resource to the measured and indicated category. Drill core from underground will be used in a systematic metallurgical sampling program intended to ensure metallurgical sampling across the full spectrum of the deposit. Underground development will also provide important engineering and geotechnical data for a second phase of exploration drilling and bulk sampling, and for future mine design.

The 2011 surface construction program included stripping of the planned underground portal site, preparation of the portal pad, construction of the waste rock dump site, and upgrade of the existing lower access road. The Company anticipates resuming surface work construction with an aim to collaring the underground portal. The Company continues to examine tender bids and costs associated with the planned underground exploration program. Engineering and environmental studies will continue as required to maintain permits in good standing.

KECHIKA REGIONAL PROJECT

In addition to the Akie property, the Company has 100% ownership of a large contiguous group of mineral claims that aggregate to a total of 10 properties that cover 68,000 hectares. The mineral claims stretch a distance of 140 km from the Pie property on the north boundary of the Akie property to the Thro property, near the northern reaches of the Gataga River. The properties cover the extent of the prospective Gunsteel Formation shale which is the known host of SEDEX mineralization in the Kechika Trough.

The southernmost project boundary is located approximately 260 kilometers north-northwest of the town of Mackenzie. The Kechika project includes several properties with significant historical drill intercepts, including the Mt. Alcock property which has yielded a drill intercept of 8.8 metres grading 9.3% Zn+Pb, numerous zinc-lead-barite occurrences, and several regional base metal anomalies. Historical drilling on the Bear-Spa property returned several drill intercepts of >10 metres grading 2.53 to 2.96% combined Zn+Pb and up to 20.6 g/t Ag. There has been no modern follow-up exploration on many of these properties.

On May 15th, 2012 the Company announced it had received a NI 43-101 compliant Technical Report entitled “NI 43-101 Technical Report on the Pie Property”, dated May 4, 2012 and authored by Tanya Strate, P.Geol., an independent qualified person for the purposes of NI 43-101. The Technical Report highlights the SEDEX Zn-Pb-Ag prospectivity of the property, documents the results of field work completed on the property in 2011, and makes recommendations for further work, including drill testing of several Zn-Pb-Ag mineralization targets. The technical report can be found on SEDAR (www.sedar.com).

On June 15th, 2012 the Company took receipt of a NI 43-101 compliant technical report entitled “NI 43-101 Technical Report on the Mt Alcock Property” dated May 31, 2012 and authored by Tanya Strate, P.Geol., an independent qualified person for the purposes of NI 43-101. Please refer to SEDAR (www.sedar.com) to review the report. The Technical Report highlights the history of previous exploration on the property since the 1970’s and identifies the prospectivity to host SEDEX Zn-Pb-Ag mineralization. The report documents the results of assessment work completed on the property in 2011, and makes recommendations for further work, including drill testing of the Main barite zone previously drill tested in 1989 and 1990. The property hosts several large soil geochemical anomalies that have never been drill tested and other Zn-Pb-Ag mineralization targets.

Airborne Geophysical Surveys

In 2012 and 2013, the Company engaged Geotech Ltd. of Aurora, Ontario to complete a large-scale, 4,321 line kilometre airborne Versatile Time Domain EM (VTEM) geophysical survey over its properties within the Kechika Trough, which included the Akie and all ten Kechika Regional properties. The primary goal of the survey was to obtain lithological and structural information near surface and at depth across the properties, as well as define geophysical responses for Gunsteel shale stratigraphy and the Cardiac Creek deposit. This was the first modern airborne geophysical survey undertaken on the Company’s mineral tenures.

The survey had a nominal line spacing of 200 metres but was tightened to 100 metre spacing over key areas of interest such as the Cardiac Creek deposit. The results generated from the VTEM data indicate an excellent correlation between EM conductivity and mapped geological and structural features. The Devonian Gunsteel Formation black shale, known host to the mineralized occurrences in the belt, is easily identified as a conductive trend and can be traced from the Akie and Pie properties north to the limits of Kechika regional properties. Additionally, the interpreted western thrust panel of rocks, which have been tentatively assigned to the Gunsteel Formation, and which hosts the GPS barite showing, has a similar conductive trend and was also traceable across several properties. Other key lithological units such as the Kechika Group siltstone and limestone of the Kwadacha Reef are also discernible by variation in conductivity and resistivity.

To complement the VTEM survey, the Company is currently conducting an airborne gravity survey over the Company's southern Kechika Trough properties including Akie and Mt. Alcock.. The helicopter-borne FALCON™ gravity gradiometry survey is being flown by CGG of Mississauga, Ontario.

The survey will consist of the acquisition and subsequent analysis of airborne gravity data over two large property blocks, one covering the Akie property and one covering the Mt. Alcock and Yuen North properties. Planned flight lines will be flown in a NE–SW (50°) direction at a nominal line spacing of 200 metres with tie lines to be flown perpendicular to flight lines at approximately 10 times the flight line interval. The survey will encompass approximately 940 line kilometres in total.

The primary goal of the gravity survey will be to delineate gravity anomalies within the highly prospective Gunsteel Formation which has now been more accurately mapped using the airborne VTEM data. Conductive EM trends can be traced across the Akie property and along approximately 140 kilometres of strike length encompassing the Kechika Regional properties. Known mineralization such as the Cardiac Creek and Mt. Alcock deposits are located along these conductive trends and data collected from the gravity survey will greatly assist with drill targeting along strike of these zones. The gravity data will also be useful in delineating new targets in areas of coincident anomalous soil and rock samples and EM conductivity. SEDEX deposits are known to commonly exhibit positive gravity anomalies.

Yuen North

In early 2014, the Company staked additional mineral claims adding to its 100% owned Kechika Regional Project. The new property, designated Yuen North, lies between and is contiguous with the Mt. Alcock property to the northwest, and the Yuen Property to the southeast. The Yuen North property measures approximately 2,687 hectares and extends claim coverage over an inferred western panel of Gunsteel Formation shale by a strike length of approximately 5 kilometres. The interpreted western panel is along strike of Teck's Cirque deposit located approximately 14 kilometres to the southeast.

The Yuen North property is a natural addition to the Company's Kechika Regional Project with favorable geology and positive historical geochemical survey results coupled with conductive trends from the current VTEM geophysical survey data. The Company is examining all historical data and planning follow-up sampling and mapping.

The area representing the Yuen North property was covered by the Company during its 2013 regional VTEM Airborne Geophysical Survey. Examination of the data showed several strong, parallel linear conductive trends similar to the distinctive EM signature of the Gunsteel Formation shale known from the Akie and Pie properties. The conductive trends connect the Yuen property to the Mt Alcock property, adding a collective 15 kilometres of strike extent of the prospective western panel of interpreted Gunsteel Formation shale. The conductive trends on Yuen North demonstrate several interesting bulge features which may represent fault intersections or structural folds. These features were recommended for further evaluation, in particular because they align with Ba-Pb±Zn soil geochemical anomalism from historical soil data.

The Company completed preliminary reconnaissance exploration in the summer of 2014 on the Yuen North property, including a total of 222 soil samples taken to extend and infill historical soil sampling from the 1980's when over 2,600 samples were taken. The 2014 results confirm and extend a long linear northwest trending zinc-lead-barite anomaly that now measures approximately 4.5 kilometres long by an average of approximately 500 metres wide; and aligns closely to historical mapped coverage of the prospective Gunsteel Formation panel and the linear conductive VTEM trends.

Anomalous soil results include 16 samples that exceed 1,000 ppm zinc, 9 samples that exceed 18,000 ppm barite, and 5 samples that exceed 100 ppm lead. The anomaly is open to the west on its southern limit.

A few opportunistic rock grab samples were also taken during the soil survey, including examples of weathered siliceous Gunsteel Formation shale with nodular barite and rusty laminations. The sampling highlights the highly anomalous baritic nature of the area as indicated in the soil sampling. Several rocks grab samples from ferrocrete located near an iron seep (Crème Brulee Creek) returned highly anomalous iron and elevated to anomalous barite as well. Follow-up mapping and additional sampling will be conducted in 2015.

Agreement with Teck and Korea Zinc

On September 6, 2013, the Company entered into the Option Agreement with Teck that that would see Teck acquire up to a 70% interest in the Company's 100% owned Pie, Cirque East and Yuen properties (the "Property"), three of the 10 regional properties that make up the Kechika Regional Project.

The Agreement outlines two options (the "Options") that are subject to certain expenditure requirements as outlined below:

- Under the first Option, Teck can earn an undivided 51% interest in and to the Property by incurring a cumulative aggregate of $3,500,000 in exploration expenditures on the Property on or before September 30, 2017, with $500,000 in exploration expenditures to be completed on or before September 30, 2014 (Teck has advised the expenditures have been incurred by the extended date of November 30, 2014) and $1,500,000 in cumulative exploration expenditures to be completed on or before September 30, 2015.

- Under the second Option, Teck may elect to acquire an additional 19% interest in the Property for a total of 70%, by incurring an additional $5,000,000 in exploration expenditures (for a total aggregate of $8,500,000 in exploration expenditures) on the Property on or before September 30, 2019.

Subject to one or more of the Options being exercised, Teck and the Company will form a joint venture to continue with exploration and, if warranted, development of the Property. Thereafter each party will fund its pro-rated share of exploration expenditures on the Property or incur dilution. If a party's Joint Venture interest is reduced below 10% then that party's interest will be converted to a 5% Net Profits Royalty interest in the Property.

Portions of the Property fall within the area of interest provisions of the Teck and Korea Zinc joint venture (the "T-KZ JV") on their adjoining Cirque property. Korea Zinc elected to include the Agreement under the T-KZ JV and delivered Notice of Participation in the Agreement to the Company in November of 2013. Teck and Korea Zinc each hold a 50% interest in the T-KZ JV and , as a result of the Notice of Participation, will share any interest which may be acquired under the Agreement.

The Pie, Cirque East and Yuen properties surround T-KZ JV's Cirque deposit to the north and east, and provide extensive coverage of the highly prospective Gunsteel Formation shale, which is the known host rock for SEDEX Zn-Pb-Ag deposits at Cirque and at Canada Zinc Metals' Cardiac Creek deposit, located 22 kilometres south on the Akie property.

Teck commenced an airborne gravity survey over the Property in late fall of 2014. The program was re-started in early February 2015 and is expected to be complete by mid-March. Flight lines will be flown on the optioned properties in a NE–SW (50°) direction at a nominal line spacing of 200 metres with tie lines to be flown perpendicular to flight lines at approximately 10 times the flight line interval. The survey will encompass approximately 840 line kilometres in total. The survey will be flown in conjunction with the Company's Akie and Mt. Alcock surveys. The two surveys will total 1,780 line kilometres covering a lineal distance of 45 kilometres of highly prospective Gunsteel Formation stratigraphy. Data is expected to be available approximately 6 – 8 weeks after completion of the survey.

Teck recently provided the Company a copy of a Report on the 2014 Field Program for the Pie, Cirque East and Yuen properties. The 2014 program was completed between July and August, 2014 and included geological mapping and rock sampling on the Pie, Cirque East and Yuen properties and re-logging and sampling of historic drill core representing 8 Pie drill holes for a total of 3,350 meters.

Core re-logging allowed for confirmation of stratigraphy to ensure accuracy and consistency of geological interpretation at the property and regional scale. Geochemical data collection from drill core included 3,006 portable XRF analyses, and 456 whole rock lithogeochemical results. The lithogeochemistry results provide valuable data through Earn Group stratigraphy of interest in order to identify Zn and Pb mineralization and other pathfinder elements that may provide vectors toward other prospective areas. The pXRF data demonstrated the same usable trends as the laboratory lithogeochemistry data.

The 2014 field program also included 15 geological traverses covering key areas of interest on the three properties. As well, 118 whole rock lithogeochemistry samples were taken to assist with recognition of the distribution of the Kechika Group, Road River Group and the Earn Group rocks on the regional scale and to help understand the regional structural architecture including fold and thrust style and distribution of the panel bounding regional thrusts across the properties, The work confirmed previous interpretations of 3 regional structural panels including Earn Group rocks and provided an interpretation of the Earn Group basin architecture through distribution of various lithofacies. The work has allowed Teck's geologists a consistent property scale geological base on which to interpret the VTEM and airborne gravity datasets and define targets of interest for development work in the 2015 program.

Summary of exploration expenditures incurred on various properties:

	Akie Property	Kechika Regional	Total
Acquisition Costs:			
Balance, June 30, 2013	$ 24,175,329	$ 330,434	$ 24,505,763
Additions	–	6,351	6,351
Write-off	(10,088)	–	(10,088)
Balance, June 30 and December 31, 2014	**$ 24,165,241**	**$ 336,785**	**$ 24,502,026**
Deferred exploration costs:			
Balance, June 30, 2013	34,762,617	3,776,997	38,539,614
Airborne survey	–	189,491	189,491
Camp equipment, reclassification	(36,087)	–	(36,087)
Camp equipment, depreciation	111,027	–	111,027
Camp supplies, settlement of contract	(82,401)	–	(82,401)
Drilling	2,510,831	456,322	2,967,153
Geology	45,961	40,030	85,991
Community consultations	355,367	–	355,367
Environmental studies and permit compliance monitoring	102,796	–	102,796
Less:			
METC	(170,349)	–	(170,349)
Write-off	(82,193)	–	(82,193)
Balance, June 30, 2014	37,517,569	4,462,840	41,980,409
Camp equipment, depreciation (Note 9)	42,520	–	42,520
Airborne geophysics	11,297	117,253	128,550
Camp stand-by fees	42,839	–	42,839
Drilling	509,269	7,746	517,015
Geology	16,922	–	16,922
Community consultations	90,000	–	90,000
Environmental studies and permit compliance monitoring	29,226	–	29,226
Balance, December 31, 2014	**$ 38,259,642**	**$ 4,587,839**	**$ 42,847,481**

		Akie Property		Kechika Regional		Total
Total June 30, 2014	$	61,682,810	$	4,799,625	$	66,482,435
Total December 31, 2014	**$**	**62,424,883**	**$**	**4,924,624**	**$**	**67,349,507**

1.3 Selected Annual Information

The following is a summary of certain financial information concerning the Company for each of the last three most recently completed financial years.

		Years ended 2014		2013		2012
Interest and other income	$	208,417	$	197,038	$	241,234
Net Loss	$	(2,322,711)	$	(1,861,866)	$	(1,590,656)
Loss per share	$	(0.02)	$	(0.02)	$	(0.01)
Total assets	$	79,539,598	$	78,868,023	$	78,271,595
Total long term liabilities	$	2,120,000	$	1,761,000	$	1,466,000
Cash dividends declared per share for each class of share	$	Nil	$	Nil	$	Nil

1.4 Results of Operations

Six months ended December 31, 2014 and 2013

During the six months ended December 31, 2014, the Company reported a loss before comprehensive loss of $837,265 or $0.006 per share compared to a loss before comprehensive loss of $902,858 or $0.006 per share during the same period in fiscal 2013, a decrease in net loss of $65,593. The decrease in net loss was primarily due to a decrease in share-based compensation expense of $529,313, offset by an increase in marketing expenses of $183,172, decrease in other items of $81,299 and decrease in deferred income tax recovery of $182,795 as a result of amortization of the flow-through premium liabilities recorded in connection with the flow-through private placements.

The Company’s consolidated net loss for the six months ended December 31, 2014, not factoring in non-cash transactions of share-based compensation expense, depreciation of office equipment and leasehold improvements, write-offs and deferred income tax recovery of flow-through liabilities, was $907,028 (2013 - $625,224), an increase of $281,804.

Interest and other income

Total interest income for the six months ended December 31, 2014 was $88,821 compared to $89,030 last year. The Company earns interest on its bank treasury account, a long-term investment and reclamation bonds, which are deposited in guaranteed investment certificates (“GIC”) through a financial institution.

During the six months ended December 31, 2013, the Company recorded other income of $81,467 that included administration fees of $18,254 for conducting exploration activities on behalf of third parties and recovery of exploration costs of $63,213. There were no similar transactions recorded during the current fiscal year.

General and administration expenses

Total general and administration expenses decreased by $329,687 primarily due to decreases in consulting fees of $27,025, flow-through taxes of $18,957, office and miscellaneous expenses of $6,321, professional fees of $17,463, rent of $2,571, share-based compensation expense of $529,313 and wages and benefits of $27,525, offset by increases in bonuses of $11,283, investor relations of $3,359, management fees of $30,000, marketing of $183,172, transfer agent fees of $4,422 and travel and promotion of $66,810.

The increase in management fees was due to an increase in monthly management fees by $5,000 effective May 1, 2014 (please see 1.9. Transactions with related parties).

The increase in marketing expenses of $183,172 was due to increases in advertisement and marketing campaigns.

The increase in transfer agent fees of $4,422 was due to increased transfer agent services incurred in connection with the private placements completed during the period and annual general meeting of shareholders of the Company.

The increase in travel and promotion of $66,810 resulted from the Company's senior management trips to mining conferences in Hong Kong, Singapore and Switzerland, a European road show and trip to China to conduct meetings and presentations for existing and potential investors.

The Company recognizes compensation expense for all stock options granted, using the fair value based method of accounting and any cash paid on the exercise of stock options is added to the stated value of common shares. During the six months ended December 31, 2014, the Company recorded share-based compensation expense of $21,972 (2013 –$551,285) on the vested portion of the previously granted stock options. There were no stock options granted by the Company during the current fiscal year, which resulted in a significant decrease in share-based compensation expense. The higher share-based compensation expense last fiscal year was recorded for the 1,740,000 stock options granted to directors, officers, employees and consultants of the Company in December 2013.

The decrease in professional fees of $17,463 was due to a decrease in legal fees during the period. The legal fees recorded during the same period last fiscal year were primarily related to the Option Agreement with Teck.

The decrease in wages and benefits of $27,525 during the current period resulted from lower salary expenses.

Three months ended December 31, 2014 and 2013

During the three months ended December 31, 2014, the Company reported a loss before comprehensive loss of $382,419 or $0.003 per share compared to a loss before comprehensive loss of $826,475 or $0.06 per share during the same period in fiscal 2013, a decrease in net loss of $444,056.

Excluding non-cash transactions of share-based compensation expense, depreciation of office equipment and leasehold improvements, write-offs and deferred income tax recovery, the Company's consolidated net loss the three months ended December 31, 2014 was $388,672 (2013 - $308,035), an increase of $80,637. The increase was primarily a result of a reduction in interest and other income of $59,405 as there were no recoveries of exploration expenses during the current quarter, increases in management fees of $15,000, office and miscellaneous expenses of $5,581 and travel and promotion of $46,404, offset by decreases in consulting fees of $4,901, flow-through taxes of $6,000, marketing of $10,933, rent of $10,466 and wages and benefits of $16,634.

The increase in management fees was due to an increase in monthly management fees by $5,000 effective May 1, 2014.

The increase in travel and promotion of $46,404 resulted from the Company's senior management trips to mining conferences in Hong Kong, Singapore and Switzerland, a European road show and trip to China to conduct meetings and presentations for existing and potential investors.

1.5 Summary of Quarterly Results

The following is a summary of certain consolidated financial information concerning the Company for each of the last eight reported quarters:

Quarter ended	Interest and other income	Net loss before comprehensive loss	Loss per share
December 31, 2014	$ 45,363	$ (382,419)	$ (0.00)
September 30, 2014	43,458	(454,846)	(0.00)
June 30, 2014	46,169	(969,699)	(0.01)
March 31, 2014	54,964	(450,154)	(0.00)
December 31, 2013	104,768	(826,475)	(0.01)
September 30, 2013	65,729	(76,383)	(0.00)
June 30, 2013	53,446	(661,091)	(0.01)
March 31, 2013	48,894	(423,693)	(0.01)

The increase in loss for the quarter ended June 30, 2014 was primarily due to share-based compensation expense of $117,782 recorded for the 600,000 stock options granted to a consultant during the period, deferred income tax expense of $265,270, write-off of exploration and evaluation assets of $92,281 and a loss on settlement of a contract in the amount of $137,401.

The increase in loss for the quarter ended December 31, 2013 was primarily due to share-based compensation expense of $548,100 recorded for the 1,740,000 stock options granted to directors, officers, employees and consultants of the Company during the period. The increase in interest and other income during the quarter was due to recovery of exploration expenditures incurred in prior periods and administration fees earned for conducting exploration activities on behalf of third parties.

The increase in loss for the quarter ended June 30, 2013 was primarily due to deferred income tax expense of $233,993.

1.6/1.7 Liquidity and Capital Resources

The Company reported working capital of $10,308,701 at December 31, 2014 compared to working capital of $10,347,373 at June 30, 2014, representing a decrease in working capital of $38,672. The decrease in working capital was a result of exploration and evaluation and general administrative expenditures, adjusted fair values of marketable securities, offset by proceeds from the financings completed by the Company during the period. Net cash decreased by $77,331 from $10,558,472 at June 30, 2014 to $10,481,141 at December 31, 2014.

During the six months ended December 31, 2014, the Company utilized its cash and cash equivalents as follows:

(a) $914,431 was used in operating activities, consisting primarily of general and administrative expenditures and changes in non-cash items;
(b) the Company received the mineral exploration tax credit (“METC”) refund of $296,846 for its fiscal year ended June 30, 2013 and the partial refund in the amount of $23,429 of the office rent deposit;
(c) $1,291,281 was used for exploration of mineral resource properties;
(d) $42,148 was used for the purchase of marketable securities;
(e) $41,218 was used for the purchase of 117,000 common shares of the Company at a weighted average price of $0.35 per share under the Normal Course Issuer Bid (“NCIB”), which commenced on July 31, 2009 and was subsequently extended in August 2010, 2011, 2012, 2013 and 2014;
(f) $1,812,861 was received from the private placements net of finders’ fees and regulatory filing fees of $96,335; and
(g) $80,000 was received from the exercise of 200,000 share options at a price of $0.40 per share.

The Company is engaging in a NCIB because it believes that the market price of its common shares at times does not properly reflect the underlying value of the Company. The purpose of the bid is to reduce dilution of the Company’s shares and to enhance the potential future value of the common shares which remain outstanding, thus increasing long term shareholder value. Purchases connected with this bid will be conducted through Canaccord Genuity Corp.’s offices in Vancouver. The Company will pay the market price of the common shares at the time of acquisition and will not purchase more than 2% of the total issued and outstanding common shares within any 30 day period.

Current assets excluding cash as at December 31, 2014 include receivables of $27,033, which consisted of GST recoverable of $24,623, accrued interest receivable on security deposits of $2,236 and other receivables of $174, prepaid expenses of $34,240 and marketable securities with a fair market value of $178,641. Current assets excluding cash as at June 30, 2014 include receivables of $111,761, which consisted of GST recoverable of $51,574, interest receivable on security deposits of $536 and a refund of flow-through Part XII.6 tax of $59,651, recoverable mineral exploration tax credits ("METC") of $296,846, prepaid expenses of $33,187 and marketable securities with a fair market value of $255,796.

Current liabilities as at December 31, 2014 consisted of trade payables and accrued liabilities of $194,706, due to related parties of $683 and flow-through premium liability recorded in connection with the flow-through private placements of $216,965. The flow-through premium liability does not represent a cash liability to the Company and will be fully amortized to the statement operations and comprehensive loss once the Company incurs exploration expenditures qualifying for the flow-through program. Current liabilities as at June 30, 2014 consisted of trade payables and accrued liabilities of $745,191, mainly consisting of exploration invoices and flow-through premium liability recorded in connection with the flow-through private placements of $163,498.

The other sources of funds potentially available to the Company are through the exercise of outstanding stock options and share purchase warrants. See Item 1.15 – Other Requirements – Summary of Outstanding Share Data. There can be no assurance, whatsoever, that any or all of these outstanding exercisable securities will be exercised.

The Company has and may continue to have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund its future operations, the Company may be required to seek additional financing. Although the Company has been successful in raising the above funds, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

The Company's overall success will be affected by its current or future business activities. The Company is currently in the process of acquiring and exploring its interests in resource properties and has not yet determined whether these properties contain mineral deposits that are economically recoverable. The continued operations of the Company and the recoverability of expenditures incurred in these resource properties are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to explore and develop the properties, and upon future profitable production or proceeds from disposition of the resource properties.

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank deposits of $10,481,141 and a long-term investment in GIC of $1,000,000. This risk is managed by using major Canadian banks that are high credit quality financial institutions as determined by rating agencies.

The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government sales taxes, exploration tax credits and interest accrued on GIC investments.

Liquidity Risk
Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents. As at December 31, 2014, the Company was holding cash deposits of $10,481,141 to settle current cash liabilities of $195,389. Management believes it has sufficient funds to meet its current obligations as they become due

and to fund its exploration projects and administrative costs.

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant and the Company, as all other companies in its industry, has exposure to these risks.

Interest Rate Risk
The Company is exposed to interest rate risk as its bank treasury account earns interest income at variable rate of prime less 1.5%. The effect of a 10% fluctuations in interest rates may result in an increase or decrease in annual net loss of $10,481.

Currency Risk
The Company operates in Canada and is therefore not exposed to significant foreign exchange risk arising from transactions denominated in a foreign currency.

Price risk
The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors certain commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

The Company also maintains investments in certain marketable securities. There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of these securities.

1.8 Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

1.9 Transactions with Related Parties

The remuneration of directors and other key management personnel during the six months ended December 31, 2014 and 2013 were as follows:

		2014		2013
Bonuses (ii)	$	38,184	$	26,901
Consulting fees (iii)		7,500		7,500
Directors fees (iv)		25,000		25,000
Exploration and evaluation expenditures (geological consulting) (v)		72,504		70,008
Management and administration (i)		207,000		177,000
Share-based compensation (vi)		14,850		358,025
Total	$	365,038	$	664,434

(i) On May 1, 2007, the Company entered into a management and administrative agreement with Varshney Capital Corp. ("VCC"), a company with two common directors, whereby the Company agreed to pay management and administrative fees of $12,500 and $5,000 per month, respectively. The agreement was amended effective July 1, 2011 and May 1, 2014 to increase the monthly management fee to $24,500 and $29,500, respectively. During the six months ended December 31, 2014, the Company paid or accrued $177,000 (2013 – $147,000) for management fees and $30,000 (2013 – $30,000) for administrative fees to VCC;

(ii) the Company paid or accrued a bonus of $38,184 (2013 - $26,901) to VCC;

(iii) the Company paid or accrued $7,500 (2013 - $7,500) for consulting fees to a company controlled by a director;

(iv) the Company paid or accrued $25,000 (2013 - $25,000) in directors' fees to five directors of the Company;

(v) the Company paid or accrued $72,504 (2013 - $70,008) for geological consulting fees to a company owned by an officer of the Company, of which $42,878 was capitalized as exploration and evaluation costs and $29,626 was expensed as consulting fees; and

(vi) share-based compensation is the fair value of options that have been granted to directors and executive officers and the related compensation expense recognized over the vesting periods.

As at December 31, 2014, $683 (June 30, 2014 - $Nil) was due to a director of the Company for reimbursement of business expenses. The amount was repaid subsequent to December 31, 2014.

1.10 Fourth Quarter

During the fourth quarter ended June 30, 2014, the Company:

- commenced drilling on the Cardiac Creek deposit;
- received the METC refund of $740,349 for its fiscal year ended June 30, 2012; and
- granted 600,000 stock options exercisable for 7 years at a price of $0.35 per share to a consultant.

Please also see Summary of Quarterly Results section of the MD&A.

1.11 Proposed Transactions

The Company does not have any proposed transactions as at December 31, 2014 other than as disclosed elsewhere in this document.

1.12 Critical Accounting Estimates

Not applicable to venture issuers.

1.13 Changes in Accounting Policies including Initial Adoption

The financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards. Our significant accounting policies are set out in Note 2 of the audited consolidated financial statements of the Company, as at and for the year ended June 30, 2014. The new and amended standards adopted by the Company effective July 1, 2014 include *IAS 32 Offsetting Financial Assets and Financial Liabilities*, *IFRS 10 Consolidated Financial Statements*, *IFRS 12 Disclosure of Interest in Other Entities*, *IFRIC 21 Levies* and *IFRS 2 Share-based Payments.* The adoption of these standards had no material impact on the financial statements of the Company. Please also see Note 2 of the condensed consolidated interim financial statements of the Company for the six months ended December 31, 2014.

1.14 Financial Instruments and Other Instruments

The Company's financial instruments as at December 31, 2014 were as follows:

	Loans & receivables	*Available for sale*	*Fair Value through Profit or Loss*	*Other financial liabilities*
Financial assets				
Cash	$ –	$ –	$ 10,481,141	$ –
Receivables	2,236	–	–	–
Marketable securities	–	178,641	–	–
Long-term investment	–	–	1,009,093	–
Refundable deposit	98,429	–	–	–
Financial liabilities				
Trade payables and accrued liabilities	–	–	–	194,706
Due to related parties				683
	$ 100,665	$ 178,641	$ 11,490,234	$ 195,389

Unless otherwise disclosed their carrying values approximate their fair values due to the short term nature of these instruments. Please also see Note 2 of the condensed consolidated interim financial statements of the Company for the six months ended December 31, 2014.

1.15 Other Requirements

Summary of outstanding share data as at February 27, 2015:

(1) Authorized: Unlimited common shares without par value

Issued and outstanding:	152,563,428
Less treasury shares:	(128,000)

(2) Stock options outstanding: 7,137,500
(3) Warrants 1,640,375

Additional disclosures pertaining to the Company's technical report, management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

On behalf of the Board of Directors, thank you for your continued support.

"Peeyush Varshney"

Peeyush Varshney
Director
February 27, 2015