CANADA ZINC METALS CORP.

Condensed Consolidated Interim Financial Statements

For the Three Months Ended September 30, 2017 and 2016

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

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NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

November 29, 2017

CANADA ZINC METALS CORP.

Condensed Consolidated Interim Statements of Financial Position
As at September 30, 2017 and June 30, 2017
(Expressed in Canadian Dollars - Unaudited)

	Note	**September 30, 2017 (unaudited)**	June 30, 2017 (audited)
Assets			
Current assets			
Cash		**$ 1,541,644**	$ 4,464,425
Receivables	3	**243,792**	43,163
Loan receivable	4	**110,986**	108,466
Prepaid expenses		**77,665**	146,875
Marketable securities	5	**51,000**	116,442
Investment	6	**4,212,459**	4,013,023
		6,237,546	8,892,394
Other assets	7	**332,500**	332,500
Equipment and leasehold improvements	10	**323,014**	313,119
Exploration and evaluation assets	11	**72,652,054**	70,771,060
		$ 79,545,114	$ 80,309,073
Liabilities			
Current liabilities			
Trade payables and accrued liabilities	8	**$ 327,642**	$ 633,133
Flow-through premium liability	9	–	308,132
		327,642	941,265
Deferred income tax liability		**1,603,000**	1,603,000
Equity			
Capital stock	12	**100,524,956**	100,711,794
Reserves	12	**13,888,073**	13,700,878
Deficit		**(36,785,676)**	(36,660,295)
Accumulated other comprehensive loss (gain)		**(12,881)**	12,431
		77,614,472	77,764,808
		$ 79,545,114	$ 80,309,073

Nature and continuance of operations (Note 1)
Subsequent events (Note 17)
The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CANADA ZINC METALS CORP.

Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian Dollars - Unaudited)

		Capital Stock							
	Note	Number of common shares	Number of treasury shares	Common shares Amount	Treasury shares Amount	Reserves (Note 12)	Deficit	Accumulated other comprehensive gain (loss)	Total Equity
Balance, June 30, 2016		**152,414,428**	**(198,000)**	**$ 97,043,465**	**$ (30,230)**	**$ 13,063,384**	**$ (34,632,982)**	**$ (74,440)**	**$ 75,369,197**
Treasury shares repurchased		–	(17,000)	–	(3,570)	–	–	–	(3,570)
Treasury shares cancelled		(215,000)	215,000	(136,956)	33,800	103,156	–	–	–
Exercise of share options		45,000	–	57,252	–	(46,902)	–	–	10,350
Share-based compensation		–	–	–	–	458,136	–	–	458,136
Change in fair value of securities		–	–	–	–	–	–	(27,927)	(27,927)
Net loss for the period		–	–	–	–	–	(992,741)	–	(992,741)
Balance, September 30, 2016		152,244,428	–	96,963,761	–	13,577,774	(35,625,723)	(102,367)	74,813,445
Treasury shares repurchased		–	(564,000)	–	(184,381)	–	–	–	(184,381)
Private placements		6,774,357	–	2,644,200	–	–	–	–	2,644,200
Flow-through private placements		4,588,998	–	2,113,048	–	–	–	–	2,113,048
Flow-through premium liability		–	–	(448,218)	–	–	–	–	(448,218)
Share issuance costs		–	–	(370,624)	–	–	–	–	(370,624)
Finders' warrants		–	–	(5,992)	–	5,992	–	–	–
Share-based compensation		–	–	–	–	117,112	–	–	117,112
Change in fair value of securities		–	–	–	–	–	–	114,798	114,798
Net loss for the period		–	–	–	–	–	(1,034,572)	–	(1,034,572)
Balance, June 30, 2017		**163,607,783**	**(564,000)**	**100,896,175**	**(184,381)**	**13,700,878**	**(36,660,295)**	**12,431**	**77,764,808**
Treasury shares repurchased	12	–	(12,500)	–	(3,508)	–	–	–	(3,508)
Treasury shares cancelled	12	(564,000)	564,000	(371,865)	184,381	187,484	–	–	–
Exercise of share options	12	10,000	–	4,154	–	(1,854)	–	–	2,300
Share-based compensation	12	–	–	–	–	1,565	–	–	1,565
Change in fair value of securities	5	–	–	–	–	–	–	(25,312)	(25,312)
Net loss for the period		–	–	–	–	–	(125,381)	–	(125,381)
Balance, September 30, 2017		**163,607,783**	**(12,500)**	**$ 100,528,464**	**$ (3,508)**	**$ 13,888,073**	**$ (36,785,676)**	**$ (12,881)**	**$ 77,614,472**

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CANADA ZINC METALS CORP.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars - Unaudited)

	Note		Three months ended September 30, **2017**		2016
ADMINISTRATION EXPENSES					
Administration	14	**$**	**15,000**	$	15,000
Consulting			**164,390**		148,421
Depreciation	10		**606**		946
Directors fees	14		**10,000**		10,000
Interest and bank charges			**585**		531
Investor relations			**449**		19,332
Management fees	14		**88,500**		88,500
Marketing			**52,500**		58,936
Office and miscellaneous			**16,900**		15,395
Regulatory fees			**9,595**		4,225
Rent			**24,221**		25,729
Share-based compensation	12		**1,565**		458,136
Transfer agent fees			**3,748**		1,367
Travel and promotion			**25,698**		50,541
Wages and benefits			**64,458**		117,496
			(478,215)		(1,014,555)
Interest income			**26,307**		21,814
Gain on sale of marketable securities	5		**18,395**		–
			44,702		21,814
Loss before income taxes			**(433,513)**		(992,741)
Deferred income tax recovery	9		**308,132**		–
Net loss for the period			**(125,381)**		(992,741)
Adjustment for change in fair value of marketable securities	5		**(25,312)**		(27,927)
Comprehensive loss for the period		**$**	**(150,693)**	$	(1,020,668)
Basic and diluted loss per common share		**$**	**(0.00)**	$	(0.00)
Weighted average number of common shares outstanding			**163,203,609**		152,249,971

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CANADA ZINC METALS CORP.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars - Unaudited)

	Three months ended September 30, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	**$ (125,381)**	$ (992,741)
Items not affecting cash:		
Depreciation	**606**	946
Interest accrued on investments and loan receivable	**(12,447)**	(16,593)
Gain on sale of marketable securities	**(18,395)**	–
Share-based compensation	**1,565**	458,136
Deferred income tax recovery	**(308,132)**	–
Changes in non-cash working capital items:		
Receivables	**(85,020)**	(13,559)
Prepaid expenses	**69,210**	(65,460)
Due to related parties	–	17,545
Accounts payable and accrued liabilities	**(382,734)**	(5,405)
Cash used in operating activities	**(860,728)**	(617,131)
CASH FLOWS FROM INVESTING ACTIVITIES		
GIC investment, net	**(189,508)**	–
Loan receivable	–	(100,000)
Marketable securities	**58,525**	(22,105)
Equipment and leasehold improvements	**(30,363)**	–
Exploration and evaluation asset costs	**(1,899,499)**	(81,927)
Cash used in investing activities	**(2,060,845)**	(204,032)
CASH FLOWS FROM FINANCING ACTIVITIES		
Exercise of share options	**2,300**	10,350
Common shares repurchased	**(3,508)**	(3,570)
Cash generated from (used in) financing activities	**(1,208)**	6,780
Change in cash during the period	**(2,922,781)**	(814,383)
Cash, beginning of period	**4,464,425**	2,550,103
Cash, end of period	**$ 1,541,644**	$ 1,735,720

Supplemental disclosure with respect to cash flows (Note 13)
The accompanying notes form an integral part of these condensed consolidated interim financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Canada Zinc Metals Corp. (the "Company") is incorporated under the laws of the Province of British Columbia. The Company operates in one business segment, that being the exploration and evaluation of resource properties in Canada, and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and upon future profitable production.

The Company's head office and principal address is Suite 2050-1055 West Georgia Street, PO Box 11121, Royal Centre, Vancouver, BC V6E 3P3. The registered and records office is Suite 400, 725 Granville Street, Vancouver, BC, V7Y 1G5.

These consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to commence profitable operations in the future.

While the Company has been successful in obtaining its required financing in the past, mainly through the issuance of equity capital, there is no assurance that such financing will be available or be available on favorable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

At September 30, 2017, the Company has a positive working capital position of $5,909,904 (June 30, 2017 - $7,951,129). Management believes the Company has sufficient working capital to maintain its operations and its exploration activities for the next fiscal year.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were authorized for issue on November 29, 2017 by the directors of the Company.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company's annual financial statements for the year ended June 30, 2017 except for new standards, interpretations and amendments mandatory effective for the first time from July 1, 2017.

It is, therefore, recommended that these condensed interim financial statements be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2017.

Basis of preparation

These condensed consolidated interim financial statements of the Company have been prepared on an accrual basis except for certain cash flow information and are based on historical costs, except for certain financial instruments classified as financial instruments at fair value through profit and loss or available-for-sale which are stated at their fair value. The consolidated interim financial statements are presented in Canadian dollars unless otherwise noted, which is also the functional currency of the Company and its subsidiary.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

The accounting policies chosen by the Company have been applied consistently to all periods presented.

Principles of consolidation

These condensed consolidated interim financial statements include amounts of the Company and its wholly owned subsidiary Ecstall Mining Corp. ("Ecstall"), a company incorporated under the laws of the Province of British Columbia and engaged in the exploration and evaluation of resource properties.

Subsidiaries are corporations in which the Company is able to control the financial operating, investing and financing activities and policies, which is the authority usually connected with holding majority voting rights. The consolidated financial statements include the accounts of the Company and its controlled entity from the date on which control was acquired. Ecstall uses the same reporting period and the same accounting policies as the Company.

All inter-entity balances and transactions, including unrealized profits and losses arising from inter-company transactions, have been eliminated in full on consolidation.

New standards and interpretations issued but not yet effective

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9, Financial instruments ("IFRS 9") was issued by the IASB on July 24, 2014 and will replace IAS 39, Financial instruments: recognition and measurement ("IAS 39"). IFRS 9 utilizes a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. Final amendments released on July 24, 2014 also introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognized in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

- IFRS 15, Revenue from Contracts and Customers ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, Revenue, IAS 11, Construction Contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

- IFRS 16, Leases, new standard contains a single lessee accounting model, eliminating the distinction between operating and financing leases from the perspective of the lessee. The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements, effective for annual reporting periods beginning on or after January 1, 2019.

(Expressed in Canadian Dollars, unless otherwise stated)

3. RECEIVABLES

	September 30, 2017	June 30, 2017
Government Sales Tax credits	$ 126,726	$ 42,871
Accrued interest (Note 6)	1,457	292
Other receivables	115,609	–
	$ 243,792	$ 43,163

Other receivables consist of recoverable exploration expenses associated with repair of the Pesika Creek crossing leading to the Company's Akie property. The amounts were collected subsequent to September 30, 2017.

4. LOAN RECEIVABLE

On August 25, 2016, the Company advanced $100,000 to an operating entity of a company, which now has a director in common, under a promissory note bearing interest at a rate of 10% per annum for a period of 6 months. The loan is classified as a short-term loan receivable subsequently measured at amortized cost. The loan matured on February 25, 2017 and was extended for an additional 12-month period bearing the same interest rate of 10% per annum. At September 30, 2017, the loan receivable balance was $110,986 (June 30, 2017 - $108,466) including accrued interest of $10,986 (June 30, 2017 - $8,466).

5. MARKETABLE SECURITIES

The Company holds marketable securities that have been designated as available-for-sale as follows:

	September 30, 2017	June 30, 2017
Common shares of public companies:		
Fair value, beginning of period	$ 116,442	$ 90,400
Purchases	–	38,334
Proceeds from sales	(58,525)	(137,744)
Gains realized on sale	18,395	38,581
Reclassification of previously recognized unrealized losses	(21,512)	3,163
Unrealized gains (losses)	(3,800)	83,708
Fair value, end of period	$ 51,000	$ 116,442

6. INVESTMENTS

Investments consist of highly liquid Canadian dollar denominated non-redeemable guaranteed investment certificates ("GIC") yielding an average fixed interest rate of 1.52% per annum with maturity dates within one year. The investments are classified as FVTPL financial assets. The counter-party is a financial institution.

At September 30, 2017, the Company held two GIC investments with total principal amount of $4,200,000 (June 30, 2017 - $4,000,000) and accrued interest of $12,459 (June 30, 2017 - $13,023).

(Expressed in Canadian Dollars, unless otherwise stated)

6. INVESTMENTS (cont'd)

During the three months ended September 30, 2017, the Company received an aggregate interest of $10,492 (2017 - $Nil) when it redeemed one of its GIC investments and re-invested it at a higher interest rate.

7. OTHER ASSETS

Other assets comprise of reclamation bonds totalling $332,500 (June 30, 2017 – $332,500) posted as security deposits with the Government of British Columbia in relation to the Akie and Kechika Regional properties. The reclamation bonds are deposited in GICs through a financial institution and earn an average annual variable interest rate of approximately 0.85% and reinvested on an annual basis immediately at maturity. Interest accrued on the GICs is included in receivables (Note 3).

8. TRADE PAYABLES AND ACCRUED LIABILITIES

	September 30, 2017	June 30, 2017
Exploration payables	$ 110,065	$ 533,283
Other trade payables	55,577	45,813
Accrued liabilities	162,000	54,037
	$ 327,642	$ 633,133

9. FLOW-THROUGH PREMIUM LIABILITY

	September 30, 2017	June 30, 2017
Balance, beginning of period	$ 308,132	$ –
Recorded	–	448,218
Amortized	(308,132)	(140,086)
Balance, end of period	$ –	$ 308,132

On December 15, 2016, the Company completed a flow-through private placement of 1,173,608 shares at a price of $0.52 per flow-through share. The Company recorded a flow-through liability of $140,833 (2016 - $Nil) in connection with the flow-through private placement, which was calculated based on an estimated premium of approximately $0.12 per flow-through share issued.

On April 5, 2017, the Company completed a flow-through private placement of 3,415,390 shares (Note 12(b)(iii)) at a price of $0.44 per flow-through share. The Company recorded a flow-through liability of $307,385 (2016 - $Nil) in connection with the flow-through private placement, which was calculated based on an estimated premium of approximately $0.09 per flow-through share issued.

As at September 30, 2017, the Company incurred required eligible exploration expenditures of $2,113,048 associated with its flow-through commitments and fully amortized the flow-through premium liability to the statement of operations and comprehensive loss.

As at September 30, 2017, the Company recorded a provision for Part XII.6 tax in the amount of $2,037 (June 30, 2017 - $2,037) associated with the December 15, 2016 flow-through private placement. The flow-through taxes will be paid in February 2018.

(Expressed in Canadian Dollars, unless otherwise stated)

10. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Computers and software	Office equipment and furniture	Office leasehold improvements	License[1]	Vehicle[1]	Camp equipment and fixtures[1]	Camp structures and upgrades[1]	Total
Cost:								
At June 30, 2016	$ 18,217	$ 19,702	$ 4,616	$ 19,000	$ 37,026	$ 344,891	$ 654,554	$ **1,098,006**
Acquisition	1,552	–	–	15,000	–	–	–	16,552
At June 30, 2017	19,769	19,702	4,616	34,000	37,026	344,891	654,554	**1,114,558**
Acquisition	–	–	–	–	–	30,363	–	30,363
At September 30, 2017	$ 19,769	$ 19,702	$ 4,616	$ 34,000	$ 37,026	$ 375,254	$ 654,554	$ **1,144,921**
Accumulated depreciation:								
At June 30, 2016	$ 15,835	$ 12,074	$ 4,155	$ 19,000	$ 31,364	$ 195,415	$ 417,387	$ **695,230**
Depreciation	1,737	1,526	461	4,125	1,699	37,369	59,292	106,209
At June 30, 2017	17,572	13,600	4,616	23,125	33,063	232,784	476,679	**801,439**
Depreciation	302	304	–	1,491	296	6,988	11,087	20,468
At September 30, 2017	$ 17,874	$ 13,904	$ 4,616	$ 24,616	$ 33,359	$ 239,772	$ 487,766	$ **821,907**
Net book value:								
At June 30, 2017	$ 2,197	$ 6,102	$ –	$ 10,875	$ 3,963	$ 112,107	$ 177,875	**$ 313,119**
At September 30, 2017	$ 1,895	$ 5,798	$ –	$ 9,384	$ 3,667	$ 135,482	$ 166,788	**$ 323,014**

(1) License, vehicles, camp equipment and fixtures and camp upgrades are used for exploration and evaluation activities.

Depreciation for these items of $19,862 for the three months ended September 30, 2017 (2016 - $24,792) has been capitalized to exploration and evaluation assets (Note 11). Depreciation of the remaining items of $606 (2016 - $946) has been expensed.

11. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource claims. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its claims are in good standing.

Akie Property, British Columbia

The Akie property is the Company's flagship exploration project and is host to the Cardiac Creek SEDEX Zn-Pb-Ag deposit. The Company owns a 100% interest in the Akie property, which resulted from Company expenditures and the acquisition of Ecstall Mining Corporation.

Kechika Regional project, British Columbia

The Kechika Regional project, represented by a series of contiguous property blocks including Pie and Mt. Alcock, extends northwest from the Akie property. The Company owns a 100% interest in these properties, which were acquired during fiscal 2007 and 2008, including the acquisition of Ecstall. The interest in the Mt. Alcock property is subject to a 1.0 % net smelter royalty.

In September 2013, the Company entered into an option agreement (the "Agreement') with Teck Resources Limited ("Teck") pursuant to which Teck can acquire up to a 70% interest in the Company's Pie, Cirque East and Yuen properties (the "Property"), three of the 10 regional properties that make up the Kechika Regional Project. The terms of the Agreement were amended on September 23, 2015 to revise the dates on which required exploration expenditures had to be incurred.

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 December 31, 2017 (extended from September 30, 2017), with $500,000 in exploration expenditures to be completed on or before September 30, 2014 (incurred) and $1,295,000 (amended from $1,500,000 and incurred) in cumulative exploration expenditures to be completed on or before December 31, 2015 (extended from 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.

The Company received a summary of costs from Teck confirming that during calendar 2016 a total of $1,644,201 was spent on the Property on mapping, sampling, geophysics and drilling. The cumulative expenditures incurred on the Property total $3,034,800 to the end of December 31, 2016.

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.

(Expressed in Canadian Dollars, unless otherwise stated)

11. EXPLORATION AND EVALUATION ASSETS (cont'd)

Summary of exploration expenditures incurred on various properties:

		Akie Property		Kechika Regional		Total
Acquisition Costs:						
Balance, June 30, 2017 and September 30, 2017	**$**	**24,165,241**	**$**	**336,785**	**$**	**24,502,026**
Deferred exploration costs:						
Balance, June 30, 2016		**40,821,568**		**4,631,543**		**45,453,111**
Camp equipment, depreciation		102,485		–		102,485
Airborne geophysical survey		2,075		4,200		6,275
Drilling		577,417		–		577,417
Geology		72,924		6,683		79,607
Technical review and engineering		30,258		–		30,258
Community consultations		937		–		937
Environmental studies and permit compliance monitoring		18,944		–		18,944
Balance, June 30, 2017	**$**	**41,626,608**	**$**	**4,642,426**	**$**	**46,269,034**
Camp equipment, depreciation		19,862		–		19,862
Drilling		1,588,810		–		1,588,810
Geology		21,804		–		21,804
Road repair		75,104		–		75,104
Technical review and deposit appraisal		14,696		–		14,696
Community consultations		130,000		–		130,000
Environmental studies and permit compliance monitoring		30,718		–		30,718
Balance, September 30, 2017	**$**	**43,507,602**	**$**	**4,642,426**	**$**	**48,150,028**
Total, June 30, 2017	**$**	**65,791,849**	**$**	**4,979,211**	**$**	**70,771,060**
Total, September 30, 2017	**$**	**67,672,843**	**$**	**4,979,211**	**$**	**72,652,054**

The Company applies for the 20% British Columbia Mining Exploration Tax Credit ("METC") and the enhanced tax credit of an additional 10% for Mountain Pine Beetle affected areas, on qualified mining exploration costs incurred.

During the year ended June 30, 2016, the Company received METC of $85,291 on qualified exploration expenditures incurred in fiscal 2015 in excess of the amounts renounced to flow-through investors. The Company's BC METC application of $175,301 for fiscal 2016 is currently pending an assessment by Canada Revenue Agency and has not been included in the receivables balance as at September 30, 2017 and June 30, 2017.

12. CAPITAL STOCK AND RESERVES

(a) Authorized

Unlimited common shares without par value

(b) Issued and outstanding

During the three months ended September 30, 2017, the Company completed the following equity transactions:

(i) 10,000 share options were exercised at a price of $0.23 per share, and 10,000 common shares were issued for total proceeds of $2,300. In addition, a reallocation of $1,854 from reserves to capital stock was recorded on the exercise of these options. This amount constitutes the fair value of options recorded at the original grant date;

(ii) The Company received TSX Venture Exchange ("TSX-V") approval for its new Normal Course Issuer Bid ("NCIB") application to purchase at market price up to 8,152,189 common shares, being approximately 5% of the Company's issued and outstanding common shares, through the facilities of the TSX-V. The bid commenced on August 1, 2017 and will stay open for another 12 months;

(iii) The Company repurchased 12,500 of its common shares under the NCIB for total consideration of $3,508 at a weighted average price of $0.28 per share; and

(iv) 564,000 common shares repurchased under the NCIB in fiscal 2017 were cancelled and returned to the Company's treasury in July 2017. Upon the cancellation, $371,865 was recorded as a reduction to capital stock for the assigned value of the shares, and $187,484 was allocated to reserves.

During the year ended June 30, 2017, the Company completed the following equity transactions:

(v) On December 15, 2016, the Company completed a flow-through private placement of 1,173,608 flow-through shares at a price of $0.52 per share for gross proceeds of $610,276. A flow-through premium liability of $140,833 was recorded in connection with this private placement (Note 9);

(vi) On December 15, 2016, the Company also completed a brokered private placement of 3,676,000 units at a price of $0.40 per unit for gross proceeds of $1,470,400, and a non-brokered private placement of 1,787,500 units at a price of $0.40 per unit for gross proceeds of $715,000. Each unit consisted of one common share and one-half share purchase warrant of the Company. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.55 for a period of 24 months from closing.

(vii) The Company paid an aggregate cash finders' fee of $139,219 and incurred regulatory filing fees, legal fees and other expenses of $99,358 in connection with the December 2016 private placements;

(viii) On April 5, 2017, the Company completed a flow-through private placement of 3,415,390 flow-through shares at a price of $0.44 per share for gross proceeds of $1,502,772. A flow-through premium liability of $307,385 was recorded in connection with this private placement (Note 9);

(ix) On April 5, 2017, the Company also completed a non-brokered private placement of 1,310,857 units at a price of $0.35 per unit for gross proceeds of $458,800. Each unit consisted of one common share and one-half share purchase warrant of the Company. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.50 for a period of 24 months from closing.

The Company paid an aggregate cash finders' fee of $114,691 and incurred regulatory filing fees and other expenses of $17,356 in connection with the April 2017 private placements.

The Company also issued 70,071 share purchase warrants to certain finders. Each finder's warrant entitles the holder to purchase one common share of the Company at a price of $0.45 per share for a two-year period from closing. The finder's warrants were recorded at a fair value of $5,992;

(Expressed in Canadian Dollars, unless otherwise stated)

12. CAPITAL STOCK AND RESERVES (cont'd)

(b) Issued and outstanding (cont'd)

(x) 45,000 share options were exercised at a price of $0.23 per share, and 45,000 common shares were issued for total proceeds of $10,350. In addition, a reallocation of $46,902 from reserves to capital stock was recorded on the exercise of these options. This amount constitutes the fair value of options recorded at the original grant date and subsequent repricing;

(xi) The Company received the TSX-V approval for its new Normal Course Issuer Bid ("NCIB") application to purchase at market price up to 7,609,971 common shares, being approximately 5% of the Company's issued and outstanding common shares, through the facilities of the TSX-V. The bid commenced on August 2, 2016 and stayed open for 12 months;

(xii) The Company repurchased 581,000 of its common shares under the NCIB for total consideration of $187,951 at a weighted average price of $0.32 per share; and

(xiii) 215,000 common shares repurchased under the NCIB, of which 198,000 common shares were repurchased in fiscal 2016, were cancelled and returned to the Company's treasury in July 2016. Upon the cancellation, $136,956 was recorded as a reduction to capital stock for the assigned value of the shares, and $103,156 was allocated to reserves.

(c) Share options

The Company has adopted a 20% fixed share option plan whereby the Company has reserved 20,557,283 common shares under the plan. The term of any options granted under the plan is fixed by the Board of Directors and may not exceed ten years from date of grant.

The number of options granted to a consultant in a 12 month period must not exceed 2% of the issued shares of the Issuer from the date of grant. Options issued to consultants performing investor relations activities must vest in stages over 12 months with no more than 1/4 of the options vesting in any three month period. Share options granted to directors, officers and employees of the Company vest immediately.

Share option transactions are summarized as follows:

	Options Outstanding	Weighted Average Exercise Price
Outstanding, June 30, 2016	6,977,500	$ 0.32
Exercised	(45,000)	0.23
Granted	2,590,000	0.43
Cancelled	(440,000)	0.42
Outstanding, June 30, 2017	9,082,500	0.34
Exercised	(10,000)	0.23
Outstanding, September 30, 2017	9,072,500	$ 0.34

During the three months ended September 30, 2017, the Company recorded share-based compensation expense of $1,565 (2016 - $458,136) for the vested portion of the share options granted in previous periods. There were no stock option grants during the three months ended September 30, 2017.

(Expressed in Canadian Dollars, unless otherwise stated)

12. CAPITAL STOCK AND RESERVES (cont'd)

(c) Share options (cont'd)

Share options outstanding and exercisable at September 30, 2017 are summarized as follows:

Number of Options	Exercise Price	Expiry Date	Remaining Life of Options (Years)	Number of Options Exercisable
150,000	$ 0.39	February 8, 2018	0.36	150,000
50,000	$ 0.60	February 8, 2018	0.36	50,000
100,000	$ 1.05	February 11, 2018	0.37	100,000
50,000	$ 0.23	February 11, 2018	0.37	50,000
220,000	$ 0.25	October 31, 2018	1.08	220,000
150,000	$ 0.40	November 2, 2018	1.09	150,000
250,000	$ 0.40	February 1, 2019	1.34	250,000
125,000	$ 0.55	February 1, 2019	1.34	125,000
125,000	$ 0.70	February 1, 2019	1.34	125,000
50,000	$ 0.40	October 9, 2019	2.02	50,000
25,000	$ 0.63	January 15, 2020	2.29	25,000
30,000	$ 0.23	January 15, 2020	2.29	30,000
42,500	$ 0.23	November 8, 2020	3.11	42,500
545,000	$ 0.55	November 24, 2020	3.15	445,000
5,000	$ 0.23	November 24, 2020	3.15	5,000
600,000	$ 0.35	June 16, 2021	3.71	600,000
90,000	$ 0.40	November 2, 2021	4.09	90,000
1,290,000	$ 0.39	December 27, 2023	6.24	1,290,000
3,725,000	$ 0.23	April 10, 2025	7.53	3,725,000
1,450,000	$ 0.40	September 13, 2026	8.96	1,450,000
9,072,500	$ 0.34		6.06	8,972,500

(d) Warrants

Share purchase warrants transactions and warrants outstanding are summarized as follows:

	Warrants Outstanding	**Weighted Average Exercise Price**
Balance, June 30, 2016	1,250,000	$ 0.40
Granted (Note 12(b)(vi)(ix))	3,457,250	0.54
Balance, June 30, 2017	4,707,250	0.50
Expired	(1,250,000)	0.40
Balance, September 30, 2017	3,457,250	$ 0.54

(Expressed in Canadian Dollars, unless otherwise stated)

12. CAPITAL STOCK AND RESERVES (cont'd)

(d) Warrants (cont'd)

The following table summarizes the warrants outstanding at September 30, 2017:

Number of Warrants	Exercise Price	Expiry Date	Remaining Life of Warrants (Years)
2,731,750	$ 0.55	December 15, 2018	1.21
655,429	$ 0.50	April 12, 2019	1.53
70,071	$ 0.45	April 12, 2019	1.53
3,457,250	$ 0.54		1.28

(e) Reserves

	Note	Options and agent warrants	Finance warrants	Treasury shares	Total
Balance, June 30, 2016		$ 9,481,603	$ 2,204,276	$ 1,377,505	$ 13,063,384
Exercise of options		(46,902)	–	–	(46,902)
Finders' warrants		5,992	–	–	5,992
Share-based compensation		575,248	–	–	575,248
Cancellation of treasury shares		–	–	103,156	103,156
Balance, June 30, 2017		10,015,941	2,204,276	1,480,661	13,700,878
Exercise of options	12(b)(i)	(1,854)	–	–	(1,854)
Share-based compensation	12(c)	1,565	–	–	1,565
Cancellation of treasury shares	12(b)(iv)	–	–	103,156	103,156
Balance, September 30, 2017		$ 10,015,941	$ 2,204,276	$ 1,480,661	$ 13,700,878

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the three months ended September 30, 2017 included:

- exploration and evaluation assets of $115,609 (June 30, 2017 - $533,283) in accounts payable (Note 8);
- recovery of exploration and evaluation assets of $110,065 (June 30, 2017 - $Nil) in accounts receivable (Note 3);
- equipment and leasehold improvements of $2,500 (June 30, 2017 - $10,000) in accounts payable;
- depreciation of camp equipment and upgrades of $19,862 included in exploration and evaluation assets (Note 10);
- an allocation of $1,518 from reserves to capital stock upon the exercise of stock options (Note 12(b)(i));
- unrealized loss of $3,800 on marketable securities due to changes in fair value, which was allocated to AOCL (Note 5); and
- reclassification of previously recognized unrealized losses on marketable securities of $21,512 from AOCL to deficit (Note 5).

(Expressed in Canadian Dollars, unless otherwise stated)

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd)

Significant non-cash transactions for the three months ended September 30, 2016 included:

- exploration and evaluation assets of $6,419 (June 30, 2016 - $32,822) in accounts payable;
- depreciation of camp equipment and upgrades of $24,792 included in exploration and evaluation assets;
- unrealized loss of $27,927 on marketable securities due to changes in fair value, which was allocated to accumulated other comprehensive loss (Note 5); and
- allocation of $46,902 from reserves to capital stock upon the exercise of share options (Note 12(b)).

14. RELATED PARTY TRANSACTIONS

Key management personnel includes persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. Key management personnel comprise of the directors of the Company, executive and non-executive, and Vice President of Exploration.

The remuneration of the key management personnel during the three months ended September 30, 2017 and 2016 were as follows:

September 30,		2017		2016
Consulting fees (iv)		3,750		3,750
Directors fees (ii)		10,000		10,000
Exploration and evaluation expenditures (geological consulting) (v)		37,500		37,500
Management fees (i)		88,500		88,500
Other employment benefits (vii)		7,559		6,979
Share-based compensation (vi)		1,565		274,893
Total	$	148,874	$	421,622

Transactions with key management and other related party transactions:

(i) Pursuant to a management and administrative services agreement amended effective July 1, 2011 and May 1, 2014 with Varshney Capital Corp. ("VCC"), a company with two common directors, the Company agreed to pay management and administrative fees of $29,500 and $5,000, respectively.

During the three months ended September 30, 2017, the Company paid $88,500 (2016 – $88,500) for management fees and $15,000 (2016 – $15,000) for administrative fees to VCC;

(ii) the Company paid $10,000 (2016 - $10,000) in directors' fees to four directors of the Company;

(iii) the Company paid $3,750 (2016 - $3,750) for consulting fees to a company controlled by a director;

(iv) the Company paid or accrued exploration and evaluation costs of $37,500 (2016 - $37,500) for geological consulting fees to a company owned by an officer of the Company, of which $31,250 (2016 - $9,375) was capitalized as exploration and evaluation costs and $6,250 (2016 - $28,125) was expensed as consulting fees;

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

(vi) other employment benefits included life insurance and health benefits for the CEO and health benefits for the CFO of the Company.

15. CAPITAL MANAGEMENT

The Company's objectives of capital management are intended to safeguard the entity's ability to support the Company's normal operating requirement on an ongoing basis, continue the development and exploration of its mineral properties, and support any expansionary plans. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to be equity.

The Company's operations are currently not generating positive cash flow; as such, the Company is dependent on external financing to fund its activities. In order to carry out potential expansion and to continue operations, and pay for administrative costs, the Company will spend its existing working capital, and raise additional amounts as needed. Companies in this stage typically rely upon equity and debt financing or joint venture partnerships to fund their operations. The current financial markets are very difficult and there is no certainty with respect to the Company's ability to raise capital. However, the Company feels that it has sufficient working capital to continue with planned activities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company's overall strategy with respect to capital risk management remained unchanged during the three months ended September 30, 2017. The Company is not subject to any externally imposed capital requirements.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Cash, investments, and marketable securities are carried at fair value using a level 1 fair value measurement. The carrying value of receivables, loan receivable and trade payables and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

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 $1,541,644 and short-term investments in GICs with the fair value of $4,212,459. 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 and interest accrued on GIC investments. The recoverable expenses (Note 3) associated with the Pesika Creek crossing repair were collected subsequent to September 30, 2017.

The Company is exposed to higher credit risk on its loan receivable with the amortized balance of $110,986 (Note 4) as it is issued under unsecured promissory note.

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

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 September 30, 2017, the Company was holding cash deposits of $1,541,644 to settle current cash liabilities of $327,642. Subsequent to September 30, 2017, the Company raised $1,521,773 in the flow-through private placement financing (Note 17). 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, has exposure to these risks.

a. Interest Rate Risk

The Company is exposed to interest rate risk as its bank treasury account and other assets earn interest income at variable rates. The effect of a 10% fluctuation in interest rates may result in an increase or decrease in net loss of $4,400.

b. 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.

c. 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.

17. SUBSEQUENT EVENT

On November 3, 2017, the Company completed a flow-through private placement of 4,112,900 flow-through shares at a price of $0.37 per share for gross proceeds of $1,521,773. The Company paid 6% finders' fees of $91,306 in connection with the private placement. The Company intends to use the proceeds from the sale of the flow-through shares to finance exploration of the Company's Akie and Kechika Regional projects in British Columbia.