

CANADA ZINC METALS CORP.

(Formerly Mantle Resources Inc.)

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2008 and 2007
(UNAUDITED – PREPARED BY MANAGEMENT)

CANADA ZINC METALS CORP.
(Formerly Mantle Resources Inc.)

NOTICE OF NO AUDITOR REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited interim consolidated 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 interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditors.

November 28, 2008

CANADA ZINC METALS CORP.

(Formerly Mantle Resources Inc.)

CONSOLIDATED INTERIM BALANCE SHEETS
AS AT SEPTEMBER 30, 2008 AND JUNE 30, 2008

	September 30, 2008		June 30, 2008
	(unaudited)		(audited)
ASSETS			
Current			
Cash	\$ 1,204,270	\$	4,313,889
Receivables (Note 2)	1,568,543		281,628
Prepaid expenses	236,328		354,629
	3,009,141		4,950,146
Due from related parties (Note 5(c))	50,000		50,000
Other Assets	85,000		85,000
Equipment and leasehold improvements	10,107		11,085
Resource properties (Note 2)	48,819,766		43,958,327
	\$ 51,974,014	\$	49,054,558
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	\$ 4,603,217	\$	2,043,763
Due to related parties (Note 5(b))	10,500		956
	4,613,717		2,044,719
Future income taxes	102,589		102,589
Shareholders' equity			
Capital stock (Note 3(a))	54,356,255		54,356,255
Common stock subscribed (Note 3(b))	617,400		-
Contributed Surplus (Note 3(a))	7,435,554		7,252,237
Deficit	(15,151,501)		(14,701,242)
	47,257,708		46,907,250
	\$ 51,974,014	\$	49,054,558

Subsequent events (Note 6)

The accompanying notes are an integral part of these consolidated financial statements.

CANADA ZINC METALS CORP.

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CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(UNAUDITED – PREPARED BY MANAGEMENT)

	2008	2007
ADMINISTRATION EXPENSES		
Administration	\$ 15,000	\$ 15,000
Amortization	978	601
Interest and bank charges	593	1,204
Investor relations	14,000	160,880
Management fees	37,500	37,500
Office and miscellaneous	13,764	5,943
Professional fees (recovery)	20,048	(10,570)
Regulatory fees	765	200
Rent	14,200	14,556
Stock-based compensation	183,317	1,396,735
Transfer agent fees	3,192	3,866
Travel and promotion	27,807	22,509
Wages and benefits	147,072	61,939
Loss before other items	(478,236)	(1,710,363)
OTHER ITEMS		
Interest income	27,977	107,109
Loss for the period	(450,259)	(1,603,254)
Deficit, beginning of period	(14,701,242)	(11,549,463)
Deficit, end of period	\$ (15,151,501)	\$ (13,152,717)
Basic and diluted loss per share	\$ (0.01)	\$ (0.02)
Weighted average number of shares outstanding	69,105,118	65,396,498

The accompanying notes are an integral part of these consolidated financial statements.

CANADA ZINC METALS CORP.

(Formerly Mantle Resources Inc.)

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007
(UNAUDITED – PREPARED BY MANAGEMENT)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (450,259)	\$ (1,603,254)
Items not affecting cash:		
Amortization	978	601
Stock-based compensation	183,317	1,396,735
Changes in non-cash working capital items:		
Increase in receivables	(131,688)	(363,900)
Decrease in prepaid expenses	118,301	2,456
Increase (decrease) in accounts payable and accrued liabilities	(12,812)	(41,553)
Increase in due to related parties	9,544	–
Cash used in operating activities	(282,619)	(608,915)
CASH FLOWS FROM INVESTING ACTIVITIES		
Resource property costs	(3,444,400)	(4,438,994)
Cash used in investing activities	(3,444,400)	(4,438,994)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock, net of issuance costs	–	5,621,755
Common stock subscribed (Note 3(b))	617,400	–
Cash provided by financing activities	617,400	5,621,755
Increase (decrease) in cash and cash equivalents during the period	(3,109,619)	573,846
Cash and cash equivalents, beginning of period	4,313,889	9,148,681
Cash and cash equivalents, end of period	\$ 1,204,270	\$ 9,722,527
Cash and cash equivalents		
Cash	\$ 204,270	\$ 3,527
Guaranteed Investment Certificate	\$ 1,000,000	\$ 9,719,000

Supplemental disclosure with respect to cash flows (Note 4)

The accompanying notes are an integral part of these consolidated financial statements.

CANADA ZINC METALS CORP.
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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
(Unaudited – Prepared by Management)

1. BASIS OF PRESENTATION

These consolidated interim financial statements have been prepared using Canadian generally accepted accounting principles (Canadian GAAP). The consolidated interim financial statements include normal recurring adjustments, which in management's opinion, are necessary for a fair presentation of the financial results of the interim period presented.

The disclosures in these statements do not conform in all aspects to the requirements of Canadian GAAP for annual financial statements. These statements follow the same accounting policies and methods of their application as the most recent annual financial statements. These statements should be read in conjunction with the Company's June 30, 2008 consolidated financial statements and notes thereto.

2. RESOURCE PROPERTIES

Summary of expenditure incurred on various properties during the period ended September 30, 2008:

	Akie Property	DA	Kechika Regional	Total
Acquisition Costs:				
Balance, June 30, 2008	\$ 24,174,119	\$ 71,535	\$ 346,740	\$ 24,592,394
Additions	–	–	737	737
Balance, September 30, 2008	24,174,119	71,535	347,477	24,593,131
Deferred Exploration Costs:				
Balance, June 30, 2008	\$ 19,053,980	\$ 150,025	\$ 161,928	\$ 19,365,933
Additions:				
Geological Consulting	523,278	–	282,254	805,532
Drilling	3,666,992	–	–	3,666,992
Environmental studies	286,567	–	–	286,567
Road construction	1,063,250	–	193,588	1,256,838
Mining exploration tax credit	(1,155,227)	–	–	(1,155,227)
Balance, September 30, 2008	23,438,840	150,025	637,770	24,226,635
September 30, 2008	\$ 47,612,959	\$ 221,560	\$ 985,247	\$ 48,819,766

Title to resource properties 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 properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

The Company has qualified 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 by the Company. As at September 30, 2008, the Company recorded total METC of \$1,155,227 (2007 - \$Nil) in accounts receivable.

2. RESOURCE PROPERTIES (cont'd...)

DA Property, Northwest Territories

The Company holds an 8.2% interest, subject to a 5% gross overriding royalty (“GOR”) on diamonds, a 5% net smelter returns (“NSR”) royalty on other minerals, and a 10% net profits interest (“NPI”), in certain mineral claims located in the Northwest Territories. Pursuant to an amended and restated Mineral Property Option Agreement, dated August 30, 1998, the Company has the option to reduce the GOR and NSR interests to 2.25% and 2%, respectively, and eliminate entirely the NPI by completing certain share issuances and cash payments to the original property owner within 90 days of a production decision.

Akie Property, British Columbia

The Company owns a 100% interest in the Akie property, which resulted from Company expenditures and the acquisition of Ecstall Mining Corporation.

Kechika Regional, British Columbia

During fiscal 2007, the Company acquired the following properties pursuant to the acquisition of Ecstall Mining Corporation.

- Kechika South Properties, Omineca Mining Division. The Company owns a 100% interest in two properties,
- Kechika North Properties, Liard Mining Division. The Company owns 100% interest in three properties of which, certain claims are subject to a 0.5% net smelter royalty.

On May 8, 2007, the Company entered into an agreement with Dwayne Edward Kress pursuant to which the Company has acquired a 100% interest in mineral claims located in the Kechika mining division of British Columbia. As consideration for the claims, the Company paid \$5,000 in cash and issued 20,000 common shares of the Company.

On May 28, 2007, the Company entered into an agreement with 747080 B.C. Ltd and David Heyman pursuant to which the Company has acquired a 100% interest in mineral claims located in the Kechika mining division of British Columbia. As consideration for the claims, the Company paid \$20,000 in cash.

On April 30, 2008, the Company entered into an agreement with Jesse Otto pursuant to which the Company has acquired a 100% interest in mineral claims located in the Kechika mining division of British Columbia. As consideration for the claims, the Company paid \$10,500 in cash.

Mt. Alcock Property, British Columbia

The Company owns a 100% interest subject to a 1.0 % NSR, in the Mt. Alcock property. The Company paid \$75,000 and issued 100,000 shares on October 20, 2006 and issued 100,000 shares on July 6, 2007.

West Range Property, British Columbia

The Company owns a 100% interest in the West Range property which was earned by making a \$10,000 payment.

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3. CAPITAL STOCK

(a) Authorized and issued

	Number of Shares	Amount	Contributed Surplus
Authorized Unlimited common shares without par value			
Balance, June 30, 2008	69,105,118	\$ 54,356,255	\$ 7,252,237
Stock based compensation	–	–	183,317
Balance, September 30, 2008	69,105,118	\$ 54,356,255	\$ 7,435,554

(b) Common stock subscribed

During the period ended September 30, 2008, the Company announced a non-brokered private placement of 4,200,000 flow-through common shares at a price \$0.90 per share. At September 30, 2008, the Company received \$617,400 in common stock subscriptions for 686,000 units at a price \$0.90 per share for this financing.

(c) Stock options

The Company has adopted a 20% fixed stock option plan whereby the Company has reserved 13,522,821 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. Stock options granted to directors, officers and employees of the Company vest immediately.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2008	8,447,500	\$ 1.01
Cancelled	(555,000)	1.15
Balance, September 30, 2008	7,892,500	\$ 1.00

Stock options outstanding and exercisable at September 30, 2008 are summarized as follows:

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2008
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3. CAPITAL STOCK (cont'd...)

(c) Stock options (cont'd...)

Number of Shares	Exercise Price	Expiry Date	Exercisable
572,500	\$0.20	July 4, 2010	572,500
100,000	\$0.30	August 25, 2010	100,000
100,000	\$0.64	October 13, 2010	100,000
622,500	\$0.81	January 9, 2011	622,500
300,000	\$1.35	February 24, 2011	300,000
600,000	\$0.70	November 14, 2016	600,000
252,500	\$0.70	November 14, 2011	252,500
100,000	\$1.00	December 28, 2008	100,000
975,000	\$1.40	April 10, 2012	975,000
50,000	\$1.21	May 18, 2012	50,000
250,000	\$1.15	July 3, 2012	250,000
525,000	\$1.26	July 9, 2012	525,000
400,000	\$1.00	September 17, 2012	331,689
400,000	\$1.05	September 17, 2012	331,689
200,000	\$1.15	September 17, 2012	165,844
200,000	\$1.15	September 17, 2012	41,534
400,000	\$1.20	September 17, 2012	83,068
120,000	\$1.30	November 28, 2012	115,164
1,155,000	\$1.05	February 11, 2018	1,155,000
150,000	\$1.05	April 1, 2013	118,756
300,000	\$1.05	April 29, 2013	300,000
120,000	\$1.10	April 30, 2013	84,348
7,892,500			7,174,592

During the period ended September 30, 2008, under the fair value based method \$183,317 (2007 – \$1,396,735) in stock-based compensation expense was recorded in the statements of operations and deficit for stock options granted to directors, officers, employees and consultants of the Company.

The fair value of stock options used to calculate compensation expense has been estimated using the Black-Scholes option pricing model with the following assumptions:

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NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS
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3. CAPITAL STOCK (cont'd...)

(c) Stock options (cont'd...)

	2008	2007
Risk free interest rate	3.75%	4.63%
Expected dividend yield	0%	0%
Stock price volatility	123%	145%
Expected life of options	4.46 years	4.31 years

The weighted average fair value of options granted during the year ended September 30, 2008 is \$0.78 (2007 – \$1.05) per share.

(d) Warrants

As at September 30, 2008, the Company had outstanding share purchase warrants and agents' warrants, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
3,685,000	\$0.78	December 4, 2008
1,750,000	\$1.75	April 10, 2009

Warrant transactions and the number of warrants outstanding are as follows:

	Number of Shares	Weighted Average Exercise Price
Balance, June 30, 2008 and September 30, 2008	5,435,000	\$ 1.09
Number of warrants currently exercisable	5,435,000	\$ 1.09

4. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

September 30,	2008	2007
Cash paid during the period for interest	\$ –	\$ –
Cash paid during the period for income tax	\$ –	\$ –

Significant non-cash transactions for the period ended September 30, 2008 included:

- (a) Included in accounts payable is \$4,400,402 (2007 - \$2,356,050) in resource property expenditures.
- (b) Included in accounts receivable is \$1,155,227 (2007 - \$Nil) in METC credits.
- (c) Upon the issuance of common shares in consideration for the acquisition of resource properties, \$nil (2007 - \$55,000) was allocated to share capital.

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

(d) Upon the issuance of common shares pursuant to a take-over bid with Ecstall Mining Corp., \$nil (2007 - \$26,720) was allocated to share capital.

5. TRANSACTIONS WITH RELATED PARTIES

During the period ended September 30, 2008:

(a) the Company paid or accrued \$37,500 (2007 – \$37,500) for management fees and \$15,000 (2007 – \$15,000) for administrative fees to a company controlled by a director and an officer of the Company.

(b) the Company paid or accrued \$30,000 (2007 - \$28,804) for consulting and geological services fees, included in resource properties, to a company controlled by a director of the Company. As at September 30, 2008, \$10,500 (June 30, 2008- \$956) was due to this company. This amount was fully repaid subsequent to the period end.

(c) As at September 30, 2008, \$50,000 (June 30, 2008- \$50,000) was due from a director of the Company. This amount is unsecured, non-interest bearing, with no fixed terms of repayment.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

6. SUBSEQUENT EVENTS

Subsequent to the period ended September 30, 2008, the Company:

(a) completed a non-brokered private placement of 7,863,778 flow-through common shares at a price of \$0.90 per share, for gross proceeds of \$7,077,400.

The Company paid \$330,920 in cash as finder's fees and \$30,666 in regulatory costs on this private placement. The securities issued are subject to a four month hold period expiring February 3, 2009.

(b) granted an aggregate of 3,527,500 stock options to directors, officers, consultants and employees of the Company, exercisable for a period between five to ten years, at a price of \$0.25 per share.

(c) re-priced previously granted stock options to a number of employees and consultants to acquire 1,768,000 common shares at a price between \$0.70 per share and \$1.40 per share, expiring between January 9, 2011 and February 11, 2018, to \$0.25 per share.

(d) cancelled 12,000 stock options granted to a former employee at an average price \$0.76.