

**CANADA ZINC METALS CORP.**

**(Formerly MANTLE RESOURCES INC.)**

**MANAGEMENT DISCUSSION AND ANALYSIS**

Three months ended September 30, 2008 and 2007

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(Formerly Mantle Resources Inc.)

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## 1.1 Date

This Management Discussion and Analysis (“MD&A”) of Canada Zinc Metals Corp. (“Canada Zinc” or the “Company”) has been prepared by management as of November 28, 2008 and should be read in conjunction with the unaudited consolidated interim financial statements and related notes thereto of the Company for the three months ended September 30, 2008 and 2007 and with the audited consolidated financial statements and related notes thereto of the Company, as at and for the years ended June 30, 2008 and 2007, which were prepared in accordance with Canadian generally accepted accounting principles.

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. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

## 1.2 Over-all 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.

Pursuant to a special resolution passed by shareholders on February 15, 2002, the Company consolidated its capital on a one-new-for-eight-old basis and changed its name from Intertech Minerals Corp. to Mantle Minerals Inc. On April 25, 2002, the Company commenced trading on the TSX Venture Exchange (TSXV) under the symbol “MIN”. To date, the Company has not generated significant revenues from operations or recorded any cost of sales and as a result is considered to be in the development stage. The underlying value of the mineral properties and related deferred costs are entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and upon future profitable production.

Effective October 21, 2003, the Company was designated as inactive. The Company’s listing was transferred to the NEX Board of the TSX Venture Exchange (“Exchange”) and its tier classification was changed from Tier 2 to NEX in accordance with the revised policy 2.5 of the Exchange.

Effective September 22, 2004, the Company’s listing was transferred from NEX to the TSX Venture Exchange and the Company’s Tier classification was changed from NEX to Tier 2.

Effective October 18, 2005, the Company’s common shares commenced trading on the Frankfurt Stock Exchange under the trading symbol M9R, WKN-A0F7E1.

During fiscal 2006, the Company graduated to Tier 1 of the TSX Venture Exchange.

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Effective September 26, 2008, the Company changed its name from Mantle Resources Inc. to Canada Zinc Metals Corp. and commenced trading under its new name and symbol "CZX". There was no consolidation of share capital.

As at the date hereof, the Company has mining interests in properties located in British Columbia and Northwest Territories.

## **Akie Property, BC**

On August 23, 2005, the Company entered into an agreement with Ecstall Mining Corporation ("Ecstall"), pursuant to which the Company had been granted an option entitling it to earn a 65% interest in Ecstall's Akie property, located in northeastern British Columbia, approximately 260 kilometers north-northwest of the town of Mackenzie.

In consideration, the Company had to make staged cash payments totalling \$450,000 on or before June 21, 2008 (fully paid as of June 30, 2007) and incur a total of \$4,000,000 in exploration expenditures on or before August 31, 2008 (incurred as of June 30, 2007).

As per the original agreement, the Company was appointed operator of the Akie property until December 31, 2006 and was responsible for managing all work carried out on the Akie property. In return, the Company was paid an operator's fee. Ecstall had the right to become the operator of the Akie property commencing January 1, 2007, effective until the Company exercised the option.

The Company issued 150,000 shares as a finder's fee to a third party as per the terms of the agreement.

The Company acquired 100% of the issued and outstanding shares of Ecstall pursuant to a take-over bid made December 22, 2006, as amended by its Notice of Variation dated January 29, 2007 and Notice of Extension dated February 9, 2007. The conditions of its Offer were satisfied and the Company took up an aggregate of 53,533,615 shares of Ecstall which were validly tendered prior to the February 23, 2007 expiry date. Pursuant to the Offer, the Company issued and distributed to those shareholders who tendered, 0.41 of one share of the Company for each Ecstall share tendered.

The Company exercised its rights pursuant to compulsory acquisition procedures under the British Columbia Business Corporations Act to acquire, for the same consideration as that paid under the Offer, all of the remaining shares of Ecstall that were not tendered to the Offer. The Company now owns 100 % interest in the Akie property.

## *Akie Property Update*

Below is a progress report on exploration activities completed to September 30, 2008 on the Akie zinc-lead property.

A total of eleven drill holes were completed on the Cardiac Creek zinc-lead-silver deposit during the 2008 field season, for a total of 5,103.15 metres (NQ and HQ core).

The Company also completed 2 holes (1,114 metres) on the North Lead Anomaly, located some 2.3 kilometres northwest of the nearest drill hole to intersect CC zinc-lead-silver mineralization. These were designed to investigate the Gunsteel formation hosted massive sphalerite-galena-pyrite-barite mineralization encountered by Inmet Mining Corporation in 1996 (A-96-24: 11.60% zinc, 9.05% lead over 0.80 metres) and an associated 200 metre by 1000 metre lead-zinc anomaly in soil.

In addition, the Company completed construction of 8.72 km of mainline access road and 3.7 km of access trail on the Akie property. These roads will greatly improve access to the Cardiac Creek deposit for future exploration activities.

Other work over the reporting period involved the completion of a variety of base line studies and several First Nations meetings. The Akie zinc-lead property is situated within the southern-most part (Kechika Trough) of the regionally

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extensive Paleozoic Selwyn Basin, one of the most prolific sedimentary basins in the world for the occurrence of SEDEX zinc-lead-silver and stratiform barite deposits. Drilling on the Akie property by Inmet Mining Corporation during the period 1994 to 1996 and by Mantle in 2005, 2006 and 2007 has identified a significant body of baritic-zinc-lead SEDEX mineralization (Cardiac Creek deposit). The deposit is hosted by variably siliceous, fine grained clastic rocks of the Middle to Late Devonian 'Gunsteel' formation. Two similar deposits, Cirque and South Cirque, located some 20 kilometers northwest of Akie and owned under a joint venture by Teck Cominco and Korea Zinc, are also hosted by Gunsteel rocks and have a combined geologic inventory in excess of 50 million tonnes averaging approximately 10% combined zinc+lead.

On October 8, 2008, the Company reported on the first batch of assay results received from the 2008 drill program on the Cardiac Creek deposit.

Four of the reported holes are updip of previously completed holes and confirm that the deposit further extends for approximately 100 to 115 metres up-dip from holes A-06-37A (25.50 metres grading 10.08% combined zinc+lead), hole A-07-47 (13.83 metres grading 13.86% combined zinc+lead) and A-07-49 (15.89 metres grading 13.65% combined zinc+lead). The fifth hole, A-08-55, extends the known mineralization approximately 100 metres along strike to the southeast from hole A-06-41. The new information provided by these results indicates that the CC deposit is now at least 1 kilometre in length with a dip extent of approximately 600 metres.

Hole No.	From (m)	To (m)	Interval (m)	TW* (m)	Zinc %	Lead %	Silver (g/t)	Zn+Pb %
A-08-54	285.28	303.62	18.34	13.99	8.14	2.98	18.62	11.12
including	288.05	300.18	12.13	9.25	10.17	1.75	12.45	11.92
A-08-55	495.10	512.85	17.75	10.1	6.67	1.24	9.61	7.91
including	502.62	509.98	7.36	4.19	7.59	1.51	11.12	9.10
A-08-56	245.45	256.47	11.02	9.54	6.65	1.35	7.56	8.00
A-08-57	270.70	297.25	26.55	23.14	7.95	1.34	10.71	9.29
including	279.00	295.55	16.55	14.44	10.42	1.72	12.18	12.14
including	285.20	295.55	10.35	9.04	12.72	2.04	14.45	14.76
A-08-59	294.00	301.72	7.72	7.04	5.95	1.04	7.64	6.99

\* estimated true width is subject to later revision

## 2008 North Lead Anomaly Results

On November 18, 2008, the Company provided the following update on the 2008 exploration activities on the North Lead Anomaly.

Two holes were (A-08-62 and A-08-63) were completed to test the down-dip and up-dip extension, approximately 70 metres in each direction, of the massive sulphide mineralization observed in the 1996 Inmet hole. These holes did not encounter similar massive sulphide mineralization but three important conditions were observed:

1. Bedded pyrite, identical to that present in the hanging wall to the Cardiac Creek deposit and the 1996 Inmet hole, occurs in both of 2008 drill holes. These beds are highly anomalous in zinc, with values ranging from 0.1% to 0.65%, with grade generally increasing updip.
2. The mineralization present in the Inmet hole is closely associated with an underlying debris flow in which the carbonate fragments and matrix are replaced by pyrite, +/- sphalerite, +/- galena. A similar situation is observed in both of the 2008 holes, where zinc and lead values, which increase updip, are locally as high as 9.82% and 0.17%, respectively. Of particular interest is the presence of finely banded, pinkish sphalerite in the matrix of the second

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(updip) 2008 hole. These characteristics are also noted in several holes located at the northern end of the Cardiac Creek deposit. Such debris flows may reflect the presence of an underlying synsedimentary fault zone, a feature that is interpreted as a conduit for metal-bearing hydrothermal fluids.

3. Drill hole A-08-63 (the updip hole) encountered alteration, consisting of silicification and associated pyrite, that extends some 30 metres into the Road River footwall rocks before dissipating into localized patches. Locally, within this alteration, the rock is brecciated by sphalerite rich sulphide stringers that have returned zinc values of up to 8.48%. Alteration of this type is also noted in the higher grade parts of the Cardiac Creek deposit, particularly in the northwestern portion.

Features of the type noted above are commonly associated with vent complexes and underlying feeder zones of proximal facies sedimentary exhalative (SEDEX) zinc-lead deposits worldwide and suggest that a similar environment may exist in the northern portion of the Akie property. This premise is supported by the fact that lead/lead+zinc ratios in soil samples collected on the property exhibit higher values in this area. The importance of recognizing the vent zone in this type of deposit is that the zinc+lead grade is commonly highest at the transition between it and the laterally extensive bedded (or distal) ore facies.

## *Kechika Regional, BC*

During July to September, a regional exploration program was carried out in the area between the Akie Property and the Company's Mount Alcock Property, a distance of some 70 kilometres. Work consisted of data compilation, prospecting, geologic mapping, and silt and soil sampling. Several new mineral occurrences have been identified and initial soil sample results indicate the presence of at least one large, previously unknown lead-zinc anomaly.

## **DA Properties (Afridi Lake), NWT**

The Company beneficially owned an undivided 8.2% interest, subject, in part, to certain royalties and a royalty reduction option dated August 30, 1998, in twenty-four mineral claims and three mineral leases, known collectively as the Afridi Lake Property. The Afridi Lake Property is located southeast of Lac de Gras, some 40 km east of the Diavik Diamond Mine, approximately 335 km northeast of Yellowknife, Northwest Territories. The target mineral being sought on the property is diamond contained in kimberlite. To date, five kimberlite intrusions, with variable, but low diamond content, have been identified on the mineral leases.

On August 1, 2006, the Company entered into a joint venture agreement where by the Company holds 8.2% undivided interest in the mineral claims and three mineral leases, the latter subject to a 10% underlying NPI, a 5% GOR and a 5% NSR. 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. The other joint venture participants are Shear Minerals Ltd. (58.2%), the project operator, International Samuel Exploration Corp. (25.4%) and New World Resources Inc. (8.2%).

During April and May, 2008, Shear completed 12 holes (1741 m) to test 12 geophysical targets. Kimberlite was encountered in three holes, all of which tested targets in the vicinity of previously identified DA kimberlites. The results of caustic fusion analyses of the kimberlite for diamond content are awaited.

The following is a summary of expenditure incurred on various properties up to the period ended September 30, 2008:

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	Akie Property	DA	Kechika Regional	Total
<b>Acquisition Costs:</b>				
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
<b>Deferred Exploration Costs:</b>				
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
<b>September 30, 2008</b>	<b>\$ 47,612,959</b>	<b>\$ 221,560</b>	<b>\$ 985,247</b>	<b>\$ 48,819,766</b>

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.

## 1.3 Results of Operations

The following is a discussion of the financial condition, changes in financial condition and results of operations of the Company for the three months ended September 30, 2008 and 2007.

During the three months ended September 30, 2008, the Company reported a loss of \$450,259 or \$0.01 per share compared to a loss of \$1,603,254 or \$0.02 per share during the same period in fiscal 2008, a decrease in loss by \$1,152,995. The decrease in loss was primarily due to decreases in stock based compensation expense by \$1,213,418 and in investor relations fees by \$146,880.

Total interest income during the three months ended September 30, 2008 was \$27,977 compared to \$107,109 during the same period in fiscal 2008, a decrease in interest income by \$79,132.

Total administration expenses decreased by \$1,232,127 due to decreases in investor relations fees by \$146,880 and in stock based compensation expense by \$1,213,418, offset by increases in office and miscellaneous fees by \$7,821, professional fees by \$30,618, travel and promotion by \$5,298, and wages and benefits by \$85,133.

The decrease in investor relations by \$146,880 during the three months ended September 30, 2008 was a result of a decrease in investor relations services for the current period.

The increase in professional fees by \$30,618 during the period was a result of additional costs incurred in connection with a Company’s potential acquisitions of resource properties and a name change. During the three months ended September 30, 2007, the Company reclassified legal fees of \$35,469 previously accrued.

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Travel and promotion increased by \$5,298 due to various travel expenses incurred by directors for presentations and conferences arranged for various potential investors and site visits to the resource properties.

During the three months ended September 30, 2008, wages and benefits were \$147,072 compared to \$61,939 for the same period in 2007, an increase of \$85,133. During the second half of fiscal 2008, the Company added key personnel to enable it to execute its exploration plan. The salaries of these individuals are reflected in the income statement under this category.

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. The Company recorded stock compensation expense of \$183,317 for the three months ended September 30, 2008 as there were options granted. For the three months ended September 30, 2007, the Company recorded \$1,396,735 in stock compensation expense.

## 1.4 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 Income	Net Earnings (Loss)	Earnings (Loss) per share
September 30, 2008	\$ 27,977	\$ (450,259)	\$ (0.01)
June 30, 2008	70,384	884,600	0.01
March 31, 2008	52,147	(1,736,944)	(0.03)
December 31, 2007	80,347	(696,181)	(0.01)
September 30, 2007	107,109	(1,603,254)	(0.02)
June 30, 2007	77,003	244,797	0.00
March 31, 2007	64,281	(689,994)	(0.01)
December 31, 2006	43,119	(910,184)	(0.03)

Over the past eight fiscal quarters there have been no significant trends or variations except for the quarters ended June 30, 2008 and 2007. The decreases in loss for the June 2008 and 2007 quarters were mainly due to a future income tax recoveries of \$2,042,411 and \$1,646,250 respectively.

### 1.5/1.6 Liquidity and Capital Resources

The Company reported a working capital deficiency of \$1,604,576 at September 30, 2008 compared to a working capital of \$2,905,427 at June 30, 2008, representing a decrease in working capital by \$4,510,003. Net cash decreased by \$3,109,619 from \$4,313,889 at June 30, 2008 to \$1,204,270 at September 30, 2008.

During the period ended September 30, 2008, the Company utilized \$282,619 of its cash for operations and \$3,444,400 for deferred explorations of resource properties.

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.

Current assets excluding cash as at September 30, 2008 consisted of receivables of \$1,568,543, which consisted of GST

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recoverable of \$395,248, mineral exploration tax credit of \$1,155,227 and interest receivable of \$18,068, and prepaid expenses of \$236,328. Current assets excluding cash as at June 30, 2008 consisted of receivables of \$281,628 which consists of GST recoverable of \$201,476 and interest receivable of \$80,152 and prepaid expenses of \$354,629.

Current liabilities as at September 30, 2008 consisted of accounts payable and accrued liabilities of \$4,603,217 and amounts due to related parties of \$10,500. Current liabilities as at June 30, 2008 consisted of accounts payable and accrued liabilities of \$2,043,763 and amounts due to related parties of \$956.

The other sources of funds potentially available to the Company are through the exercise of outstanding stock options, share purchase warrants and brokers' 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 to earn an interest 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.

## **1.7 Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet arrangements.

## **1.8 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.



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## 1.9 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.

## 1.10 Proposed Transactions

No disclosure necessary.

## 1.11 Critical Accounting Estimates

Not applicable to Venture Issuers.

## 1.12 Changes in Accounting Policies including Initial Adoption

The financial information presented in this MD&A has been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Our significant accounting policies are set out in Note 2 of the audited financial statements of the Company, as at and for the years ended June 30, 2008 and 2007.

## 1.13 Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, amounts due from/to related parties, receivables, prepaid expenses and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of these financial statements approximate their carrying value, unless otherwise noted.

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## 1.14 Other Requirements

### Summary of outstanding share data as at November 28, 2008:

(1) Authorized: Unlimited common shares without par value

Issued and outstanding: 76,968,896

(2) Stock options outstanding: 11,408,000

(3) Warrants outstanding: 5,435,000

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](http://www.sedar.com).

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

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*"Peeyush Varshney"*

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Peeyush Varshney

Director

November 28, 2008