CANADA ZINC METALS CORP.

Interim MD&A - Quarterly Highlights
For the six months ended December 31, 2016 and 2015

The Quarterly Highlights of Canada Zinc Metals Corp. (the "Company" or "CZX") provide a summary of the activities, results of operations and financial condition of the Company as at and for the six months ended December 31, 2016. The Quarterly Highlights have been prepared by management as of February 27, 2017 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, 2016 and 2015, the audited consolidated financial statements and related notes thereto of the Company for the years ended June 30, 2016 and 2015, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), and the annual Management Discussion and Analysis ("MD&A") of the Company prepared by management as of October 25, 2016.

The Company is presently a "Venture Issuer", as defined in NI 51-102. The Company's stock is listed on the TSX Venture Exchange ("TSXV") trading under the symbol "CZX".

The Company operates in one business segment, that being the exploration and development of mineral properties in British Columbia, Canada. The Company owns 100% of eleven, large, contiguous property blocks that comprise the Akie and Kechika Regional projects.

The Company's flagship Akie Project is host to the Cardiac Creek deposit. Drilling on the Akie property by CZX since 2005 has identified a significant body of baritic zinc-lead-silver SEDEX mineralization known as the Cardiac Creek deposit. The deposit is hosted by siliceous, carbonaceous, fine-grained clastic rocks of the middle to late Devonian Gunsteel Formation.

The Kechika Regional Project includes the Pie, Yuen, Cirque East and Mt. Alcock properties extending northwest from the Akie property for approximately 140 kilometres along the strike of the highly prospective Gunsteel Formation shale; the main host rock for known SEDEX zinc-lead-silver deposits in the Kechika Trough of northeastern British Columbia.

Exploration updates

In May 2016, the Company announced a revised NI 43-101 compliant mineral resource for the Cardiac Creek deposit. This includes an indicated resource of 19.6 million tonnes grading 8.17% zinc, 1.58% lead, and 13.6 g/t silver (at a 5% zinc cut-off grade) and an inferred resource of 8.1 million tonnes grading 6.81% zinc, 1.16% lead and 11.2g/t silver (at a 5% zinc cut-off grade). The Company filed a revised NI 43-101 compliant technical report within the mandated 45-day period, as per Standards of Disclosure for Mineral Projects ("NI 43-101"). The technical report, entitled "NI 43-101 Technical Report Mineral Resource Estimate for the Akie Zinc-Lead-Silver Project, British Columbia, Canada" and dated May 16, 2016, can be found on SEDAR (www.sedar.com).

The Company plans on mobilizing two drills to the Akie property to complete an aggressive 7,500 metre diamond drill program for the 2017 exploration season. Approximately 5,000 metres of drilling will target the Cardiac Creek deposit with a focus on expanding the down-dip limits of the high-grade core of the deposit as well as other expansion targets down-dip and along strike. The remaining 2,500 metres of drill testing will be focused on infill targets across the deposit with the primary purpose of providing additional material for subsequent metallurgical lab testing.

Additional exploration drill targets will be assessed on the Akie property such as; the North Lead Zone where previous drilling has intersected extensive intervals of bedded pyrite mineralisation highly anomalous in zinc, alteration and a thin massive sulphide lens; the South Zinc Anomaly which is defined by a large (~2 kilometre by 500 metre) zinc in soil anomaly; and the Sitka showing located on the eastern edge of the Akie property that is characterized by a thick barite vein or bed hosting disseminated coarse grained galena and sphalerite. The diamond drill program is expected to start early June 2017 and continue through to end of September.

The Pie, Yuen and Cirque East properties (known as the "Pie Option properties") are the subject of an option agreement (the "Option Agreement") concluded on September 9, 2013 with Teck Resources Limited ("Teck") and its JV partner, Korea Zinc Co., Ltd. ("Korea Zinc"). The Option Agreement would see Teck and Korea Zinc spend up to $8.5 million to acquire up to 70% interest in the Pie Option properties.

Teck and Korea Zinc have spent approximately $3.04 million in exploration expenditures over the past three field seasons on the Pie Option properties. In accordance with the Option Agreement, Teck must spend an additional $0.46 million by the end of 2017 to exercise the "First Option" and earn Teck/Korea Zinc an undivided 51% interest in the Pie Option Properties. Upon exercising the First Option, Teck would have an additional option to acquire a further 19% interest in the properties for a total interest of 70%, by incurring an additional $5.0 million in exploration expenditures on or before December 31, 2019.

Teck and Korea Zinc have spent approximately $1.66 million for the recently completed 2016 exploration program on the Pie Option properties. Field work included mapping, prospecting, soil sampling and ground geophysics which continued to advance and refine ranked drill targets across the three option properties. A single drill hole was completed late in the season and encountered favorable Gunsteel shale stratigraphy approximately one kilometre west of previous historical drilling on the Pie Main prospect. The exploration program was based out of Teck's Cirque exploration camp situated on the banks of the Paul River and located approximately 20 kilometres northwest of the Company's flagship Akie property.

Additional results from the Pie Option exploration program include:

- A total of 21 geological/prospecting traverses covering key high-priority target areas on the Pie, Cirque East and Yuen properties.
- Geological mapping and prospecting identified new mineralisation located on the Cirque East property and associated rock and chip sampling characterized the lithogeochemistry of key rock units (114 whole-rock lithogeochemistry samples; 642 pXRF samples).
- The collection of 733 soil samples (including QA/QC samples) at three priority target areas confirmed the historical metal association of Zn-Pb+/-Ag and identified multi-element anomalies (Pb, Zn, +/-Ag+/-Hg+/-Tl+/-As+/-Mo) of interest.
- Successful execution of 10 ground gravity survey lines over targets at Yuen North, Yuen South, Cirque East, Pie Main and Del North. The results confirmed the validity of several small AGG anomalies.

Summary of exploration expenditures incurred on various properties to December 31, 2016:

	Akie Property	Kechika Regional	Total
Acquisition Costs:			
Balance, June 30 & December 31, 2016	$ 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	49,584	–	49,584
Camp rental	15,000	–	15,000
Engineering review	30,258	–	30,258
Geology	10,000	1,250	11,250
Environmental studies and permit compliance monitoring	5,430	–	5,430
Balance, December 31, 2016	$ 40,931,840	$ 4,632,793	$ 45,564,633
Total, June 30, 2016	$ 64,986,809	$ 4,968,328	$ 69,955,137
Total, December 31, 2016	$ 65,097,081	$ 4,969,578	$ 70,066,659

Exploration Objectives

Akie Project:

- Continue drill definition program to expand the known extent of the Cardiac Creek deposit; update the current geological and resource model to NI 43-101 standards with all new drill results; conduct metallurgical lab testing on 2017 Cardiac Creek drill core; and endeavor to complete a preliminary economic assessment of the Cardiac Creek deposit by the end of 2017.
- Continue to evaluate outlying coincident geological/geophysical/geochemical targets for drill target definition.
- Complete follow-up assessment of airborne gravity anomalies from the 2015 geophysical survey on Akie.
- Continue to refine the design and costs of the planned underground exploration program. The underground exploration permit remains in good standing until December 2017. The underground exploration program was conceived in order to allow tightly-spaced infill drilling from an underground decline in order to upgrade the current mineral resource to the Indicated and Measured levels of confidence. This would provide sufficient data for a pre-feasibility level of economic assessment of the ore body to be completed and investigate future viability of bulk sampling and mining.
- Continue environmental baseline sampling as required to maintain all related exploration permits in good standing.

Kechika Regional Project:

- Continue regional synthesis of all historical and modern exploration data to assist with gap analysis and drill target definition.
- Complete follow-up assessment of airborne gravity anomalies from the 2015 geophysical survey on Mt. Alcock and Yuen North.
- Continue to evaluate high priority greenfield targets.
- Refine target selection to identify drill targets.
- Maintain current drill permits in good standing.

Kechika Regional Project (Pie Option Properties):

- Continue to work closely with Teck to review and advise on plans for ongoing exploration on the properties.
- Monitor field exploration results and expenditures and option agreement commitments.
- The next planned phase of exploration on the optioned properties is expected to include continued drill testing of the highest priority targets.

Financing activities

During the six months ended December 31, 2016, the Company completed a brokered private placement led by Cormark Securities Inc. on behalf of a syndicate of agents including Echelon Wealth Partners Inc. The Company issued 3,676,000 units of the Company at a price of $0.40 per unit for gross proceeds of $1,470,400. 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.

Concurrently, the Company completed a non-brokered non-flow-through private placement of 1,787,500 units at a price of $0.40 per unit for gross proceeds of $715,000. The units issued under the non-brokered offering have the same terms as the units of the brokered private placement. The net proceeds from the sale of the units will be used to fund the exploration and development of the Company's mineral properties in British Columbia, Canada and for general corporate and working capital purposes.

The Company also 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. The gross proceeds received from the sale of the flow-through shares will be used to incur Canadian Exploration Expenses that are "flow-through mining expenditures" (as such terms are defined in the Income Tax Act Canada) on the Company's properties in British Columbia, which were renounced to the subscribers with an effective date of December 31, 2016.

Other significant events and transactions for the six months ended December 31, 2016 and up to the date of these MD&A:

- Miller Thompson LLP. was appointed as legal counsel of the Company effective July 1, 2016. The Company's registered and records office has changed to Suite 1000-840 Howe St., Vancouver, BC V6Z 2M1;
- the Company filed an Annual Information Form ("AIF") for the financial year ended June 30, 2016 on SEDAR (www.sedar.com);
- the Company cancelled and returned to its treasury 215,000 common shares of the Company, of which 198,000 were repurchased prior to June 30, 2016;
- the Company received TSXV 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 TSXV. The bid commenced on August 2, 2016 and will stay open for another 12 months;
- the Company entered into an agreement with Paradox Public Relations Inc. ("Paradox") to provide investor relations services. Paradox will focus on developing and expanding the Company's communications with the investment community through a comprehensive investor relations program. Under the terms of the contract, the Company will pay Paradox $5,000 per month and reimburse Paradox for certain pre-approved expenses. Both parties can cancel at any time by giving a 30 day notice in writing.
- the Company advanced $100,000 to a private company located in Ontario under a promissory note bearing interest at a rate of 10% per annum for a period of 6 months;
- the Company granted a total of 2,090,000 share options to directors, officers, employees and consultants of the Company, exercisable at an average price of $0.41 per share;
- 45,000 of the previously granted share options were exercised by a former employee of the Company at a price of $0.23 per share, and 45,000 common shares were issued for total proceeds of $10,350; and
- the Company granted incentive stock options to a consultant to purchase 500,000 common shares in the capital stock of the Company with the following exercise terms:
    - 250,000 exercisable at a price of $0.40 per share until February 1, 2019;
    - 125,000 exercisable at a price of $0.55 per share until February 1, 2019; and
    - 125,000 exercisable at a price of $0.70 per share until February 1, 2019.

Results of Operations

Six Months Ended December 31, 2016 and 2015

During the six months ended December 31, 2016, the Company reported a net loss before comprehensive loss of $1,686,799 or $0.011 per share compared to a net loss before comprehensive loss of $2,176,564 or $0.014 per share during the same period last year, a decrease in net loss of $489,765. Total general and administration expenses increased by $1,012,225 over the comparative periods primarily due to higher share-based compensation, marketing expenses and consulting fees incurred in the current fiscal period. The higher net loss recorded during the six months ended December 31, 2015 was primarily a result of a write-off of marketable securities of $1,071,485 and loss on sale of marketable securities of $578,629.

The Company's consolidated net loss for the six months ended December 31, 2016 not factoring in non-cash transactions of share-based compensation expense, depreciation of office equipment and leasehold improvements, loss on sale of marketable securities, write-offs and deferred income tax recovery of flow-through liabilities, was $1,150,728 (2015 - $652,542), representing an increase of $498,186.

Interest income and other items

The Company receives interest on its main treasury account and GIC investments. Interest income in the comparative periods decreased by $11,399 due to lower balances of deposits and investments.

During the six months ended December 31, 2015, the Company:

- recognized a loss of $578,629 on sale of marketable securities for total proceeds of $4,105. The loss included a reclassification of accumulated previously unrealized losses of $569,834 from Accumulated Other Comprehensive Losses account ("AOCL") to Deficit;
- wrote-off holdings in one of its investments with original cost of $1,071,485. The write-off included a reclassification of accumulated previously recorded unrealized losses of $1,047,765 from AOCL to Deficit; and
- recognized a deferred tax recovery of $136,725 as a result of amortization of the flow-through premium liabilities recorded in connection to the October 2014 financing after incurring the required qualifying exploration expenditures of $1,618,821 in fiscal 2015.

There were no similar transactions recorded during the six months ended December 31, 2016.

General and Administration Expenses

The following transactions contributed to the increase in operating expenses by $1,012,225 during the six months ended December 31, 2016 as compared to the same period of the previous fiscal year:

- Accrual of bonuses in the amount $89,198 (2015 - $11,900) to a company with common directors and officers;
- Consulting fees increased by $235,001 as a result of financial advisory services retained during the period. In addition, $62,500 (2015 - $18,125) was allocated to this expense category for geological consulting services provided by the VP of Exploration of the Company.
- Investor relations fees increased by $32,889 as a result of the investor relations services contract with Paradox dated August 8, 2016. The Company also paid $10,000 (2015 - $Nil) for the arrangement of investor meetings in Europe.
- Marketing expenses increased by $116,536 as a result of advertisement and marketing campaigns conducted to increase investor interest in the Company.
- Office and miscellaneous expenses increased by $8,121 due to increases in telephone and internet expenses, printing costs for presentation materials and donations to charitable events.
- Professional fees increased by $14,288 due to legal fees associated with the preparation and filing the Company's AIF.
- Regulatory fees increased by $4,370 as a result of the AIF-related regulatory filing fees.
- Travel and promotion increased by $29,314 as a result of an increased number of senior management trips to Toronto, Montreal and Europe for investor presentations.
- Share-based compensation expenses increased by $526,642 as a result of the new share option grants. During the six months ended December 31, 2016, the Company granted an aggregate of 2,090,000 share options to directors, officers, employees and various consultants of the Company, of which 1,690,000 options vested immediately. The Company recorded share based compensation expenses of $534,180 (2015 - $7,538) for the vested portion of the options granted during the period. Share-based compensation expense recorded in the comparative period of the previous fiscal year was significantly lower as there were no options granted during that period.

There were no significant variations in other operating expenses, and no changes in management, administrative and directors' fees during the comparative periods.

Rent expense decreased by $7,871 as the Company discontinued a separate rental arrangement for a geologists' office effective August 1, 2016.

Wages and benefits decreased by $23,931 as a result of lower salary expenses and a reduction in health benefits premiums.

Three Months Ended December 31, 2016 and 2015

During the three months ended December 31, 2016, the Company reported a net loss before comprehensive loss of $692,470 or $0.005 per share compared to a net loss before comprehensive loss of $1,995,165 or $0.013 per share during the comparative quarter of the prior fiscal year, a decrease in net loss of $1,302,695. The higher loss recorded for the quarter ended December 31, 2015 was primarily a result of the write-off of marketable securities of $1,071,485 and loss on sale of marketable securities of $578,629.

The total general and administration expenses increased by $344,024 for the comparative quarters largely due to increases in bonuses of $77,298, consulting fees of $90,955, investor relations of $14,316, marketing expenses of $73,002, office and miscellaneous of $7,453, professional fees of $14,288, regulatory fees of $5,695, share-based compensation of $72,275 and travel and promotion of $19,295, partially offset by decreases in rent expenses of $4,835 and wages and benefits of $27,056.

The Company spent additional funds during the quarter on promotional and marketing activities, financial advisory and investor relations services as well as regulatory, transfer agent and legal fees associated with the private placements and the AIF filings.

Liquidity and capital resources

The Company's working capital position remains strong with cash of $3,729,985 and GIC investments with a fair value of $4,018,849 as at December 31, 2016. Management believes that the Company has sufficient funds to meet its current obligations as they become due and to fund its exploration projects and administrative overhead for the next twelve months.

At December 31, 2016, the Company reported working capital of $7,858,329 compared to working capital of $6,589,784 at June 30, 2016, representing an increase in working capital of $1,268,545.

During the six months ended December 31, 2016, the Company used $1,255,380 of its cash in operating activities compared to $665,498 in the comparative period of the previous year. The main cause of this change was higher net loss during the period.

During the six months ended December 31, 2016, net cash used in investing activities was $125,937 compared to $3,152,940 in the comparative period of the previous year. The exploration expenditures during the period were $92,850 compared to $2,031,775 last year. In addition, $38,334 (2015 - $110,964) was used for the purchase of marketable securities and $100,000 (2015 - $Nil) was advanced under a promissory note. The Company received interest of $30,247 on the maturity of its GIC investment (2015 – net out-flow of $975,988) and a refund of its exploration deposit of $75,000 (2015 - $Nil) from the camp service provider. There were no purchases of camp or office equipment during the six months ended December 31, 2016 (2015 - $34,213).

During the six months ended December 31, 2016, the Company raised $2,795,676 through the private placements, of which $610,276 is committed to flow-through agreements with investors, and paid the share issuance costs of $238,577 in connection with the private placements. Other financing activities during the period included the exercise of 45,000 share options by a former employee of the Company for gross proceeds of $10,350 (2015 - $Nil), and purchase of 27,000 common shares of the Company for a total of $6,950 (2015 - $19,667) with a weighted average price of $0.21 per share under its NCIB.

The Company's current assets excluding cash consisted of the following:

	December 31, 2016	June 30, 2016
Government Sales Tax credits	$ 34,287	$ 14,303
Interest accrued on reclamation deposits	1,292	338
Prepaid expenses	210,953	54,419
Loan receivable including interest	102,658	–
Marketable securities at fair value	115,279	90,400
GIC investments	4,018,849	4,019,351

Prepaid expenses include consulting fees of $166,667 associated with a one-year media and advertisement consulting services agreement commenced on November 1, 2016. The Company paid $200,000 plus GST in advance in connection with the above agreement.

The $100,000 loan receivable was advanced under a promissory note bearing interest at a rate of 10% per annum for a period of 6 months.

The Company holds two GIC investments with the principal amounts of $4,000,000 yielding average fixed interest rates of 1.3%, one of which is non-redeemable until June 1, 2017.

Current liabilities as at December 31, 2016 consisted of trade payables and accrued liabilities of $102,442 (June 30, 2016 - $139,130), due to related parties of $110,999 (June 30, 2016 - $Nil) and flow-through premium liability of $140,833 (June 30, 2016 - $Nil) recorded in connection with the December 2016 flow-through private placement. The flow-through premium liability does not represent cash liability to the Company and will be fully amortized when the Company incurs qualifying flow-through exploration expenditures of $610,276.

The other sources of funds potentially available to the Company are through the exercise of outstanding stock options and share purchase warrants that are summarized below. 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, including price risk with respect to commodity and equity prices. 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. For further discussion of financial risks, please refer to Note 16 of the condensed consolidated interim financial statements for the six months ended December 31, 2016 and 2015.

Transactions with related parties

The remuneration of the key management personnel during the six months ended December 31, 2016 and 2015 was as follows:

December 31,		2016		2015
Bonuses (iii)	$	89,198	$	11,900
Consulting fees (iv)		7,500		7,500
Directors fees (ii)		20,000		20,000
Exploration and evaluation expenditures (geological consulting) (v)		75,000		75,000
Management fees (i)		177,000		177,000
Other employment benefits (vii)		13,958		15,039
Share-based compensation (vi)		278,678		7,538
Total	$	661,334	$	313,977

(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, Peeyush Varshney and Praveen Varshney, the Company agreed to pay management and administrative fees of $29,500 and $5,000, respectively.

During the six months ended December 31, 2016, the Company paid $177,000 (2015 – $177,000) for management fees and $30,000 (2015 – $30,000) for administrative fees to VCC;

(ii) the Company paid $20,000 (2015 - $20,000) in directors' fees to four directors of the Company- John Thomas, Marco Strub, Peeyush Varshney and Praveen Varshney;

(iii) the Company accrued $89,198 (2015 - $11,900) in bonus to VCC;

(iv) the Company paid $7,500 (2015 - $7,500) for consulting fees to Sircon AG, a company controlled by Marco Strub, a director of the Company;

(v) the Company paid $75,000 (2015 - $75,000) for geological consulting fees to Ridgeview Resources Ltd., a company controlled by Ken MacDonald, VP of Exploration of the Company, of which $12,500 (2015 - $56,875) was capitalized as exploration and evaluation costs and $62,500 (2015 - $18,125) was expensed as consulting fees;

(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; and

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

As at December 31, 2016, $21,801 (June 30, 2016 - $Nil) was due to the CEO and President of the Company for reimbursement of business expenses, and $89,198 (June 30, 2016 - $Nil) was due to VCC. The amounts were paid subsequent to December 31, 2016.

Summary of outstanding share data as at February 27, 2017:

(1)	Authorized: Unlimited common shares without par value	
(2)	Issued and outstanding:	158,881,536
	Less treasury shares:	(10,000)
(3)	Share options outstanding:	9,282,500
(4)	Warrants	3,981,750

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