CANADA ZINC METALS CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2010

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 February 28, 2011 and should be read in conjunction with the unaudited interim consolidated financial statements and related notes thereto of the Company for the six months ended December 31, 2010 and 2009 and with the audited consolidated financial statements and related notes thereto of the Company, as at and for the years ended June 30, 2010 and 2009, 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.

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

Akie Property, Kechika Trough District, BC (zinc, lead, silver)

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

The Akie zinc-lead property is situated within the southern-most part (Kechika Trough) of the regionally 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 Canada Zinc since 2005 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.

In the spring of 2008 the Company engaged Rob Sim and Donald G. MacIntyre to evaluate, calculate and produce a 43-101 compliant resource figure on the Cardiac Creek deposit. This technical report entitled "Geology, Diamond Drilling and Preliminary Resource Estimation, Akie Zinc-Lead-Silver Property, Northeast British Columbia, Canada", which can be found on SEDAR (www.sedar.com), outlined a resource figure of 23.595Mt grading 7.60% zinc, 1.50% lead, and 13.0g/t silver.

The primary objectives of the 2008 drill program were to determine both the updip and on-strike extent of the Cardiac Creek Deposit as well as other key targets within the deposit. 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 following is a summary of drilling results from the 2008 drilling program. Hole A-08-58 yielded an interval of 20.19 metres grading 9.35% zinc +lead (including 8.5 metres grading 11.67% zinc+lead). This intercept indicates that mineralization is still open in an updip direction from this hole. Holes A-08-64 (11.12 metres grading 9.03% zinc+lead) and A-08-66 (which includes 8.23 metres grading 6.96% zinc+lead) tested the southeastern extension of the deposit – these results are highly encouraging as they validate that mineralization remains open in this direction. Hole A-08-65 contains several high grade intervals (including 10.78 metres grading 13.07% zinc+lead) that confirm both the thickness and high grade of the Cardiac Creek deposit to the northwest. The high grade in hole A-08-60A (5.19 metres of 14.00% zinc+lead) supports the interpretation of a high grade core continuing to the northwest direction and highlights the value of some further drilling in this open area. In summary, the drilling completed to date indicates a strike length potentially exceeding 1 kilometer and a dip extent exceeding 550 metres.

In addition, the Company completed construction of approximately 14.5 km of mainline access road and 3.7 km of access trail on the Akie property. These roads have greatly improved 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.

On November 18, 2008, the Company provided an update on the 2008 exploration activities on the North Lead Anomaly located at the northern end of the Akie property. The following is a summary of results on this target.

Two holes (A-08-62 and A-08-63) were completed testing the downdip and updip extension, approximately 70 metres in each direction, of the massive sulphide mineralization observed in the 1996 Inmet hole. For both of the holes, 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, colloform, pinkish sphalerite in the matrix of the second (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 syn-sedimentary fault zone, a feature that is interpreted as a conduit for metal-bearing hydrothermal fluids.

About the North Lead Anomaly: This feature, located some 2.3 km northwest of the nearest drill hole to penetrate the Cardiac Creek deposit, is considered to be the highest priority target on the Akie property due to the mineralization encountered in a 1996 drill hole (Inmet; 11.60% zinc and 9.05% lead over an interval of 0.80 metre) within a geologic environment similar to that at Cardiac Creek. Pyritic sulphide mineralization, hosted by Gunsteel shale, is positioned stratigraphically above a debris flow in which the fragments and matrix have been locally replaced by pyrite, sphalerite and galena. This, combined with the presence of quartz-carbonate alteration in the underlying Road River Group footwall rocks and widespread high lead/zinc ratios in samples of the overlying soil, are supportive of the presence of a hydrothermal feeder zone/vent complex in the area. Worldwide, SEDEX mineralizing centers such as this exhibit higher grade mineralization at the transition between the vent complex and the laterally extensive bedded ore facies.

The 2009 summer exploration program on Akie property focused on detailed geologic mapping in the general vicinity of the North Lead Anomaly. This mapping has provided important information on the distribution of geological units in this highly prospective area, including identification of carbonate outcrops which, along with a nearby iron seep, indicate proximity to shale (Gunsteel)-carbonate contact, a key stratigraphic marker horizon. The zinc-lead mineralization in both the Cardiac Creek deposit and the North Lead Anomaly occurs in Gunsteel shale at, or close to, the contact with carbonate rocks.

In addition to the mapping, a small program of prospecting and silt sampling was carried out in the southeast corner of the Akie property to follow-up a highly anomalous (18,500 ppm zinc, 100 ppm lead) silt sample collected by a previous operator (1978) at the southeast end of the South Zinc Anomaly (+2,000 ppm zinc; 200 to 500 metres wide by 2 km long). This work yielded anomalous (to >3,000 ppm) zinc values from silts from four widely spaced creeks in the area, confirming the earlier result. The South Zinc Anomaly, which is underlain by Gunsteel formation/Pinstripe shale, remains as a high priority exploration target.

2010 Diamond Drill Program – Akie Property

Objectives of the 2010 drilling program focused on two property scale targets, the NW Extension and North Lead Anomaly. Drilling the NW Extension tested the potential NW strike extension of the Cardiac Creek deposit within the prospective Gunsteel Formation shales while drilling on the North Lead Anomaly continued to explore its potential, located approximately 2km northwest along strike of the deposit. In addition to these targets, drilling continued to test the Cardiac Creek deposit.

A total of 11 diamond drill holes (6,124.51 metres) were completed in 2010. Of these, 4 holes (1,464 metres) tested the NW Extension target while a further 4 holes (2,584.79 metres) continued to test the highly prospective North Lead Anomaly with the remaining 3 holes (2,075.72 metres) tested the Cardiac Creek deposit. All drill holes have intersected mineralized shales of the Gunsteel Formation, the primary host of the Cardiac Creek deposit. The sulphide mineralization occurs at the same stratigraphic horizon as the deposit.

Highlights:

Cardiac Creek Deposit
- 3 drill holes totaling 2,075.72 metres intersecting the following
- 9.82 metres of 7.69% zinc+lead and 9.67 g/t silver,
- 3.04 metres of 9.58% zinc+lead and 15.42g/t silver, and
- 12.53 metres of 12.42% zinc+lead and 18.72g/t silver.

NW Extension
- 4 drill holes totaling 1,464 metres intersecting the following,
- Intersected Proximal style bedded pyrite mineralization 800 metres along strike from the Cardiac Creek deposit
- Discovery of new style of mineralization that included 1.17 metres of 2.69% zinc, 0.60% nickel and 4.4 g/t silver
- This new mineralization is anomalous in gold, lead, copper, molybdenum, antimony, phosphorus, vanadium, thallium and other elements

North Lead Anomaly
- 3 drill holes totaling 2,584.79 metres intersecting the following,
- Large intersections of bedded pyrite mineralization anomalous in zinc containing
- 2.02 metres of 1.52% zinc+lead and 5.4 g/t silver.
- Mineralization suggests the presence of another zinc rich sulphide system on the Akie property.

Cardiac Creek Deposit

Three drill holes (2,075.72 metres) tested priority targets along the northwest edge and central area of the Cardiac Creek deposit, all encountering variable widths of Cardiac Creek style lead-zinc sulphide mineralization.

DRILL HOLE	WIDTH (m)	ZINC (%)	LEAD (%)	SILVER (g/t)	Zn+Pb (%)
A-10-73B	22.79	8.34	1.69	16.03	10.03
Including	12.53	10.30	2.12	18.72	12.42
A-10-74	17.56	5.70	0.89	8.52	6.59
Including	9.82	6.61	1.08	9.67	7.69
A-10-75	6.65	5.89	1.10	10.78	6.99
Including	3.04	8.08	1.50	15.42	9.58
And	24.70	2.10	0.24	4.19	2.34

NW Extension Target

Drilling on the NW Extension was designed to test the (NW) strike extent of the Cardiac Creek deposit . Four drill holes (A-10-69, A-10-69A, A-10-71, A-10-72) were completed on approximate 400 metre centers totaling 1,464 metres. All four drill holes intersected variable widths of laminated to thickly bedded pyrite mineralization interbedded with nodular to massive beds of barite and Gunsteel Formation shale. This mineralization occurs at the same stratigraphic position as the Cardiac Creek deposit. Results from three of these drill holes (A-10-69A, A-10-71, A-10-72) returned highly anomalous values of zinc ranging from >1000 ppm to >5000 ppm zinc. The fourth drill hole, A-10-69, intersected 18.47 metres of thickly bedded pyrite and minor sphalerite (zinc sulphide) of identical style and character as the Cardiac Creek deposit.

In addition to the mineralization encountered within the Gunsteel Formation shales, drill hole A-10-72 also intersected a 1.17 metre wide sulphide-replaced section of interpreted debris flow. The sulphides are predominantly pyrite with crosscutting sphalerite stringers. The results of this interval are outlined in the table below.

DRILLHOLE	WIDTH (m)	ZINC (%)	NICKEL (%)	SILVER (g/t)
A-10-72	1.17	2.69	0.60	4.4

This interval is also anomalous in gold, lead, copper, molybdenum, antimony, phosphorus, vanadium, thallium and other elements. This mineralization appears to be a unique occurrence within in the Kechika Trough. The character and elemental enrichment suggest possible similarities to the zinc-nickel-PGE mineralization of the Nick deposit in the Yukon.

The results from the NW Extension target are encouraging, indicating that mineralization of similar character and style exists approximately 800m along strike from the Cardiac Creek deposit and the possible discovery of a new style of mineralization.

North Lead Anomaly

The drilling on the North Lead Anomaly continued to test the mineralization encountered in the 2008 Canada Zinc Metals and 1996 Inmet Mining drill holes. Four drill holes (A-10-67, A-10-68, A-10-70, and A-10-76) were completed totaling 2,584.79 metres. All drill holes intersected variable widths of thinly to thickly bedded pyrite mineralization with minor sphalerite (zinc sulphide) however, A-10-68 and A-10-76 interesect significant 125+ metre intervals of interbedded Gunsteel Formation shale and thickly bedded pyrite mineralization discovered 100 metres along strike, northwest of the 2008 drill holes . This mineralization occurs at the same stratigraphic position and is similar in character to that of the pyrite mineralization closely associated with the Cardiac Creek deposit.

Results from three of these drill holes (A-10-67, A-10-68, , A-10-76) returned consistently highly anomalous zinc values ranging from >1000 ppm to >70000 ppm In addition to anomalous zinc values, drill hole A-10-68 included an interval of higher grade zinc outlined in the table below.

DRILL HOLE	WIDTH (m)	ZINC (%)	LEAD (%)	SILVER (g/t)	Zn+Pb (%)
A-10-68	2.02	1.47%	0.045	5.4	1.52

The results from the North Lead Anomaly are extremely positive, suggesting that another Zn-rich sulphide system is present on the Akie property.

An analysis of the drill hole data in conjunction with the geology, surface sampling and other pertinent geological data is underway in order to to determine future drill targets on the Cardiac Creek deposit as well as the North Lead Anomaly and NW Extension targets.

Geotechnical Program

A geotechnical program was completed in October 2010 at several key sites near the Cardiac Creek deposit to gather engineering data in support of planned underground development to facilitate diamond drilling. Geotechnical engineering assessments were completed at the planned waste rock dump site and along the access to the planned portal. A portion of the lower access road was constructed to provide tracked access for a drill and an excavator.

Preliminary engineering designs have been prepared for the portal, decline, laydown area, dump site, settling pond and lower access. Continuation of the geotechnical program in the spring of 2011 (Phase Two) will provide detailed design criteria for ground support for the portal and the decline. The assessment and design data will support a permit application which anticipated to be complete and ready for submission to the BC government at the end of April. Subject to approval, underground construction anticipated to commence in the summer of 2011.

Underground access will allow drilling of relatively short drill holes for deposit definition and at a drill density required to define an indicated resource necessary for the preparation of a prefeasibility study. Underground sampling will also increase the level of confidence of the current resource estimate and provide important mine design and metallurgical data. Underground drilling is essentially unaffected by weather and will allow operation throughout the year. Underground development will initially be confined to the footwall of the deposit, with future upgrade possible for the removal of a bulk ore sample, which would provide data for pilot plant test work and marketability studies.

Kechika Regional

In addition to the Akie property, the Company controls a large contiguous group of claims, some 130 km long, which comprise the Kechika Regional project. These claims are underlain by similar geology to that on the Akie property (Cardiac Creek deposit) and Cirque. This project includes the 100% owned Mt. Alcock property, which has yielded a historic drill intercept of 8.8 metres grading 9.3% zinc+lead, numerous zinc-lead-barite occurrences, and several regional base metal anomalies.

The 2009 Kechika regional program was largely directed towards the Pie, Yuen Extension and Yuen claims that extend northwestward from the Akie Property for a distance of some 30 km. These properties encompass the highly prospective geological package(s) of Middle to Late Devonian fine grained sediments (Gunsteel Formation) and associated carbonate rocks that host both the Company's Cardiac Creek deposit and the nearby Cirque deposits owned by Teck Resources and Korea Zinc. Exploration on the Pie property resulted in identification of two new, significant mineral occurrences and two distinct geochemical targets.

In the western part of the property, in an area on strike from the large Cirque SEDEX zinc-lead deposit (located some 18.5 km to the northwest) and underlain by black shales (Gunsteel formation) similar to those hosting this deposit, prospecting has identified a 70 metre long by 1.5 metre thick occurrence of bedded barite that is associated iron seeps, silicification and a nearby outcrop of laminated pyrite (collectively referred to as the GPS Showing), all features consistent with SEDEX deposits. In addition, approximately 7 km to the northwest, anomalous zinc values have been obtained from a 1 km long cluster of six silt (>3,000ppm), soil (>3,000ppm) and rock samples (>1,000ppm) in an area underlain by the same Gunsteel rocks.

Prospecting in the central part of the Pie property has resulted in discovery of two outcrops, some 75 metres apart, hosting very distinctive veins of coarse grained, medium brown sphalerite, lesser galena, comb-structure quartz crystals, and very large (to >10 cm long) lath-like crystals of white barite within a hard, black, saccharoidal siliceous matrix (Black Silica Veins - "Breccia" Showing in previous news releases). Locally, the veins exhibit a breccia texture comprising vuggy, angular fragments, to +6 cm across, of white quartz, carbonate and sphalerite in a similar black matrix. These veins occur within limestone or at the contact between black shales and limestone and range in thickness from 30 cm to >1 metre. Channel sampling (1 metre samples on 7 lines up to 5 metres long and approximately 1 to 2 metres apart) along the strike of the basal part of the vein exposed in the largest of the two outcrops has yielded an average zinc grade of 10.19%, with a little lead (highest individual sample grade – 27.81% zinc, 0.02% lead). Analytical data also indicate that the zinc mineralization is accompanied by copper values, up to 2,172 ppm. This general area of the Pie claims is characterized by the presence of numerous occurrences of galena, sphalerite and/or barite in either carbonate or in the immediate vicinity of the contact between carbonate and black shales. It is possible that the veins could be associated with a nearby, but as yet unrecognized, vent complex or feeder zone.

Soil and rock sampling in an area of extensive iron seeps and gossan development in the eastern part of the Pie property, approximately 4 km to the southeast of the aforementioned black silica veins, has returned highly anomalous values of zinc and other metals, the maximums (minimums) reported being >10,000 ppm (5,718) zinc, 9,711 ppm (1442) nickel, 1,384 ppm (66.3) cobalt, 623 ppm (82.98) molybdenum and >10,000 ppm (2,437) manganese. These oxidized features can be traced for several kilometers; field evidence suggests that the underlying rocks may be limestone, which elsewhere in this area has been noted to host local sphalerite and galena mineralization in veinlets and fractures, or nearby black shales.

Summary of exploration expenditures incurred on various properties:

	Akie Property	Kechika Regional	DA	Total
Acquisition Costs:				
Balance, June 30, 2010 and December 31, 2010	$ 24,175,329	$ 328,432	$ 71,535	$ 24,575,296
Deferred Exploration Costs:				
Balance, June 30, 2010	26,281,810	1,172,533	150,025	27,604,368
Additions:				
Camp equipment	23,688	–	–	23,688
Camp operating	139,661	–	–	139,661
Drilling	4,107,743	–	–	4,107,743
Geological consulting	78,726	–	–	78,726
Geotechnical program	481,254	–	–	481,254
Environmental studies	22,183	–	–	22,183
Balance, December 31, 2010	31,135,065	1,172,533	150,025	32,457,623
December 31, 2010	**$ 55,310,394**	**$ 1,500,965**	**$ 221,560**	**$ 57,032,919**

1.3 Selected Annual Information

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

	Years ended 2010	2009	2008
Interest and other income	$36,036	$80,256	$309,987
Net Loss	($9,193,106)	($1,733,051)	($3,151,779)
Loss per share	($0.10)	($0.02)	($0.05)
Total assets	$63,441,750	$57,815,908	$49,054,558
Total long term liabilities (Future Income Tax Liability)	$7,040,397	$1,514,583	$102,589
Cash dividends declared per share for each class of share	$Nil	$Nil	$Nil

1.4 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 six months ended December 31, 2010 and 2009.

During the six months ended December 31, 2010, the Company reported a loss of $1,615,081 or $0.02 per share compared to a loss of $1,278,374 or $0.01 per share during the same period in fiscal 2009, an increase in loss of $336,707. The increase in loss was primarily due to increases in stock-based compensation expense of $381,568, consulting fees of $65,144, investor relations of $61,999, offset by an increase in interest and other income of $88,571 and a decrease in bonus of $97,750.

The Company's consolidated net loss for the six months ended December 31, 2010, not factoring in non-cash transactions of stock-based compensation expense and amortization of office equipment and leasehold improvements was $880,112 (2009- $924,574).

Total interest and other income during the six months ended December 31, 2010 was $106,340 compared to $17,769 during the same period last year. The increase in interest and other income was attributable to higher balances on short-term investment deposits and $54,761 in interest received on the fiscal 2008 METC refund.

Total general and administration expenses increased by $425,278 due to increases in consulting fees of $65,144, investor relations fees of $61,999, office and miscellaneous fees by $8,239, professional fees of $9,719, regulatory fees of $14,445, rent $1,195, stock-based compensation of $381,568 and transfer agent fees of $3,287, offset by decreases in bonus of $97,750 travel and promotion of $2,876 and wages and benefits of $21,175.

The increase in consulting fees by $65,144 was due to increased business development consulting and financial advisory services retained during the period.

The increase in investor relations fees by $61,999 was primarily a result of the Company retaining investor relations services from Translloyd Consulting GmbH ("Translloyd"). Translloyd will provide investor relations and communications services to the Company for a term of six months, renewable thereafter on a month to month basis, in exchange for a fee of $7,000 per month and approved reimbursable expenses. The Company also paid additional costs incurred on its road show in Europe at the end of November 2010, which included various investor presentations and conferences.

The increase in professional fees by $9,719 resulted from additional tax consultations in connection with the flow-through renunciation amendment.

The increase in regulatory fees by $14,445 was due to the regulatory filings in connection with the investor relations agreement, extension of the normal course issuer bid ("NCIB") with the TSXV and the stock option plan.

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. For the six months ended December 31, 2010, the Company recorded stock-based compensation expense of $734,066 (2009 - $352,498) on the vested portion of stock options granted to directors, officers and consultants of the Company. The increase in stock-based compensation expense was a result of the stock options being granted at higher exercise prices as well as different vesting provisions and changes in valuation assumptions used to calculate a fair value of stock options granted at varying times, such as stock market prices, volatility of stock prices and risk-free interest rates.

The decrease in travel and promotion by $2,876 during the period was a result of fewer travel plans for industry related conferences, conference registration fees and other related costs.

The decrease in wages and benefits by $21,175 was due to a reduction of employees salaries.

1.5 Summary of Quarterly Results

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

Quarter ended	Interest Income	Net Earnings (Loss)	Earnings (Loss) per share
December 31, 2010	$ 36,515	$ (1,282,097)	$ (0.02)
September 30, 2010	69,825	(332,984)	(0.00)
June 30, 2010	13,254	(6,681,427)	(0.07)
March 31, 2010	5,013	(1,233,305)	(0.02)
December 31, 2009	6,907	(827,018)	(0.01)
September 30, 2009	10,862	(451,356)	(0.00)
June 30, 2009	31,606	107,235	0.00
March 31, 2009	12,038	(285,827)	(0.00)

The significant changes in loss for the quarter ended:

a) December 31, 2010 was due to stock-based compensation expense of $734,066 recorded on 1,870,000 stock options granted during the period and business development consulting fees of $366,494;

b) June 30, 2010 was due to future income tax expense of $5,525,814 resulting from the difference between tax and book values of resource properties, and flow-through taxes of $559,685 recorded in connection with the amended renunciation of the eligible Canadian exploration expenditures for fiscal 2008;

c) March 31, 2010 was due to stock-based compensation expense of $850,232 recorded on 1,320,000 stock options granted during the period and business development consulting fees of $145,100;

d) December 31, 2009 was due to stock-based compensation expense of $313,062 recorded on 2,360,000 stock options granted during the quarter and consulting fees of $236,812 paid in connection with business development consulting and financial advisory services carried out in Europe and Asia; and

e) June 30, 2009 quarter resulted in net earnings due to future income tax recoveries of $428,130.

1.6/1.7 Liquidity and Capital Resources

The Company reported working capital of $21,505,130 at December 31, 2010 compared to working capital of $9,737,215 at June 30, 2010, representing an increase in working capital of $11,767,915. Net cash increased by $11,807,128 from $9,281,997 at June 30, 2010 to $21,089,125 at December 31, 2010.

During the six months ended December 31, 2010, the Company utilized its cash and cash equivalents as follows:

(a) $613,874 was used in operating activities, consisting primarily of general and administrative expenditures and change in non-cash items including the receipt of the 2009 METC refund of $921,063 and payment of Part XII.6 taxes of $579,877;

(b) $5,163,405 was used for deferred exploration of resource properties and $2,843 for the purchase of office equipment;

(c) $14,580 was used for purchase of marketable securities;

(d) $117,145 was advanced as a tenant security deposit for a new office lease;

(e) $133,000 was generated from the exercise of 490,000 stock options at a weighted average price of $0.27 per share;

(f) $367,025 was used for the purchase of 792,500 common shares of the Company at a weighted average price of $0.46 under the NCIB, which commenced on July 31, 2009 and was subsequently extended for another 12 months on July 31, 2010; and

(g) $17,953,000 was generated from the non-brokered private placement of 31,386,224 shares at a price of $0.5735 per share including share issuance costs of $47,000.

On August 1, 2010, the Company received the TSXV approval to purchase at market price up to 5,135,570 common shares, being approximately 5% of the Company's issued and outstanding common shares under the NCIB.

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

The total NCIB purchases are summarized as follows:

	August 1, 2009 to July 31, 2010	August 1, 2010 to December 31, 2010	Total NCIB purchases
Number of shares	744,000	638,500	1,382,500
Purchase price	$ 311,501	$ 296,076	$ 607,577

During the six months ended December 31, 2010, the Company filed an amendment of eligible Canadian exploration expenditures previously renounced to the flow-through shareholders that subscribed for the Company's common shares in fiscal 2009. As a result of the expenditure shortfall and the amendment of the previous renunciations of explorations expenditures, the Company paid $579,877 in part XII.6 tax for 2009 and an additional $54,689 in interest. There were no flow-through taxes recorded by the Company during the six months ended December 31, 2010 (2009 – recovery of $2,368) as all applicable taxes and interest were recorded at June 30, 2010.

Current assets excluding cash as at December 31, 2010 consisted of receivables of $237,463, which consisted of HST recoverable of $198,718 and interest receivable on short-term investments of $38,745, prepaid expenses of $170,680 and marketable securities with a fair market value of $366,875. Current assets excluding cash as at June 30, 2010 consisted of receivables of $67,972, which consisted of GST recoverable of $57,473 and interest receivable on short-term investments of $10,499, METC recoverable of $921,063, marketable securities of $450,000 and prepaid expenses of $373,081.

Current liabilities as at December 31, 2010 consisted of accounts payable and accrued liabilities of $357,111 (June 30, 2010 - $1,295,366) and amounts due to related parties of $1,902 (June 30, 2010 - $61,532).

The Company has applied 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 in fiscal 2009. The METC application for $1,688,438 has not been recorded by the Company pending receipt of the Notice of Assessment from the Canada Revenue Agency.

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

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

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

1.8 Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

1.9 Transactions with Related Parties

During the period ended December 31, 2010:

(a) the Company paid or accrued $75,000 (2009 – $75,000) for management fees and $30,000 (2009 – $30,000) for administrative fees to a company partially controlled by a director and an officer of the Company;

(b) the Company paid or accrued $10,000 (2009 - $48,000) for consulting and geological services fees, included in resource properties, to a company controlled by a former director of the Company;

(c) the Company paid $54,600, that was due to a company controlled by a former director of the Company at June 30, 2010; and

(d) as at December 31, 2010, $1,902 (June 30, 2010 - $6,932) was due to a director of the Company for reimbursement of business expenses.

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.

1.10 Fourth Quarter and Subsequent Events

Significant transactions for the fourth quarter of fiscal 2010 were disclosed in the Management Discussions and Analysis of the Company, as at and for the years ended June 30, 2010 and 2009.

Subsequent to the period ended December 31, 2010:

(a) the Company announced a flow-through private placement of up to 4,650,000 units at a price of $0.77 per unit for gross proceeds of up to $3,580,500. Each unit will consist of one flow-through common share and one-half share purchase warrant of the Company. Each whole warrant will entitle the holder to purchase one additional common share at a price of $0.95 for a period of 18 months from closing.

A finder's fee of 5% will be paid in cash on a portion of the private placement. The private placement is subject to TSX Venture Exchange approval.

The proceeds are to be used for further exploration of the Akie SEDEX zinc-lead property and to explore the balance of the Company's portfolio of mineral holdings.

(b) 353,500 common shares purchased under NCIB were returned to the Company's treasury and cancelled;

(c) the Company paid a cash bonus of $360,000 to a company partially controlled by a director and an officer of the Company;

(d) 380,000 stock options were exercised at a weighted average price of $0.30 per share and 380,000 common shares were issued for total proceeds of $112,300; and

(e) the Company granted an aggregate of 150,000 stock options to a consultant of the Company, exercisable for a period of 4 years, at a price of $0.60 per share.

1.11 Proposed Transactions

None.

1.12 Critical Accounting Estimates

Not applicable to Venture Issuers.

1.13 Changes in Accounting Policies including Initial Adoption

The financial information presented in this MD&A has been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Our significant accounting policies are set out in Note 2 of the audited consolidated financial statements of the Company, as at and for the years ended June 30, 2010 and 2009.

Going concern issue

The Company's financial statements have been prepared on a going concern basis which assumes 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 continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its ongoing commitments and further its mineral exploration programs.

The Company may encounter difficulty sourcing future financing in light of the recent economic downturn. The current financial equity market conditions and the inhospitable funding environment make it difficult to raise capital through the private placements of shares. The junior resource industry has been severely affected by the world economic situation as it is considered speculative and high-risk in nature, making it even more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with any financing ventures.

International Financial Reporting Standards (IFRS)

In February 2008, the Accounting Standards Board of Canada confirmed that Canadian GAAP for publicly accounting enterprises will be converged with International Financial Reporting Standards ("IFRS") effective for fiscal years beginning on or after January 1, 2011. The Company will therefore be required to report using IFRS commencing with its unaudited interim consolidated financial statements for the three months ended September 30, 2011 which must include the interim results for the three months ended September 30, 2010 prepared on the same basis. IFRS uses a conceptual framework similar to Canadian GAAP but there are significant differences on recognition, measurement and disclosures.

Implementing IFRS will have an impact on accounting, financial reporting and supporting IT systems and processes. It may also have an impact on actual commitments involving GAAP based clauses, long-term employee compensation plans and performance metrics. Accordingly, the Company is in the process of developing its changeover plan which will include considerations such as measures to provide training to key finance personnel, to review contracts and agreements and to increase the level of awareness and knowledge amongst management, the Board of Directors and the Audit Committee.

As a first time adopter of IFRS, the Company is required to apply IFRS 1 “First time adoption of International Financial Reporting Standards”. A number of exemptions are available under this Standard which the Company is currently evaluating. While the Company has commenced assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time. Key areas of accounting policy changes under assessment include, but not limited to, property, plant and equipment, valuation and impairment of resource properties, revenue recognition and stock-based compensation. The analysis of possible changes is still in process, as such, no decisions have yet been made with regard to accounting policy choices.

1.14 Financial Instruments and Other Instruments

Please see Note 8 of the interim consolidated financial statements of the Company, as at and for the six months ended December 31, 2010 and 2009.

1.15 Other Requirements

Summary of outstanding share data as at February 28, 2011:

(1)	Authorized: Unlimited common shares without par value	
	Issued and outstanding:	133,585,138
(2)	Stock options outstanding:	8,265,500
(3)	Share purchase warrants	18,193,112

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

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

“Peeyush Varshney”

Peeyush Varshney
Director
February 28, 2011