CANADA ZINC METALS CORP.

Interim MD&A - Quarterly Highlights
For the six months ended December 31, 2015 and 2014

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, 2015. The Quarterly Highlights have been prepared by management as of February 26, 2016 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, 2015 and 2014, the audited consolidated financial statements and related notes thereto of the Company for the years ended June 30, 2015 and 2014, 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 23, 2015.

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 mineralisation 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 Company has outlined a NI 43-101 compliant mineral resource at Cardiac Creek, including an indicated resource of 12.7 million tonnes grading 8.4% zinc, 1.7% lead and 13.7 g/t silver (at a 5% zinc cut-off grade) and an inferred resource of 16.3 million tonnes grading 7.4% zinc, 1.3% lead and 11.6 g/t silver (at a 5% zinc cut-off grade).

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.

Overall performance

Significant events and operating highlights for the six months ended December 31, 2015 and as at the date of these MD&A – Quarterly Highlights:

- The Company concluded its 2015 Akie drilling program in late September with a total of 5,350 metres drilled and eight diamond drill holes completed on the Cardiac Creek deposit. Drilling focused on resource expansion down-dip of the current indicated resource and expansion of the robust and high-grade zinc-lead-silver system in the central core of the Cardiac Creek deposit.
- The 2015 drilling has expanded the known limits of the high-grade core in the down-dip direction by approximately 75 to 100 metres. Excellent results such as 17.06% combined Zn+Pb over 12.98 metres (true width) in A-15-121 and 17.20% combined Zn+Pb over 11.09 metres (true width) in A-15-124 were highlights of the drill program. Furthermore, drill holes A-15-124, A-15-127 and A-15-130 have demonstrated that the deposit is still open at depth and warrants additional down-dip drilling.

- The Company filed a technical assessment report and a statement of work with the Government of British Columbia to register its 2015 drilling program, which allows it to keep all Akie and Kechika Regional claims in good standing until 2025.
- The 2015 drill assay results were reported by the Company in press releases issued on September 2nd, October 22nd, November 12th and December 2nd, 2015 and are summarized in the table below.

Drill Hole	From (m)	To (m)	True Width (m)*	Zn (%)	Pb (%)	Ag (g/t)	Zn+Pb (%)
A-15-121	419.16	531.00	64.29	6.06	1.28	14.24	7.34
including	419.16	483.32	36.89	8.03	1.82	16.38	9.85
including	**433.80**	**483.32**	**28.51**	**10.22**	**2.34**	**20.45**	**12.56**
including	445.90	482.07	20.84	12.76	2.93	25.01	15.69
including	**459.55**	**482.07**	**12.98**	**13.83**	**3.23**	**28.98**	**17.06**
FW	493.08	508.48	8.86	8.88	1.36	21.51	10.24
MS	523.06	535.52	7.14	1.98	0.17	11.09	2.15
A-15-122	474.45	519.30	39.16	5.75	1.12	11.16	6.87
including	**489.00**	**515.70**	**23.36**	**8.63**	**1.68**	**14.64**	**10.31**
including	**498.00**	**512.10**	**12.35**	**11.40**	**2.22**	**17.92**	**13.62**
A-15-124	577.63	662.30	58.53	4.57	0.90	9.20	5.47
including	601.13	656.41	38.43	6.41	1.32	12.30	7.72
including	607.00	656.41	34.41	7.00	1.46	13.33	8.46
including	617.00	656.41	27.51	8.19	1.77	15.69	9.96
including	**625.80**	**656.41**	**21.41**	**9.47**	**2.11**	**18.22**	**11.58**
including	632.07	656.41	17.04	10.74	2.46	20.18	13.20
including	**640.60**	**656.41**	**11.09**	**13.99**	**3.21**	**26.43**	**17.20**
A-15-125	414.85	441.62	23.37	7.25	1.28	12.28	8.53
including	416.05	439.91	20.83	7.97	1.41	12.99	9.38
including	**421.87**	**439.91**	**15.76**	**9.71**	**1.74**	**15.75**	**11.45**
including	425.50	439.91	12.59	10.78	2.02	17.71	12.80
including	**429.98**	**439.91**	**8.68**	**12.98**	**2.47**	**21.76**	**15.45**
A-15-126	651.22	747.00	52.46	2.34	0.40	5.02	2.74
HW	651.22	674.12	12.10	3.06	0.48	7.01	3.54
CCZ	**695.40**	**716.51**	**11.72**	**4.61**	**0.84**	**9.79**	**5.45**
FW	728.47	758.75	17.05	1.94	0.33	4.36	2.27
including	728.47	741.65	7.40	3.17	0.60	6.54	3.77
A-15-127	617.36	674.40	35.66	4.82	1.00	9.93	5.82
CCZ	617.36	648.68	19.49	5.15	1.05	10.54	6.20
including	**623.57**	**648.22**	**15.36**	**6.21**	**1.28**	**12.12**	**7.49**
including	630.81	648.22	10.86	6.97	1.56	14.45	8.53
FW	660.78	674.40	8.57	8.09	1.74	16.52	9.83
including	**660.78**	**670.43**	**6.07**	**10.80**	**2.37**	**21.32**	**13.17**

2015 drill assay results (continued)

A-15-130	596.59	649.72	34.03	3.47	0.65	7.01	4.12
including	601.00	625.75	15.82	5.68	1.09	10.51	6.77
Including	**606.75**	**625.75**	**12.15**	**6.97**	**1.38**	**12.84**	**8.35**
FW	637.43	649.72	7.91	2.83	0.49	6.76	3.32
including	637.43	640.22	1.79	8.75	1.73	15.41	10.48
A-15-131	266.00	289.53	21.17	5.45	1.19	10.89	6.64
including	270.13	288.53	16.57	6.46	1.24	12.24	7.70
including	273.83	288.53	13.25	6.79	1.35	13.19	8.14
including	**277.73**	**288.53**	**9.74**	**8.22**	**1.61**	**16.00**	**9.83**
including	**277.73**	**285.40**	**6.91**	**8.99**	**1.80**	**15.46**	**10.79**

(*) The true width is calculated from orientation of the mineralised horizon which is estimated to have an azimuth of 130 degrees and a dip of -70 degrees. (FW) = Footwall Zone, (MS) = Massive Sulphide.

- The Company received extensions of its four separate exploration permits for the Pie, Yuen, Mt. Alcock and Kechika North properties to December 2019. This enables the Company to establish long term exploration goals and carry them out in a time effective manner without having to re-apply or renew existing permits on an annual basis. The amended permits, which were originally issued in 2013, provide multi-year approval for drill programs and logistical support to follow-up geological and geochemical surveys on several properties.
- The Pie, Yuen and Cirque East properties (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, Yuen and Cirque East properties.
- Teck and Korea Zinc have spent approximately $1.3 million in exploration expenditures over the past two field seasons on the Pie Option Properties. An additional $2.2 million in expenditures by the end of 2017 would conclude the “First Option” and earn Teck/Korea Zinc an undivided 51% interest in the Pie Option Properties. Upon exercising the First Option, Teck/Korea Zinc would have an additional option (the "Second Option") to acquire a further 19% interest in the properties for a total of 70%, by incurring an additional $5.0 million in exploration expenditures by the end of 2019.
- The Company extended the expiry date of 1,250,000 share purchase warrants exercisable at a price of $0.40 per common share for 1,250,000 common shares of the Company by two years to September 16, 2017. These share purchase warrants were issued to Teck pursuant to the September 2013 private placement. All other terms of the warrants remain unchanged.
- The Company received TSXV approval for its new Normal Course Issuer Bid (“NCIB”) application to purchase at market price up to 7,620,721 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 1, 2015 and will stay open for another 12 months. The Company cancelled and returned to its treasury, 149,000 common shares repurchased under its NCIB in fiscal 2015.

Exploration and evaluation assets

		Akie Property		Kechika Regional		Total
Acquisition Costs:						
Balance, June 30, 2015 and December 31, 2015	$	24,165,241	$	336,785	**$**	**24,502,026**
Deferred exploration costs:						
Balance, June 30, 2015	$	39,114,298	$	4,624,430	$	43,738,728
Camp equipment, depreciation		61,913		–		61,913
Airborne geophysical survey		4,475		3,425		7,900
Drilling		1,439,936		–		1,439,936
Geology		21,938		–		21,938
Community consultations		91,875		–		91,875
Environmental studies and permit compliance monitoring		26,182		–		26,182
Less:						
METC		(85,291)		–		(85,291)
Balance, December 31, 2015	$	40,675,326	$	4,627,855	**$**	**45,303,181**
Total, December 31, 2015	**$**	**64,840,567**	**$**	**4,964,640**	**$**	**69,805,207**

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.
- 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 preliminary 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 drill testing of the highest priority targets.

Results of Operations

Six months ended December 31, 2015

During the six months ended December 31, 2015, the Company reported a net loss of $558,965 or $0.004 per share compared to a net loss of $837,265 or $0.006 per share during the same period last year, a decrease in net loss of $278,300. The decrease in net loss was primarily due to a decrease in operating expenses of $302,654 and an increase in deferred tax recovery of $43,027, partially offset by a decrease in interest income of $34,866, loss on sale of marketable securities of $8,795 and write-off of marketable securities of $23,720.

The following transactions contributed to the decrease in operating expenses by $302,654 during the six months ended December 31, 2015 as compared to the same period in the previous fiscal year:

- Bonuses decreased by $26,284 as there were lesser amounts granted as bonuses as compared to 2014.
- Consulting fees decreased by $11,502 as a result of a reduction in the allocation of geological consulting fees for services provided by the VP of Exploration as the majority of services provided during the first quarter ended September 30, 2015 were related to the Company's drilling program and were capitalized as exploration and evaluation costs.
- Directors' fees decreased by $5,000 due to the resignation of Henry Giegerich from the Board of Directors of the Company effective June 30, 2015.
- Marketing expenses decreased by $200,148 as a result of reduced marketing activities.
- Office expenses decreased by $5,715 as a result of a reduction of AGM related costs, telephone expenses and costs of staff events. The Company's last AGM was held on September 5, 2014, and the next AGM is will be held on April 13, 2016.
- Professional fees decreased by $4,930 as a result of a reduction of the year-end audit costs. The Company paid an aggregate of $41,720 (2014 - $46,650) for its June 30, 2015 year-end audit and preparation of the corporate tax return, of which $1,620 (2014 - $6,650) was recorded in the current fiscal year.

- Transfer agent fees decreased by $4,540 due to less activity requiring transfer agent services. The transfer agent fees recorded during the six months ended December 31, 2014 included costs incurred in connection with the private placements that closed in September and October of 2014.
- Decreased travel and promotion by $58,362 as a result of decreased travel and promotional activities. Senior management trips to resource conferences and for investor meetings in Asia and Europe in the fall of 2014 contributed to higher travel expenses recorded during the comparative period of the previous fiscal year.
- Decreased share-based compensation expenses by $14,434 as a result of a smaller number of stock options vested in the comparative periods.

There were no significant variations in management and administrative fees and regulatory costs over the periods.

Rent expense increased by $15,239 primarily due to an increase in monthly office rent from $5,000 per month to $7,500 per month effective April 1, 2015.

Wages and benefits increased by $11,390 as a result of higher salary expenses and increased premiums of medical and life insurance benefits paid for employees and officers of the Company.

The deferred tax recovery of $136,725 (2014 - $93,698) recognized during the period resulted from amortization of the flow-through premium liabilities recorded in connection to the October 2014 flow-through private placement. As of December 31, 2015, the Company incurred the required qualifying exploration expenditures of $1,618,821, which have been already renounced to the flow-through investors in calendar 2014, and fulfilled all its flow-through commitments.

The sale of marketable securities resulted in a recognized loss of $8,795 during the current period in addition to previously recorded accumulated unrealized losses of $569,834 in connection to this sale.

During the six months ended December 31, 2015, the Company also wrote-off its holdings in one of its investments. As a result, the Company reclassified accumulated previously recorded unrealized losses of $1,047,765.

The accumulated unrealized losses from the sale and write-off were reclassified from Accumulated Other Comprehensive Losses account to Deficit. There were no similar transactions incurred during the six months ended December 31, 2014.

Three months ended December 31, 2015

During the three months ended December 31, 2015, the Company reported a net loss of $377,566 or $0.00 per share compared to a net loss of $382,419 or $0.00 per share during the comparative period last year, a decrease in net loss of $4,853. The decrease in net loss was primarily due to a decrease in operating expenses of $73,609, offset by a decrease in deferred tax recovery of $15,015, decrease in interest income of $21,226, loss on sale of marketable securities of $8,795 and write-off of marketable securities of $23,720.

The significant variations that largely contributed to the decrease in operating expenses over the comparative quarters included decreases in marketing expenses of $11,445 and travel and promotion of $50,463. These and other significant variations are discussed in the results of operations for the six months ended December 31, 2015.

Liquidity and capital resources

The Company's working capital position remains strong with its cash of $5,230,494 and a GIC investment of $2,000,000 as at December 31, 2015. 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, 2015, the Company reported working capital of $7,373,108 compared to working capital of $9,485,202 at June 30, 2015, representing a decrease in working capital of $2,112,094.

Net cash used in operating activities during the six months ended December 31, 2015 was $665,498 (2014 – $914,431) representing general administrative expenses and changes in non-cash items.

Net cash used in investing activities during the six months ended December 31, 2015 was $3,152,940 (2014 – $1,014,543), of which $2,031,775 (2014 - $1,291,281) was spent on exploration expenditures for the 2015 drilling program. In addition, $34,213 (2014 - $Nil) was used for the purchase of camp equipment and $110,964 (2014 - $42,148) was used for the purchase of marketable securities net of sales. The Company’s previous investment in a guaranteed investment certificate (“GIC”) of $1,000,000 matured on December 7, 2015 paying interest of $24,012 accumulated over 18 months, and $2,000,000 was invested into a new 1 Year GIC yielding an annual interest rate of 1.5%.

There were no significant financing activities during the period ended December 31, 2015, except for the purchase of 127,000 common shares of the Company for a total of $19,667 (2014 - $41,218) with a weighted average price of $0.16 per share under its NCIB. During the six months ended December 31, 2014, $1,812,861 was received from private placements net of finders’ fees and regulatory filing fees of $96,335, and $80,000 was received from the exercise of 200,000 share options at a price of $0.40 per share.

Current assets excluding cash as at December 31, 2015 include receivables of $146,145 (June 30, 2015 - $65,283), which consisted of GST recoverable of $35,914 (June 30, 2015 - $64,886), mineral exploration tax credit (“METC”) of $85,291 (June 30, 2015 - $Nil), refundable rent deposit of $23,429 (June 30, 2015 - $Nil) and accrued interest receivable of $1,511 (June 30, 2015 - $397) , prepaid expenses of $32,329 (June 30, 2015 - $44,280), marketable securities with a fair market value of $95,923 (June 30, 2015 - $48,245) and investment in a GIC with a fair market value of $2,001,721 (June 30, 2015 - $1,016,968).

Current liabilities as at December 31, 2015 consisted of trade payables and accrued liabilities of $114,479 (June 30, 2015 - $621,448), due to related parties of $19,025 (June 30, 2015 - $Nil) and flow-through premium liability of $Nil (June 30, 2015 - $136,725).

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 15 of the condensed consolidated interim financial statements for the six months ended December 31, 2015.

<u>Transactions with related parties</u>

The remuneration of directors and other key management personnel during the six months ended December 31, 2015 and 2014 were as follows:

December 31,		2015		2014
Bonuses (iii)	$	11,900	$	38,184
Consulting fees (iv)		7,500		7,500
Directors fees (ii)		20,000		25,000
Exploration and evaluation expenditures (geological consulting) (v)		75,000		72,504
Management fees (i)		177,000		177,000
Other employment benefits (vii)		15,039		12,976
Share-based compensation (vi)		7,538		14,850
Total	$	313,977	$	348,014

(i) On May 1, 2007, the Company entered into a management and administrative agreement with Varshney Capital Corp. ("VCC"), a company with two common directors, Peeyush Varshney and Praveen Varshney, whereby the Company agreed to pay management and administrative fees of $12,500 and $5,000 per month, respectively. The agreement was amended effective July 1, 2011 and May 1, 2014 to increase the monthly management fee to $24,500 and $29,500, respectively. During the six months ended December 31, 2015, the Company paid $177,000 (2014 – $177,000) for management fees and $30,000 (2014 – $30,000) for administrative fees to VCC;
(ii) the Company paid $20,000 (2014 - $25,000) in directors' fees to the four directors of the Company - John Thomas, Marco Strub, Peeyush Varshney and Praveen Varshney;
(iii) the Company accrued a bonus of $11,900 (2014 - $38,184) to VCC;
(iv) the Company paid $7,500 (2014 - $7,500) for consulting fees to Sircon AG, a company controlled by Marco Strub, a director of the Company;
(v) the Company paid geological consulting fees of $75,000 (2014 - $72,504) to Ridgeview Resources Ltd., a company controlled by Ken MacDonald, VP of Exploration of the Company. Of this amount, $56,875 was capitalized in exploration and evaluation costs, and $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, 2015, $7,027 (June 30, 2015 - $Nil) was due to the CEO and the CFO of the Company for reimbursement of business expenses, $11,900 was due to VCC and $98 was due to a company with two common directors for reimbursement of office expenses. The reimbursable amounts were paid subsequent to December 31, 2015.

Summary of outstanding share data as at February 26, 2016:

(1)	Authorized: Unlimited common shares without par value	
	Issued and outstanding:	152,414,428
	Less treasury shares:	(153,000)
(2)	Share options outstanding:	7,257,500
(3)	Warrants	1,250,000

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.

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

"Peeyush Varshney"

Peeyush Varshney
Director