CANADA ZINC METALS CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2016

1.1 Date

This Management Discussion and Analysis ("MD&A") of Canada Zinc Metals Corp. ("Canada Zinc Metals" or the "Company") has been prepared by management as of October 21, 2016 and should be read in conjunction with the consolidated audited 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") as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC").

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.

These forward-looking statements include statements regarding the success of exploration activities, permitting time lines, the requirements of future capital, drill results and the estimation of mineral resources and reserves. These statements involve known and unknown risks, uncertainties and other factors including but not limited to changes in commodity prices and, particularly, zinc prices, access to skilled personnel, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government approvals, actual performance of facilities, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained into this report should not be unduly relied upon. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Readers should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur.

1.2 Overall 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.

Significant events and operating highlights for the year ended June 30, 2016 and up to the date of these MD&A:

- The Company concluded its 2015 Akie drilling program in late September. A total of 5,350 metres was drilled and eight diamond drill holes completed on the Cardiac Creek deposit. Drilling focused on the expansion of the indicated resource in the high-grade central core and down-dip areas of the 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. Detailed analysis is included in "2015 Diamond Drilling Program" section below.
- In May 2016, the Company announced a revised NI 43-101 compliant mineral resource for the Cardiac Creek deposit. The Company filed a revised National Instrument 43-101 (NI 43-101) technical report on SEDAR entitled NI 43-101 Technical Report, Mineral Resource Estimate for the Akie Zinc-Lead-Silver Project, British Columbia, Canada, with an effective date of May 16, 0216 (www.sedar.com).

- The Company filed an assessment report and a statement of work with the Government of British Columbia to register the exploration expenditures for claim maintenance for its 2015 drilling program. The Akie and Kechika Regional claims are now in good standing until December 2025.
- The Company received approval from the Ministry of Energy and Mines extending the surface drill permit for the Akie Property to December 31, 2020. The Company also received extensions of four separate exploration permits for the Pie, Yuen, Mt. Alcock and Kechika North properties to December 2019.

  The approved Akie surface drill permit 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 the existing permit on an annual basis. The Company is also pleased to note there was no concurrent increase in the reclamation security bond. The progressive reclamation completed by the Company on an annual basis was recognized by the issuing authority as satisfactory and suitable to maintain the bond at the current levels.
- The 2015 exploration program included completion of an airborne gravity geophysical survey and follow-up interpretation and target definition for the Akie, Mt. Alcock and Yuen North properties. The helicopter-borne FALCON™ gravity survey was completed by CGG of Mississauga, Ontario.

  The Company received the final Logistics and Processing Report and related reprocessed airborne gravity gradiometry data from CGG in February 2016. Earlier efforts in 2015 by CGG to transform the measured data using Fourier domain transformation resulted in errors that have now been rectified using an equivalent source transformation.
- 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 $1.3 million in exploration expenditures over the past two field seasons on the Pie Option properties. Expenditures for the 2016 exploration program on the Pie Option properties are anticipated to be on the order of $1.5 to $1.7 million.

  In September 2016, Teck mobilized a drill crew to the Pie Option properties and commenced drilling on a high priority drill target at the Pie Main prospect. Field work and ground gravity geophysics during the 2016 field program had earlier refined a number of ranked targets down to several high priority targets on the Pie Option properties that will be tested for the presence of SEDEX Zn-Pb-Ag style mineralization. The initial drill test planned for the Pie Main target should be complete by mid-October with additional drilling contingent upon results and schedule. It is expected that drilling will continue in the 2017 field season.

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-silver property is situated within the Kechika Trough, the southernmost extension of the regionally extensive Paleozoic Selwyn Basin, one of the most prolific sedimentary basins in the world for the occurrence of sedimentary exhalative (SEDEX) zinc-lead-silver deposits and stratiform barite deposits.

Drilling on the Akie property by Inmet Mining Corporation from 1994 to 1996 and by Canada Zinc Metals since 2005 has identified a significant deposit of SEDEX-style zinc-lead-silver mineralization named the Cardiac Creek deposit. The deposit is hosted by variably siliceous, fine grained clastic rocks of the middle to late Devonian Gunsteel Formation, the same host formation for other known deposits in the district, including Teck Resources/Korea Zinc’s jointly-owned Cirque deposit, located about 20 kilometres to the northwest.

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").

ESTIMATE OF MINERAL RESOURCES – 2016 CARDIAC CREEK DEPOSIT

					Contained metal		
Category	**Tonnes (million)**	**Zn (%)**	**Pb (%)**	**Ag (g/t)**	**Zn (Mlbs)**	**Pb (Mlbs)**	**Ag (Moz)**
Indicated	19.6	8.17	1.58	13.6	3,540	685	8.6
Inferred	8.1	6.81	1.16	11.2	1,211	207	2.9

Note: Mineral resources are not mineral reserves because the economic viability has not been demonstrated.

SENSITIVITY OF MINERAL RESOURCES TO CUT-OFF GRADE

					Contained metal		
Cut-off Grade (Zn %)	**Tonnes (000)**	**Zn (%)**	**Pb (%)**	**Ag (g/t)**	**Zn (Mlbs)**	**Pb (Mlbs)**	**Ag (Moz)**
Indicated Resources							
2	37.1	5.93	1.14	10.4	4,852	931	12.4
3	30.5	6.68	1.29	11.5	4,489	869	11.3
4	24.9	7.40	1.44	12.6	4,057	787	10.0
5 (base case)	**19.6**	**8.17**	**1.58**	**13.6**	**3,540**	**685**	**8.6**
6	15.1	8.97	1.73	14.7	2,995	578	7.2
7	11.3	9.81	1.90	15.8	2,454	474	5.8
Inferred Resources							
2	32.7	4.07	0.68	7.4	2,932	489	7.7
3	20.7	5.01	0.85	8.7	2,291	388	5.8
4	13.2	5.89	1.00	9.9	1,714	292	4.2
5 (base case)	**8.1**	**6.81**	**1.16**	**11.2**	**1,211**	**207**	**2.9**
6	4.8	7.72	1.32	12.4	819	140	1.9
7	2.7	8.74	1.49	13.6	515	87	1.2

Note: Mineral resources are not mineral reserves as the economic viability has not been demonstrated

Highlights for the updated resource include:

- Indicated resources have increased by almost 7 million tonnes to 19.6 million tonnes; a 55% increase when compared to the previous 2012 indicated resource estimate, with little change in average grades (at 5% Zn base case cut-off);
- Current resource distribution consists of 71% in the Indicated category and 29% in the Inferred category. The previous 2012 estimate had 44% in the Indicated category and 56% in the Inferred category (at 5% Zn cut-off);
- Drilling completed since 2012 has increased the confidence in the estimate, extending the limits of resources in the Indicated category in all directions (up and down dip and along strike);
- Additional drilling in 2015 provides a continuous zone of 100 metre-spaced drill holes over the central part of the deposit and allows for the estimation of the majority of resources in the Indicated category;
- The 2015 drill holes primarily concentrated in the delineation of resources in the central and upper parts of the deposit, returning results that are similar to the surrounding drill holes, demonstrating the continuous nature of the thickness and grade of the mineralization.

The deposit remains open at depth and along strike. Further delineation and exploration drilling is being considered using both surface drilling and planned underground drilling stations located in the footwall of the deposit from the 950 metre elevation mark. All permitting and engineering designs are complete and in-hand in order to commence the underground drill program.

2015 Diamond Drilling Program

The 2015 exploration drill program on the Akie Property consisted of 8 HQ/NQ drill holes totaling 5,350 metres. Drilling focused on resource expansion down-dip of the current indicated resource with holes A-15-121, A-15-124, A-15-126, A-15-127 and A-15-130 and expansion of the robust and high-grade zinc-lead-silver system in the central core of the Cardiac Creek deposit with holes A-15-122, A-15-125 and A-15-131. All eight drill holes successfully intersected Zn-Pb-Ag mineralisation of the Cardiac Creek deposit. The program ran from early June until late September. A total of 1,120 core samples, including industry standard QA/QC samples, were submitted to Acme Labs in Vancouver BC, an ISO 9001 and 17025 certified assay and geochemical analytical lab. Check samples were analyzed by ALS Minerals of North Vancouver, BC; also an accredited lab under the Canadian Association for Laboratory Accreditation.

A brief summary of the drill results are tabulated 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	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
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	625.80	656.41	21.41	9.47	2.11	18.22	11.58
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	421.87	439.91	15.76	9.71	1.74	15.75	11.45
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
A-15-127	617.36	674.40	35.66	4.82	1.00	9.93	5.82
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

Drill Hole	From (m)	To (m)	True Width (m)*	Zn (%)	Pb (%)	Ag (g/t)	Zn+Pb (%)
A-15-130	596.59	649.72	34.03	3.47	0.65	7.01	4.12
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
A-15-131	266.00	289.53	21.17	5.45	1.19	10.89	6.64
including	273.83	288.53	13.25	6.79	1.35	13.19	8.14
including	277.73	285.40	6.91	8.99	1.80	15.46	10.79

(*) The true width is calculated based on the 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.

Akie Underground Development

In August 2011, the Company received an underground drill permit from the BC government for the Akie project which will facilitate advanced exploration of the Cardiac Creek deposit by means of an close-spaced, infill drill definition program on the Cardiac Creek deposit. The permit was originally set to expire December 2014 but has since been extended to December 2017.

The planned program is comprised of a first phase of 1,600 metres of underground development (decline) followed by 16,000 metres of underground diamond drilling, designed to upgrade the current NI 43-101 compliant resource to the measured and indicated category. Drill core from underground will be used in a systematic metallurgical sampling program intended to ensure detailed metallurgical sampling across the full spectrum of the deposit. Underground development will also provide important engineering and geotechnical data for a second phase of exploration drilling and bulk sampling, and for future mine design. The Company continues to examine the costs associated with the planned underground exploration program and has yet to make a construction decision. Engineering and environmental studies will continue as required to maintain all related permits in good standing.

KECHIKA REGIONAL PROJECT

In addition to the Akie property, the Company has 100% ownership of a large contiguous group of mineral claims that aggregate to a total of 10 properties that cover 68,000 hectares. The mineral claims stretch a distance of 140 kilometres from the northern boundary of the Akie property to the northern reaches of the Gataga River. The properties cover the extent of the prospective Gunsteel Formation shale, the known host of SEDEX mineralization in the Kechika Trough.

Several properties within the Kechika Regional project host significant historical drill intercepts. Historical drilling on the Mt. Alcock property yielded a drill intercept of 8.8 metres grading 9.3% Zn+Pb and exploration identified and outlined numerous zinc-lead-barite occurrences and several base metal anomalies. Historical drilling on the Bear-Spa property returned several drill intercepts of >10 metres grading 2.53 to 2.96% combined Zn+Pb and up to 20.6 g/t Ag. There has been no modern follow-up exploration on many of the Kechika Regional properties.

In 2012, the Company filed NI 43-101 compliant technical reports for the Pie and Mt. Alcock properties authored by Tanya Strate, P. Geol an independent qualified person for the purposes of NI 43-101. These reports summarised the history of previous exploration, summarised the fieldwork conducted on each property in 2011, highlighted their prospectivity to host SEDEX Zn-Pb-Ag style mineralisation and made recommendations for further work. These reports can be found on SEDAR (www.sedar.com).

Airborne Geophysical Surveys

To complement the earlier 2012 and 2013 airborne VTEM surveys a 962 line-kilometre helicopter-borne FALCON™ gravity gradiometry survey was conducted by CGG of Mississauga, Ontario in late 2015 and early 2016. The survey covered the Akie and Mt. Alcock and Yuen North properties. Flight lines were flown orthogonal to the dominant geological fabric of the area (NE–SW @50°) with a nominal spacing of 200 metres.

The primary goal of the gravity survey was to identify gravity anomalies within the highly prospective Gunsteel Formation. SEDEX deposits are known to commonly exhibit positive gravity anomalies. The data generated from the survey will assist with drill targeting along strike of known mineralized zones and will be useful for delineating new targets in areas of coincident anomalous soil and rock geochemistry and EM conductivity

The Company received the final Logistics and Processing Report and related reprocessed airborne gravity gradiometry data from CGG in February 2016. Earlier efforts in 2015 by CGG to transform the measured data using Fourier domain transformation resulted in errors that have now been rectified using an equivalent source transformation. Post-processing of the final data products provided by CGG were assessed and interpreted by Campbell and Walker Geophysics Ltd. ("CWG") of North Vancouver, BC. This consulting group has extensive experience in the interpretation and modelling of gravity data in complex terrains. CWG has recommended close field examination of several high priority anomaly targets. Select gravity anomalies will be assessed using ground gravity geophysics to confirm the airborne signature and to refine the anomalies.

Pie Option Properties: Agreement with Teck and Korea Zinc

On September 6, 2013, the Company entered into an Option Agreement with Teck and their joint venture partner Korea Zinc that would see Teck/Korea Zinc acquire up to a 70% interest in the Company's 100% owned Pie, Cirque East and Yuen properties , three of the ten regional properties that make up the Kechika Regional Project.

Portions of the Pie Option properties fall within the area of interest provisions of the Teck and Korea Zinc joint venture (the "T-KZ JV") on their adjoining Cirque property. Korea Zinc elected to include the Option Agreement under the T-KZ JV and delivered Notice of Participation in the Agreement to the Company in November of 2013. Teck and Korea Zinc each hold a 50% interest in the T-KZ JV and, as a result of the Notice of Participation, will share any interest which may be acquired under the Option Agreement.

The Option Agreement outlines two options (the "Options") that are subject to certain expenditure requirements as outlined below:

- Under the first Option, Teck can earn an undivided 51% interest in and to the Property by incurring a cumulative aggregate of $3,500,000 in exploration expenditures on the Property on or before December 31, 2017 (extended from September 30, 2017), with $500,000 in exploration expenditures to be completed on or before September 30, 2014 (incurred) and $1,295,000 (amended from $1,500,000 and incurred) in cumulative exploration expenditures to be completed on or before December 31, 2015 (extended from September 30, 2015).
- Under the second Option, Teck may elect to acquire an additional 19% interest in the Property for a total of 70% by incurring an additional $5,000,000 in exploration expenditures (for a total aggregate of $8,500,000 in exploration expenditures) on the Property on or before September 30, 2019.

Subject to one or more of the Options being exercised, Teck/Korea Zinc and the Company will form a joint venture to continue with exploration and, if warranted, development of the Property. Thereafter each party will fund its pro-rated share of exploration expenditures on the Property or incur dilution. If a party's Joint Venture interest is reduced below 10% then that party's interest will be converted to a 5% Net Profits Royalty interest in the Property.

The Pie, Cirque East and Yuen properties surround T-KZ JV's Cirque deposit to the north, south and east, and provide extensive coverage of the highly prospective Gunsteel Formation shale.

Teck has spent approximately $1.3 million in exploration expenditures over two field seasons on the Pie Option properties utilizing an integrated approach to exploration to maximize the potential for discovery. There is a commitment to spend an additional $2.2 million by the end of 2017. This 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 on or before September 30, 2019.

Pie-Option Properties: 2016 Exploration Program

In September 2016, Teck mobilized a drill crew to the Pie Option properties and drilling has commenced. Field work and ground gravity geophysics during the 2016 field program helped refine a number of ranked targets down to several high priority targets on the Pie Option properties that will be tested for the presence of SEDEX Zn-Pb-Ag style mineralization. An initial drill test commenced in September 2016 on the Pie Main target with additional drilling contingent upon results and schedule. Drilling operations are 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.

Teck's comprehensive exploration strategy has outlined a top-ranked target in the central area of the Pie property, known as the Pie Main prospect. The area has been historically explored by a total of 11 drill holes primarily testing the contact between the Gunsteel Formation shale and the Kwadacha Reef limestone for the presence of stratabound Zn-Pb-Ag sulphide mineralization.

The 2016 drill target is located approximately 1 kilometre to the west of the historical drilling and trenching and will test the down-dip extension of the prospective Gunsteel formation shale. This target is situated within the same thrust panel of rocks that host the nearby Cardiac Creek deposit, located approximately 15 kilometres to the southeast. The recent airborne gravity gradiometer (AGG) survey defined a 1,000 metre by 500 metre AGG anomaly over the target area with confirmation provided by ground gravity.

The surface projection of the target horizon is associated with a multi-element soil anomaly including Zn, Pb, Ag, Ba, Fe, Tl and Hg with significant Pb and Zn values in excess of 313 ppm and 870 ppm respectively. This soil anomaly extends over 1.4 kilometres and is associated with a much larger soil anomaly that covers much of the Pie Main target area over a distance of 4 kilometres. Historical drilling (P-80-01) in the immediate vicinity of the target intersected quartz-calcite veining within the Gunsteel formation shale that locally contained sphalerite grades up to 4.7% Zn*.

Geological mapping in 2015 on the Yuen property identified a strike extension of the prospective Gunsteel Formation shale, in the area referred to as China Ridge that was previously thought to be underlain by non-prospective Road River Group rocks. Limited historical work in the area identified Earn Group rocks on China Ridge as well as notable Pb anomalism in soils. Soil sampling of this new target area defined a 2.2 x 0.5 kilometre Zn (627 ppm average; peak 6,268 ppm), Pb (76 ppm average; peak 270 ppm) + Ag anomaly. The recent AGG survey flown by CGG outlined a distinct gravity high that is coincident with the soil anomaly. Ground gravity lines were run over the AGG anomaly to confirm its presence and solidify the China Ridge as a viable drill target.

In addition to the planned drilling, Teck conducted a field program designed to improve the definition of key targets, building on the results and work from the previous two field seasons.

The 2016 program included:

- A total of 22 line-km of geological mapping and prospecting over the highest ranked targets with high density rock sampling for laboratory and portable XRF (pXRF) analysis (approximately 150 and 650 samples, respectively)
- Soil sampling over targets developed in 2016 as well as in-fill areas of previously un-sampled Earn Group stratigraphy (approximately 700 samples)
- A total of 9.7 line-km of ground gravity survey over Pie Main, West Yuen and Cirque East targets completed by SJ Geophysics

Summary of exploration expenditures incurred on various properties:

		Akie Property		Kechika Regional		Total
Acquisition Costs:						
Balance, June 30, 2015 and 2016	**$**	**24,165,241**	**$**	**336,785**	**$**	**24,502,026**
Deferred exploration costs:						
Balance, June 30, 2014	$	37,517,569	$	4,462,840	$	41,980,409
Camp equipment, depreciation		113,415		–		113,415
Airborne geophysical survey		135,744		148,407		284,151
Camp rental		82,839		–		82,839
Drilling		957,002		–		957,002
Geology		64,765		13,183		77,948
Community consultations		223,438		–		223,438
Environmental studies and permit compliance monitoring		63,701		–		63,701
Less:						
METC*		(44,175)		–		(44,175)
Balance, June 30, 2015		**39,114,298**		**4,624,430**		**43,738,728**
Camp equipment, depreciation		123,395		–		123,395
Airborne geophysical survey		6,725		6,175		12,900
Drilling		1,440,861		–		1,440,861
Geology		49,517		938		50,455
Community consultations		95,937		–		95,937
Environmental studies and permit compliance monitoring		76,126		–		76,126
Less:						
METC*		(85,291)		–		(85,291)
Balance, June 30, 2016	**$**	**40,821,568**	**$**	**4,631,543**	**$**	**45,453,111**
Total, June 30, 2015	**$**	**63,279,539**	**$**	**4,961,215**	**$**	**68,240,754**
Total, June 30, 2016	**$**	**64,986,809**	**$**	**4,968,328**	**$**	**69,955,137**

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 2016		2015		2014
Interest and other income	$	93,583	$	166,326	$	208,417
Net Loss	$	(2,971,216)	$	(1,920,460)	$	(2,322,711)
Loss per share	$	(0.02)	$	(0.01)	$	(0.02)
Total assets	$	77,494,327	$	79,411,837	$	79,539,598
Total long term liabilities	$	1,986,000	$	1,877,000	$	2,120,000
Cash dividends declared per share for each class of share	$	Nil	$	Nil	$	Nil

1.4 Results of Operations

Years ended June 30, 2016 and 2015

During the year ended June 30, 2016, the Company reported a loss before comprehensive loss of $2,971,216 or $0.02 per share compared to a loss before comprehensive loss of $1,920,460 or $0.01 per share in fiscal 2015, an increase in net loss of $1,050,756. The increase in net loss was primarily a result of a write-off of marketable securities of $1,071,485, a loss on sale of marketable securities of $578,629 and a decrease in deferred tax recovery of $389,213, which were partially offset by decreases in total general and administration expenses of $1,061,314.

The Company's consolidated net loss for the year ended June 30, 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 $1,327,538 (2015 - $1,589,834), representing a decrease of $262,296.

Interest income and other items

The Company receives interest on its main treasury account and GIC investments. Interest income decreased by $73,054 in fiscal 2016 due to lower balances of the deposits and investments.

The deferred tax recovery of $27,725 (2015 - $416,938) recognized during the year resulted from amortization of the flow-through premium liabilities of $136,725 recorded in connection to the October 2014 flow-through private placement offset by changes in other unrecognized deductible temporary differences. As of June 30, 2016, 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.

During the year ended June 30, 2016, 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.

During the year ended June 30, 2016, the Company also 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. There were no similar transactions in fiscal 2015.

General and administration expenses

Total general and administration expenses decreased by $1,061,314 primarily due to decreases in bonuses of $41,117, directors fees of $10,000, flow-through taxes of $4,739, investor relations fees of $1,485, marketing expenses of $201,515, office and miscellaneous of $5,013, professional fees of $40,054, regulatory fees of $1,850, share-based compensation of $725,927, transfer agent fees of $3,166 and travel and promotion of $92,177, offset by increases in consulting fees of $21,623, rent of $23,539 and wages and benefits of $20,926.

There were no variations in management and administrative fees over the comparative years.

There were lesser amounts granted as bonuses as compared to 2015.

Directors' fees decreased by $10,000 due to the resignation of Henry Giegerich from the Board of Directors of the Company effective June 30, 2015.

Marketing expenses decreased by $201,515 as a result of reduced marketing activities during the year.

Professional fees decreased by $40,054 due to a reduction of legal fees by $35,124 and audit fees by $4,930. The reduction of legal fees during the year was a result of a reversal of previously accrued unbilled legal fees for the services provided by the Company's former legal advisor.

The Company recognizes compensation expense for all share options granted, using the fair value based method of accounting and any cash paid on the exercise of share options is added to the stated value of common shares. The Company recorded share-based compensation expense of $14,994 in fiscal 2016 (2015 - $740,921) on the vested portion of the options granted in prior periods. There were no stock options granted by the Company in fiscal 2016, which explains a significant decrease in share-based compensation expense over comparative years.

Travel and promotion decreased by $92,177 as a result of decreased travel and promotional activities. Senior management trips to resource conferences and for investor meetings in Asia and Europe in fiscal 2015 contributed to higher travel expenses recorded last year.

Consulting fees increased by $21,623 as a result of different allocation of geological consulting fees for services provided by the VP of Exploration of the Company. During the year ended June 30, 2016, the Company paid $150,000 in total to a company controlled by the VP of Exploration, of which $88,750 (2015 - $107,878) was capitalized as exploration and evaluation costs, and $61,250 (2015 - $39,626) was expensed as consulting fees.

Rent expense increased by $23,539 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 $20,926 as a result of higher salary expenses and increased monthly premiums for health benefits.

Three months ended June 30, 2016 and 2015

During the three months ended June 30, 2016, the Company reported a loss before comprehensive loss of $2,063,929 or $0.02 per share compared to a loss before comprehensive loss of $792,019 or $0.01 per share during the same period in fiscal 2015, an increase in net loss of $1,271,910. The increase in net loss was primarily a result of a write-off of marketable securities of $1,047,765 and loss on sale of marketable securities of $569,834, which were recorded during the quarter as a result of reclassification of previously recorded accumulated unrealized losses from AOCL to Deficit, and a decrease in a deferred tax recovery of $412,200, partially offset by decreases in general and administration expenses.

During the three months ended June 30, 2016, total general and administration expenses were $357,645 compared to $1,132,349 during the same quarter in fiscal 2015, representing a decrease of $774,704.

The decrease in total general and administration expenses in the comparative quarters was primarily due to decreases in bonuses of $14,000, directors fees of $2,500, flow-through taxes of $8,006, marketing expenses of $1,367, office and miscellaneous of $3,261, professional fees of $35,387, regulatory fees of $1,075, share-based compensation of $712,105 and wages and benefits of $3,828, partially offset by increases in consulting fees of $624, investor relations fees of $1,074, transfer agent fees of $1,437 and travel and promotion of $4,701.

There were no bonuses paid or accrued during the fourth quarter ended June 30, 2016.

There were no flow-through taxes accrued during the fourth quarter of fiscal 2016 as the Company fulfilled all its obligations with respect to its flow-through financings completed in prior years.

The decrease in professional fees resulted from a reversal of previously accrued unbilled legal fees.

The higher share-based compensation expense of $715,833 in the fourth quarter ended June 30, 2015 was recorded in connection with the April 10, 2015 grant of 3,785,000 share options granted to directors, officers, employees and consultants of the Company with no vesting provisions and expensed immediately. There were no share options granted during the fourth quarter of fiscal 2016.

There were no significant variations in other operating expenses over the comparative quarters.

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 loss before comprehensive loss	Loss per share
June 30, 2016	$ 20,315	$ (2,063,929)	$ (0.02)
March 31, 2016	19,313	(348,322)	(0.00)
December 31, 2015	24,137	(377,566)	(0.00)
September 30, 2015	29,818	(181,399)	(0.00)
June 30, 2015	37,441	(792,019)	(0.01)
March 31, 2015	40,375	(291,176)	(0.00)
December 31, 2014	45,363	(382,419)	(0.00)
September 30, 2014	43,458	(454,846)	(0.00)

The increase in loss for the quarter ended June 30, 2016 was primarily due to the write-off of marketable securities of $1,047,765 and loss on sale of marketable securities of $569,834.

The decrease in loss for the quarter ended September 30, 2015 was primarily due to a deferred income tax recovery of $136,725 as a result of amortization of the flow-through premium liabilities recorded in connection to the October 2014 flow-through private placement.

The increase in loss for the quarter ended June 30, 2015 was primarily due to share-based compensation of $715,833 recorded for the 3,785,000 share options granted to directors, officers and consultants of the Company during the period, partially offset by a deferred income tax recovery of $303,201.

1.6/1.7 Liquidity and Capital Resources

The Company's working capital position remains strong with its cash of $2,550,103 and a GIC investment of $4,000,000 as at June 30, 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 June 30, 2016, the Company reported working capital of $6,589,784 compared to working capital of $9,485,202 at June 30, 2015, representing a decrease in working capital of $2,895,418. Net cash decreased by $6,518,496 from $9,068,599 at June 30, 2015 to $2,550,103.

During the year ended June 30, 2016, the Company utilized its cash and cash equivalents as follows:

(a) $1,384,626 was used in operating activities, consisting primarily of general and administrative expenditures and changes in non-cash items;
(b) the Company received the mineral exploration tax credit ("METC") refund of $85,291 for its fiscal years ended June 30, 2015, and the refund of the office rent deposit in the amount of $23,429;
(c) $2,087,401 was used for exploration of mineral resource properties;
(d) $35,687 was used for purchase of office equipment and on-site camp structures;
(e) the Company received $1,024,012 on maturity of its previous investment in a guaranteed investment certificates ("GIC") that matured on December 7, 2015 paying interest of $24,012 accumulated over 18 months;
(f) the Company invested $4,000,000 into new GICs yielding an average annual interest rate of 1.55% maturing in December 2016 and June 2017;
(g) $112,349 was used for the purchase of marketable securities net of sales; and
(h) $31,165 was used for the purchase of 202,000 common shares of the Company at a weighted average price of $0.15 per share under the Normal Course Issuer Bid ("NCIB"), which commenced on July 31, 2009 and was subsequently extended on an annual basis up to July 31, 2017.

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.

Current assets excluding cash as at June 30, 2016 include receivables of $14,641 (2015 - $65,283), which consisted of GST recoverable of $14,303 (June 30, 2015 - $64,886) and accrued interest receivable of $338 (2015 - $397) , prepaid expenses of $54,419 (2015 - $44,280), marketable securities with a fair market value of $90,400 (2015 - $48,245) and investment in a GIC with a fair market value of $4,019,351 (2015 - $1,016,968).

Current liabilities as at June 30, 2016 consisted of trade payables and accrued liabilities of $139,130 (2015 - $621,448) and flow-through premium liability of $Nil (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. 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.

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank deposits of $2,550,103 and GIC investments of $4,019,351. This risk is managed by using major Canadian banks that are high credit quality financial institutions as determined by rating agencies.

The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government sales taxes and interest accrued on reclamation bonds posted as security deposits with a major Canadian bank.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents. As at June 30, 2016, the Company was holding cash deposits of $2,550,103 to settle current cash liabilities of $139,130. Management believes it has sufficient funds to meet its current obligations as they become due and to fund its exploration projects and administrative costs.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant and the Company, as all other companies in its industry, has exposure to these risks.

Interest Rate Risk

The Company is exposed to interest rate risk as its bank treasury account, other assets, and long-term investment earn interest income at variable rates. The effect of a 10% fluctuation in interest rates may result in an increase or decrease in net loss of $2,600.

Currency Risk

The Company operates in Canada and is therefore not exposed to significant foreign exchange risk arising from transactions denominated in a foreign currency.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. 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.

The Company also maintains investments in certain marketable securities. There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of these securities.

1.8 Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

1.9 Transactions with Related Parties

Key management personnel includes persons having the authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. Key management personnel comprise of the directors of the Company, executive and non-executive, and Vice President of Exploration.

The remuneration of the key management personnel during the years ended June 30, 2016 and 2015 were as follows:

		2016		2015
Bonuses (iii)	$	11,067	$	52,184
Consulting fees (iv)		15,000		15,000
Directors fees (ii)		40,000		50,000
Exploration and evaluation expenditures (geological consulting) (v)		150,000		147,504
Management fees (i)		354,000		354,000
Other employment benefits (vii)		28,105		26,018
Share-based compensation (vi)		14,994		479,994
Total	$	613,166	$	1,124,700

(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 year ended June 30, 2016, the Company paid $354,000 (2015 – $354,000) for management fees and $60,000 (2015 – $60,000) for administrative fees to VCC;

(ii) the Company paid or accrued $40,000 (2015 - $50,000) in directors' fees to the four (2015 –five) directors of the Company - John Thomas, Marco Strub, Peeyush Varshney and Praveen Varshney;

(iii) the Company paid or accrued a bonus of $11,067 (2015 - $52,184) to VCC;

(iv) the Company paid or accrued $15,000 (2015 - $15,000) for consulting fees to Sircon AG, a company controlled by Marco Strub, a director of the Company;

(v) the Company paid or accrued geological consulting fees of $150,000 (2015 - $147,504) to Ridgeview Resources Ltd., a company controlled by Ken MacDonald, VP of Exploration of the Company, of which $88,750 (2015 - $107,878) was capitalized as exploration and evaluation costs and $61,250 (2015 - $39,626) 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.

1.10 Fourth Quarter and Subsequent Events

During the fourth quarter ended June 30, 2016, the Company:

- received approval from the Ministry of Energy and Mines extending the surface drill permit for the Akie Property to December 31, 2020;
- received extensions of four separate exploration permits for the Pie, Yuen, Mt. Alcock and Kechika North properties to December 2019;
- filed a new NI 43-101 Technical Summary report for the recently announced updated mineral resource estimate for the Cardiac Creek Zn-Pb-Ag deposit on the Company's 100% owned Akie property;
- reversed previously accrued legal fees of $22,157 after receiving and paying the final bill from its former legal advisor; and
- accrued $40,000 for the fiscal 2016 year-end audit.

Subsequent to the year ended June 30, 2016:

- Miller Thompson LLP. was appointed as a 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 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 TSX-V approval for its new 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 TSX-V. 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, subject to regulatory approval, the Company will pay Paradox $5,000 per month and reimburse Paradox for certain pre-approved expenses. The contract term is for 12 months with a 12 months extension option. Both parties can cancel by giving a 30 day notice in writing.

The Company also granted Paradox incentive share options to purchase 300,000 common shares in the capital stock of the Company at a price of $0.39 per share and 100,000 common shares at a price of $0.60 per share exercisable for a period of three years and vesting quarterly over 12 months from the date of grant;

- 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 1,450,000 share options to directors, officers, employees and consultants of the Company, exercisable for a period of 10 years, at a price of $0.40 cents per share; and
- 45,000 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.

1.11 Proposed Transactions

The Company does not have any proposed transactions as at June 30, 2016 other than as disclosed elsewhere in this document.

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 International Financial Reporting Standards. Our significant accounting policies are set out in Note 2 of the audited consolidated financial statements of the

New standards adopted during the year

Effective July 1, 2015, the following standards were adopted but did not have a material impact on the consolidated financial statements.

- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018.
- IFRS 15 – Revenue from contracts with customers, the standard on revenue from contracts with customers was issued on May 28, 2014 and is effective for annual reporting periods beginning on or after January 1, 2018 for public entities with early adoption permitted.

1.14 Financial Instruments and Other Instruments

The Company's financial instruments as at June 30, 2016 were as follows:

	Loans & receivables	*Available for sale*	*Fair Value through Profit or Loss*	*Other financial liabilities*
Financial assets				
Cash	$ –	$ –	$ 2,550,103	$ –
Receivables	338	–	–	–
Marketable securities	–	90,400	–	–
Investment	–	–	4,019,351	–
Refundable deposit	75,000	–	–	–
Financial liabilities				
Trade payables and accrued liabilities	–	–	–	139,130
	$ 75,338	$ 90,400	$ 6,569,454	$ 139,130

Unless otherwise disclosed their carrying values approximate their fair values due to the short term nature of these instruments. Please also see Note 2 of the audited consolidated financial statements of the Company for the year ended June 30, 2016.

1.15 Other Requirements

Summary of outstanding share data as at October 21, 2016:

(1)	Authorized: Unlimited common shares without par value	
(2)		
	Issued and outstanding:	152,244,428
	Less treasury shares:	(10,000)
(3)	Share options outstanding:	8,542,500
(4)	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
October 21, 2016