CANADA ZINC METALS CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

December 31, 2012

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 February 27, 2013 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, 2012 and 2011, and the consolidated audited financial statements and related notes thereto of the Company for the years ended June 30, 2012 and 2011, which were prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and International Financial Reporting Interpretations Committee.

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 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.

The following is a summary of significant events during the six months ended December 31, 2012:

- the Company completed a flow-through private placement of 7,500,000 units at a price of $0.40 per unit for gross proceeds of $3,000,000. Each unit consists 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 $0.60 for a period of 18 months from closing.

- the Company completed a 1,526 line kilometre airborne Vertical Time Domain EM (VTEM) geophysical survey over the Akie, Pie and Mt. Alcock properties flown with a nominal line spacing of 200 metres and 100 metres over key areas of interest such as the Cardiac Creek deposit. The primary goal of the survey was to obtain lithological and structural information both near surface and at depth across the three properties, as well as define a geophysical response directly from the Cardiac Creek deposit. Additional highlights and details can be found in the "Airborne Geophysical Survey" section below.

- the Company completed a hydro-geochemistry program which was conducted on several properties including Akie, Pie, Mt. Alcock and Yuen. In total, over 100 samples were collected from primary, secondary and select tertiary creeks and streams and analyzed for sulphate and metal concentrations at Acme Analytical Labs Ltd of Vancouver, British Columbia. Additional highlights and details can be found in the "Hydrogeochemistry" section below.

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 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 Metals since 2005 has identified a significant body of lead-zinc-silver sedimentary exhalative (SEDEX) 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 Cirque deposit, located about 15 kilometres to the northwest.

2012 Updated Resource Calculation: Cardiac Creek Deposit

In the spring of 2012, the Company re-engaged Rob Sim, P. Geo., to re-evaluate, calculate and produce an updated 43-101 compliant resource on the Cardiac Creek deposit. Robert Sim is an independent qualified person for the purposes of NI 43-101.

The technical report, entitled "NI 43-101 Technical Report Akie Zinc-Lead-Silver Project, British Columbia, Canada" and dated March 14, 2012, can be found on SEDAR (www.sedar.com). The report updated the work done by the Company since May of 2008, the date of the previous 43-101 compliant resource calculation. The new resource builds on surface diamond drilling completed by the Company during the period mid-2008 to the end of 2011 and establishes the Cardiac Creek deposit as one of the premier undeveloped zinc-rich base metal projects in the world.

The mineral resource estimate presented in the report has been generated from drill hole sample assay results and the interpretation of a geologic model which relates to the spatial distribution of zinc, lead and silver. Interpolation characteristics have been defined based on the geology, drill hole spacing and geostatistical analysis of the data. The resources have been classified by their proximity to the sample locations and are reported, as required by NI 43-101, according to the CIM standards on Mineral Resources and Reserves. Extensive analysis of the drill sample database shows that it is sound and reliable for the purposes of resource estimation. The resource model has been developed in accordance with accepted industry standards resulting in a mineral resource defined within the indicated and inferred categories.

The revised estimate consists of an indicated resource of 12.7 Mt grading 8.38% Zn, 1.68% Pb and 13.7g/t Ag, at a cut-off grade of 5% Zn; and an inferred resource of 16.3 Mt grading 7.38% Zn, 1.34% Pb and 11.6g/t Ag, at a cut-off grade of 5% Zn. Using this estimate, the deposit contains 2.4 billion pounds of zinc, 472 million pounds of lead and 5.6 million ounces of silver in the indicated category (at 5% Zn cut-off), and 2.6 billion pounds of zinc, 482 million pounds of lead and 6.1 million ounces of silver in the inferred category (at 5% Zn cut-off).

The calculated mineral resource estimate, at a series of industry-standard cut-off Zn grades, can be seen in the table below.

Cut-off Grade (Zn %)	ktonnes	Zn (%)	Pb (%)	Ag (gpt)	Combined Zn + Pb (%)
	Indicated				
2	20,088	6.59	1.31	11.2	7.90
3	17,683	7.15	1.43	12.0	8.58
4	15,195	7.75	1.56	12.8	9.31
5	**12,731**	**8.38**	**1.68**	**13.7**	**10.06**
6	10,342	9.05	1.81	14.6	10.86
7	7,798	9.89	1.98	15.6	11.87
	Inferred				
2	48,102	4.62	0.83	8.1	5.63
3	33,016	5.61	1.02	9.4	6.63
4	23,278	6.50	1.19	10.5	7.69
5	**16,287**	**7.38**	**1.34**	**11.6**	**8.72**
6	11,026	8.28	1.50	12.5	9.78
7	7,092	9.29	1.67	13.7	10.96

(1) "Base case" cut-off grade of 5% Zn highlighted in table

(2) Mineral resources are not mineral reserves as the economic viability has not been demonstrated

Highlighted in the table is the "base case" cut-off grade of 5% Zn for the sulphide resource, which is based on assumptions derived from operations with similar characteristics, scale and location. The report further states that the resource occurs as a relatively continuous zone which is favourable with respect to selectivity and other factors when considering mining options. This, when combined with the results of previous geological, metal zoning and structural investigations, and the results of drilling completed to date, suggests that the Cardiac Creek deposit has economic potential sufficient to warrant additional expenditures on exploration and development. The potentially economic portion of the deposit occurs over a known strike length of 1,300 metres, extends to at least 800 metres below surface and averages about 20 metres in thickness. The deposit currently remains "open" in all directions.

The report recommends an additional surface drill program of 8 holes (3,000 meters) to be completed to infill the current base case resource (>5% Zn) to approximately 100 metre intervals, allowing at least part of the present inferred resource to be elevated to the indicated category, and to provide more information on continuity of the Cardiac Creek zone mineralization which will be necessary in order to guide the planned underground exploration program. Continued metallurgical testing and environmental base line studies are also recommended.

Additional exploration drilling is recommended on the GPS showing and North Lead Anomaly targets present on the Akie property. These targets would involve approximately 2,000 metres of drilling in four drill holes.

Further delineation and exploration drilling at the Cardiac Creek deposit is being considered using underground drilling stations located in the footwall of the deposit on the 950m elevation. All permitting and engineering designs are complete and in hand in order to commence the underground drill program.

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. Underground drilling is essentially unaffected by weather and will allow year-round operations. Planned development will initially be confined in the footwall of the deposit. Additional development would allow for a bulk ore sample to be taken providing data for pilot plant test work and marketability studies.

The underground drill permit is valid for a period of three years and is the main provincial permit required to build the surface and underground infrastructure required for a comprehensive diamond drill definition program on the Cardiac Creek deposit. The planned program is comprised of a first phase of 1,600 metres of underground development followed by 16,000 metres of underground diamond drilling, designed to upgrade the current 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 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 2011 surface construction program included stripping of the planned underground portal site, preparation of the portal pad, construction of the waste rock dump site, and upgrade of the existing lower access road. The Company anticipates resuming surface work construction with an aim to collaring the underground portal. The Company continues to examine tender bids and costs associated with underground development for exploration drilling. Engineering and environmental studies will continue.

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 km from the Pie property on the north boundary of the Akie property to the Thro property, near the northern reaches of the Gataga River. The properties cover the extent of the prospective Gunsteel Formation shale which is the known host of SEDEX mineralization in the Kechika Trough. The southernmost project boundary is located approximately 260 kilometers north-northwest of the town of Mackenzie. The Kechika project includes several properties with significant historical drill intercepts, including the Mt. Alcock property which has yielded a drill intercept of 8.8

metres grading 9.3% Zn+Pb, numerous zinc-lead-barite occurrences, and several regional 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 these properties.

On May 15th, 2012 the Company announced it had received a NI 43-101 compliant Technical Report entitled "NI 43-101 Technical Report on the Pie Property", dated May 4, 2012 and authored by Tanya Strate, P.Geol., an independent qualified person for the purposes of NI 43-101. The Technical Report highlights the SEDEX Zn-Pb-Ag prospectivity of the property, documents the results of field work completed on the property in 2011, and makes recommendations for further work, including drill testing of several Zn-Pb-Ag mineralization targets. The technical report can be found on SEDAR (www.sedar.com).

On June 15th, 2012 the Company took receipt of a NI 43-101 compliant technical report entitled "NI 43-101 Technical Report on the Mt Alcock Property" dated May 31, 2012 and authored by Tanya Strate, P.Geol., an independent qualified person for the purposes of NI 43-101. Please refer to SEDAR (www.sedar.com) to review the report.

The Technical Report highlights the history of previous exploration on the property since the 1970's and identifies the prospectivity to host SEDEX Zn-Pb-Ag mineralization. The report documents the results of assessment work completed on the property in 2011, and makes recommendations for further work, including drill testing of the Main barite zone previously drill tested in 1989 and 1990. The property hosts several large soil geochemical anomalies that have never been drill tested and other Zn-Pb-Ag mineralization targets.

Regional Exploration Program – 2012

Regional exploration in 2012 was focused on several properties in the southern Kechika Trough including Akie, Pie, Yuen and Mt. Alcock. Exploration activities consisted of an airborne geophysical survey flown over Akie, Pie and Mt. Alcock and an extensive hydrogeochemistry survey involving water sampling of primary and secondary drainages across several properties. These programs are briefly described below.

Airborne Geophysical Survey

In August 2012, the Company engaged Geotech Ltd. Of Aurora, Ontario to complete a large-scale, 1,526 line kilometre airborne Vertical Time Domain EM (VTEM) geophysical survey over the Akie, Pie and Mt. Alcock properties. The survey had a nominal line spacing of 200 metres but was tightened to 100 metre spacing over key areas of interest such as the Cardiac Creek deposit. The primary goal of the survey was to obtain lithological and structural information near surface and at depth across the three properties, as well as define a geophysical response

directly from the Cardiac Creek deposit.

Preliminary interpretative results generated from the VTEM data indicate an excellent correlation between the known geological and structural data and the EM conductivity response generated from the survey. The Devonian Gunsteel Formation black shale, known host to the mineralized occurrences in the belt, is easily identified as a conductive trend and can be traced across the Akie and Pie properties. Additionally, the interpreted western thrust panel of rocks, which have been tentatively assigned to the Gunsteel Formation, and which hosts the GPS barite showing, has a similar conductive trend and was also traceable across the two properties. Other key lithological units such as the Kechika Group siltstone and limestone of the Kwadacha Reef are also discernible by variation in conductivity and resistivity.

The results also defined the western panel of Gunsteel Formation shale and associated rocks on the Mt. Alcock property and suggest an increased level of structural complexity compared to the existing mapping. A prominent EM lineation is present along strike to the southeast of the Main Barite showing. Historical drilling on the Main Barite showing intersected 8.8 metres grading 9.3 % combined Zn+Pb and 1.2 opt Ag in drill hole 89-3 and 10.5 metres grading 6.8 % combined Zn+Pb and 0.7 opt Ag in drill hole 89-9. This EM lineation is situated outside of any historical surface work and remains untested and is a high priority target for follow-up work.

To provide a detailed analysis of the VTEM results the company engaged Condor Consulting Inc. of Littleton, Colorado who are recognized experts in the field of airborne electromagnetics. The goal of this work was to utilise existing geological, geophysical, drilling and 3D modeling data and assess the VTEM results from the three properties, with a particular focus on the geophysical response garnered from the Cardiac Creek deposit as well as other mineralized occurrences in an attempt to define a deposit or mineralized signature. These results would be used to generate, define and rank electromagnetic targets on the three properties for follow up ground work. In addition, the analysis would be used to better define and delineate both lithological and structural contacts, particularly in regions where outcrop exposure is limited or not present due to vegetation.

Condor completed a number of processing steps to evaluate the data, including layered-earth, time constant and depth imaging. The result of this detailed analysis has shown that areas of known mineralization such as Cardiac Creek and Mt. Alcock are located along conductive trends and exhibit elevated conductivity and depressed magnetic signatures. Three profiles across the Cardiac Creek deposit show a strong conductor ranging from the surface to about 300 m depth which is about the depth limit that the VTEM survey data can be resolved with confidence.

Despite the strong conductor seen at Cardiac Creek, it is not unique and is only a small portion of a larger conductive lineation seen through the VTEM survey block. Plan view images indicate the conductivity along the Cardiac Creek deposit is slightly lower than along the same conductor just north and south of the deposit. The

decreased magnetic signature observed around the Cardiac Creek deposit is likely due to magnetite destruction caused by hydrothermal fluids proximal to a source vent. Condor believes that the magnetic lows coincident with elevated conductivity are a significant geophysical signature that may accompany proximal mineralization and can be used as an exploration vector toward finding new zones.

The detailed analysis also generated a series of 25 Target Zones (TZ) on all three properties. The target zones are groupings of conductors (either discrete conductor picks or wide features from depth imaging) that are prioritized based on the degree of correlation of the observed response with the defined target model. The target zones have been referenced against the known geological, structural and drill data.

Several target zones are located along strike of known mineralization, including both north and south of Cardiac Creek. The largest and strongest target zone identified in the survey is east of Cardiac Creek on an eastern panel of Gunsteel Formation that has seen only limited historical soil sampling on reconnaissance line spacing. TZ-17 is a long conductor, possibly positioned along a fold axis, which appears to be dipping east. As with Cardiac Creek, this target has a high resistivity as part of its geophysical signature.

Another target zone east of Cardiac Creek is coincident with a very large and strong historical zinc-in-soil anomaly (South Zinc Anomaly) that remains largely untested by systematic exploration. Additional targets are present on the eastern side of Silver Creek, located opposite to the Cardiac Creek deposit, and within the prospective Gunsteel Formation. The eastern side of Silver Creek has seen only limited exploration including soil sampling that defined the South Zinc anomaly in 1996. This region was also highlighted in the 2012 hydrogeochemistry sampling program and will continue to be assessed for the upcoming 2013 exploration program.

Several target zones are located in the vicinity of the GPS Zone where a single drill hole was attempted in 2011 to test surface mineralization at depth, but failed to reach the target depth due to poor near-surface ground conditions. This location remains a high priority drill target and will be retested from a new location.

Targets were identified on the Mt. Alcock property located northwest of the Main Zone in rocks interpreted to be Road River Group but which will now be reassessed due to the similar EM conductivity pattern known from the Gunsteel Formation. These targets will be followed up in the field to determine the host lithologies and the possibility of a potential thrust repeat of the Gunsteel Formation shale. Several targets were also identified on the Pie property, most notably on the West Pie target area within the interpreted Gunsteel Formation shale. These targets will be assessed in the upcoming field season.

The report and ranked EM targets defined by Condor Consulting will continue to be reviewed and assessed in conjunction with the digital GIS compilation recently completed on all three properties. It is expected that this work

will refined the targets to produce high priority field targets for the upcoming field season. Although target zones can be selected from the VTEM data, it is important that they be further investigated with ground geophysics or geochemistry before drilling.

This is the first modern airborne geophysical survey undertaken on the Company's large land holdings. Prospecting, mapping, soil geochemistry and detailed geophysical ground surveys will be considered in 2013 for any anomalies generated by the 2012 VTEM surveys. The survey results on Mt. Alcock and Pie will also help confirm drill targets.

Based on these results the Company has plans to expand the VTEM coverage to include both the Yuen and Cirque East properties, and the northern half of its claim holdings located northwest of Mt. Alcock. A 2013 VTEM survey utilized in conjunction with the ongoing digital compilation of exploration data on the northern properties is expected to yield numerous, and possibly drill ready, high priority targets.

Hydrogeochemistry

Following up on the results of the 2011 baseline hydrogeochemistry, over 100 water samples were collected from primary and secondary drainages on the Akie, Pie, Yuen, and Mt. Alcock properties. For due diligence purposes additional samples were taken downstream of the GPS showing confirming its anomalous nature. The initial field results identified several areas considered to be anomalous in sulphate concentrations. These included North Pie, West Pie, and drainages from the Mt. Alcock property. The analytical results are summarised below.

Akie Property

Sampling on the Akie property focused on testing creeks that drain an area underlain by Gunsteel Formation shale as well as the geology on the eastern side of the Silver Creek. Additional samples were taken in the immediate vicinity of the GPS barite showing along the western edges of the Akie property which returned anomalous values in Pb and Zn and other pathfinder elements. A drill hole to test the GPS showing was started in late 2011 but stopped short of its intended depth due to challenging ground conditions. The GPS showing remains a high priority drill target that is located along strike from the Cirque deposit.

Silver Creek has a distinct anomalous Zn signature, with localized increases in Pb, extending from the Central Pie area down to the confluence with the Akie River. This is attributed to the large number of creeks and streams draining known Gunsteel Formation shale to the west where drilling has defined the Cardiac Creek mineralized horizon in 79 drill holes. Of considerable interest are anomalous Zn values originating from the underexplored eastern side of Silver Creek that will require further detailed field evaluation as a potential target for hosting additional Pb-Zn-Ag mineralization.

The sampling downstream of the Cardiac Creek deposit has identified a number of key elements that can be used as a geochemical signature to guide future sampling programs on the company's properties.

Pie Property

Sampling on the Pie property focused on the primary, secondary and select tertiary creeks draining from the West Pie target area and the Central Pie panel of Gunsteel Formation shale. Historical drilling was centered on the Main Pie showing and on a trend towards the south eastern edge of the property. The northern end of the Central Pie area produced a distinct anomalous signature with extremely high concentration of sulphate and high conductivity readings. Additionally, this area is anomalous in Zn, Pb and other key elements. Of particular interest, barite float was found within the creeks and iron seeps were observed within tertiary creeks draining from the Gunsteel Formation shale nearby. Field measurements from follow up sampling in the area continued to record highly anomalous sulphate values and conductivity readings. This area remains untested by drilling and warrants follow up work including detailed mapping of the Gunsteel Formation shale and sampling of the iron seeps.

The West Pie target area returned moderate to anomalous values of sulphate and conductivity measurements and moderate to anomalous values of certain key pathfinder elements towards the center of the area within the interpreted Gunsteel Formation shales.

Mt. Alcock Property

Sampling on the Mt. Alcock property focused on primary and secondary creeks draining from the Main Zone showing where the historical drilling defined a body of Zn-Pb-Ag-Ba mineralization, and the eastern panel of Gunsteel Formation shale which is known to host several nodular barite showings and iron seeps. Sampling from the eastern panel of Gunsteel Formation shale returned anomalous values of Zn and moderate to elevated values of pathfinder elements. In an attempt to obtain background values for sulphate several samples were taken immediately to the east from creeks draining geology interpreted to be from the Road River Group of rocks that typically underlie the Gunsteel Formation shale. However these creeks unexpectedly returned anomalous concentrations in sulphate. Follow up sampling in these drainages continued to demonstrate anomalous sulphate and Zn values and will require follow up work to reassess the geology and determine the possible source(s) of this anomalism.

Limited historical drilling on the Main Zone showing in 1989 intersected 8.8 metres grading 9.3 % combined Zn–Pb and 1.2 opt Ag in drill hole 89-3. Drill hole 89-9 returned the widest intercept, with 10.5 metres grading 6.8 % combined Zn-Pb and 0.7 opt Ag. This area is a high priority target for follow-up in 2013.

Future sampling programs on the Akie, Pie and Mt. Alcock properties will focus on tertiary drainages in order to pinpoint the source of the sulphate and elemental anomalies, and the presence of possible Pb-Zn-Ag mineralization.

Summary of exploration expenditures incurred on various properties:

	Akie Property	Kechika Regional	Total
Acquisition Costs:			
Balance, July 1, 2011	$ 24,175,329	$ 328,780	$ 24,504,109
Additions	–	1,563	1,563
Balance, June 30, 2012	24,175,329	330,343	24,505,672
Additions	–	91	91
Balance, December 31, 2012	**$ 24,175,329**	**$ 330,434**	**$ 24,505,763**
Deferred exploration costs:			
Balance, July 1, 2011	$ 30,652,160	$ 2,539,748	$ **33,191,908**
Surface drilling program:			
Camp equipment, amortization	70,517	–	70,517
Camp operating	78,207	59,217	137,424
Drilling	1,624,839	169,309	1,794,148
Geology	198,476	281,013	479,489
Total surface drilling	1,972,039	509,539	2,481,578
Underground development:			
Engineering	187,777	–	187,777
Trail construction	1,705,263	–	1,705,263
Total underground development	1,893,040	–	1,893,040
Geotechnical program	19,550	–	19,550
Community consultations	91,745	–	91,745
Environmental studies	340,589	–	340,589
Project assessment	32,224	–	32,224
Metallurgical analysis	6,854	–	6,854
Less:			
METC	(919,250)	–	(919,250)
Balance, June 30, 2012	34,088,951	3,049,287	**37,138,238**
Camp equipment, depreciation	27,859	–	27,859
Camp operating	81,100	142,135	223,235
Geology	96,040	53,780	149,820
Underground development	22,565	–	22,565
Community consultations	200,000	–	200,000
Environmental studies	130,709	–	130,709
Airborne survey	72,529	170,321	242,850
Balance, December 31, 2012	**34,719,753**	**3,415,523**	**38,135,276**
Total June 30, 2011	$ 54,827,489	$ 3,404,442	$ 57,696,017
Total June 30, 2012	$ 58,264,280	$ 3,379,630	$ 61,643,910
Total December 31, 2012	**$ 58,895,082**	**$ 3,745,957**	**$ 62,641,039**

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. Fiscal 2011 financial results have been restated to IFRS. Please refer to Note 19 in the audited consolidated financial statements for the year ended June 30, 2012.

	Years ended		
	2012	2011	2010
	(IFRS)	(IFRS)	(IFRS)
Interest and other income	$ 241,234	$ 249,033	$ 36,036
Net Loss	$ (1,590,656)	$ (3,064,185)	$ (4,467,595)
Loss per share	($0.01)	($0.03)	($0.05)
Total assets	$ 78,271,595	$ 81,527,157	$ 63,441,750
Total long term liabilities	$ 1,466,000	$ 1,413,000	$ 937,000
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, 2012 and 2011. The financial results for the prior periods have been restated to IFRS. Please refer to Note 16 in the condensed consolidated interim financial statements for the period ended December 31, 2012.

During the six months ended December 31, 2012, the Company reported a loss before comprehensive loss of $777,082 or $0.00 per share compared to a loss before comprehensive loss of $778,025 or $0.00 per share in fiscal 2011, a decrease in loss of $943.

The table below details certain non-cash transactions that for the purposes of this discussion have been excluded from the reported net loss to produce an adjusted net loss that forms a better basis for comparing and assessing the Company's period-over-period operating results and requirements.

	Six months ended December 31,	
	2012	2011
	(IFRS)	(IFRS)
Net comprehensive loss for the period	$ (951,312)	$ (484,093)
Adjustment for change in FMV of marketable securities	174,230	(293,932)
Net loss before comprehensive loss	(777,082)	(778,025)
Deferred income tax recovery	–	(127,305)
Net loss before income taxes	(777,082)	(905,330)
Depreciation	2,666	2,070
Share-based compensation expense	29,349	108,923
Loss (gain) on sale of marketable securities	(1,945)	86,507
Adjusted net loss for the MD&A discussions (1)	$ (747,012)	$ (707,830)

(1) Adjusted net loss for the period is not a term recognized under IFRS.

Interest income

Total interest income for the six months ended December 31, 2012 was $94,699 compared to $140,084 in the same period last year. The decrease in interest income was attributable to lower balances of the short-term investments.

General and administration expenses

Total general and administration expenses decreased by $85,181 due to decreases in bank charges of $1,361, consulting fees of $16,500, investor relations fees of $47,478, professional fees of $16,882, stock-based compensation expense of $79,574 and transfer agent fees of $88, offset by increases in depreciation expense of $596, bonuses of $60,500, office and miscellaneous expenses of $4,403, travel and promotion expenses of $5,447 and wages and benefits of $5,756.

During the six months ended December 31, 2012, the Company paid bonuses totaling $63,000 (2011 - $2,500) to companies controlled by directors and officers of the Company.

The increase in travel and promotion expenses was due to higher travel expenses incurred by directors and officers in connection with exploration activities and for presentations arranged for various investors.

The decrease in consulting fees was due to decreased business development consulting and financial advisory services during the period.

The decrease in investor relations fees was due to decreased investor relation activities in Europe.

The decrease in professional fees primarily resulted from a decrease in accounting fees of $13,820 as compared to the same period last year when the Company incurred additional costs related to transition to IFRS.

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. During the six months ended December 31, 2012, the Company recorded stock-based compensation expense of $29,349 (2011 - $108,923) on the vested portion of stock options granted to directors, officers and consultants of the Company. The recorded share-based compensation expense was significantly lower as there were less options vested and no new stock options granted during the period.

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) before comprehensive loss	Earnings (Loss) per share
December 31, 2012	$ 46,710	$ (412,584)	$ (0.00)
September 30, 2012	47,989	(364,498)	(0.00)
June 30, 2012	54,178	(531,016)	(0.01)
March 31, 2012	46,972	(281,615)	(0.00)
December 31, 2011	72,030	(502,784)	(0.00)
September 30, 2011	68,054	(275,241)	(0.00)
June 30, 2011	75,801	(1,413,896)	(0.01)
March 31, 2011	66,892	(834,619)	(0.01)

The financial results for the prior periods have been restated to IFRS.

The significant changes in loss for the quarter ended:

a) June 30, 2012 was due to a loss on non-recoverable exploration advances of $93,072, deferred income tax expense of $53,000, travel expenses of $113,763 and professional fees of $57,306 that primarily consisted of accrued audit fees for fiscal 2012;

b) June 30, 2011 was due to stock-based compensation expense of $95,280, business development consulting fees of $188,544, investor relations fees of $149,433 and bonuses of $74,613; and

c) March 31, 2011 was due to stock-based compensation expense of $152,272 recorded on the 150,000 stock options granted to a consultant of the Company during the period and the vested portion of other stock options granted during the prior periods, business development consulting fees of $136,729 and bonuses of $360,000.

1.6/1.7 Liquidity and Capital Resources

The Company reported working capital of $16,210,514 at December 31, 2012 compared to working capital of $15,607,005 at June 30, 2012, representing an increase in working capital of $603,509. The increase in working capital was a result of the flow-through financing of $3,000,000 completed by the Company in November of 2012 offset by exploration and evaluation and general administrative expenditures.

Net cash increased by $500,990 from $13,905,702 at June 30, 2012 to $14,406,692.

During the six months ended December 31, 2012, the Company utilized its cash and cash equivalents as follows:

(a) $754,252 was used in operating activities, consisting primarily of general and administrative expenditures and change in non-cash items;

(b) $978,660 was used for deferred exploration of resource properties, $139,528 was used for acquisition of equipment and camp upgrades including renovation of bridges leading to and allowing access to the Akie Property;

(c) $362,203 was used for the purchase of marketable securities and $104,028 was generated on the sale of marketable securities;

(d) $269,537 was used for the purchase of 730,500 common shares of the Company at a weighted average price of $0.37 per share under the Normal Course Issuer Bid ("NCIB"), which commenced on July 31, 2009 and was subsequently extended in August 2010, 2011 and 2012;

(e) $2,901,500 was received from the flow-through private placement net of the finder fee of $120,000 and regulatory filing fees of $16,350; and

(f) $37,500 was received from exercise of 150,000 share options at a price of $0.25.

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 December 31, 2012 include receivables of $192,767, which consisted of HST recoverable of $120,947 and interest receivable on short-term investments of $71,820, METC recoverable accrued for fiscal 2012 of $556,085, prepaid expenses of $35,622 and marketable securities with a fair market value of $1,339,840. Current assets excluding cash as at June 30, 2012 include receivables of $123,368, which consisted of HST recoverable of $79,955 and interest receivable on short-term investments of $43,413, METC recoverable accrued for fiscal 2012 of $556,085, prepaid expenses of $9,800 and marketable securities with a fair market value of $1,253,950.

Current liabilities as at December 31, 2012 consisted of trade payables and accrued liabilities of $217,967 and amounts due to related parties of $102,524. Current liabilities as at June 30, 2012 consisted of trade payables and accrued liabilities of $235,085 and amounts due to related parties of $6,815.

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 $206,692 and GICs classified as cash equivalents of $14,200,000. GICs earn an average annual interest rate of approximately 1.45% and are redeemable at any point of time.

As all bank accounts and GICs are held with a major bank in Canada, there is a concentration of credit risk with one bank in Canada. This risk is managed by using a major bank that is a high credit quality financial institution 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, mining exploration tax credits and interest accrued on the GIC investments.

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 December 31, 2012, the Company was holding the total of $14,406,692 in cash and cash equivalents to settle its current cash liabilities of $320,491. Management believes that it has sufficient funds to meet

its current obligations as they become due and to fund its exploration projects and administrative costs.

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.

Interest Rate Risk

The Company is exposed to interest rate risk as its bank accounts earn interest income at variable rates. The Company mainly invests in fixed interest rate short-term investments that are considered to be low risk.

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

The remuneration of directors and executive officers during the six months ended December 31, 2012 and 2011 were as follows:

Six months ended December 31,		2012		2011
Bonuses	$	63,000	$	2,500
Consulting fees (ii)		7,500		7,500
Directors fees (iv)		25,000		25,000
Exploration and evaluation expenditures (geological consulting) (v)		70,008		68,340
Management and administration (i)		177,000		177,000
Share-based payments (vi)		29,349		84,889
Total	$	371,857	$	365,229

(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, whereby the Company agreed to pay management and administrative fees of $12,500 and $5,000 per month, respectively. Effective July 1, 2011, the agreement was amended to increase the monthly management fee to $24,500.

During the six months ended December 31, 2012, the Company paid $147,000 (2011 – $147,000) for management fees and $30,000 (2011 – $30,000) for administrative fees to VCC.

(ii) The Company paid $7,500 (2011 - $7,500) for consulting fees to a company controlled by a director;

(iii) The Company paid $25,000 (2011 - $25,000) in directors fees to five directors of the Company;

(iv) The Company paid or accrued exploration and evaluation costs of $70,008 (2011 - $68,340) to a company owned by an officer of the Company.

(v) Share-based payments are the fair value of options that have been granted to directors and executive officers.

As at December 31, 2012, $102,524 (June 30, 2012 - $6,815; July 1, 2011 - $Nil) was due to directors and officers of the Company and companies related to them for consulting fees, bonuses and reimbursement of business expenses. The amounts were paid subsequent to December 31, 2012.

1.10 Fourth Quarter and Subsequent Events

During the fourth quarter ended June 30, 2012, the Company:

(a) received the METC refund of $363,165 for its fiscal 2011 application;

(b) filed the following technical reports :

- NI 43-101 compliant technical report entitled " Technical Report: Akie Zinc-Lead-Silver Project British Columbia, Canada", prepared by Robert C. Sim P.Geol. (BC), dated April 27, 2012;
- NI 43-101 compliant technical report entitled "NI 43-101 Technical Report on the Pie Property", prepared by Tanya Strate, P.Geol., dated May 4, 2012; and
- NI 43-101 compliant technical report entitled "NI 43-101 Technical Report on the Mt Alcock Property" prepared by Tanya Strate, P.Geol., dated May 31, 2012.

Subsequent to the period ended December 31, 2012, the Company repurchased 83,000 of its common shares for a total consideration of $25,530 at a weighted average price of $0.31 per share under the NCIB.

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 International Financial Reporting Standards. Our significant accounting policies are set out in Note 2 of the audited consolidated financial statements of the Company, as at and for the year ended June 30, 2012.

The standards and interpretations within IFRS are subject to change and accordingly, the new accounting policies that are relevant to the Company will be finalized when the annual IFRS financial statements are prepared for the year ending June 30, 2013. For further discussion of new standards and interpretations, please refer to Note 2 of the condensed consolidated interim financials statements for the six months ended December 31, 2012 and 2011.

1.14 Financial Instruments and Other Instruments

The Company's financial instruments as at December 31, 2012 are as follows:

	Loans & receivables	*Available for sale*	*Fair Value through Profit or Loss ("FVTPL")*	*Other financial liabilities*
Financial assets				
Cash and cash equivalents	$ –	$ –	$ 14,406,692	$ –
Interest receivable	120,947	–	–	–
Marketable securities	–	1,339,840	–	–
Financial liabilities				
Trade payables	–	–	–	217,967
Due to related parties	–	–	–	102,524
	$ 120,947	$ 1,339,840	$ 14,406,692	$ 320,491

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 years ended June 30, 2012 and 2011.

1.15 Other Requirements

Summary of outstanding share data as at February 27, 2013:

(1)	Authorized: Unlimited common shares without par value	
	Issued and outstanding:	142,992,138
	Less treasury shares:	(458,500)
(2)	Stock options outstanding:	7,305,000
(3)	Warrants	3,750,000

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
February 27, 2013