CANADA ZINC METALS CORP.

Interim MD&A - Quarterly Highlights
For the three months ended September 30, 2016 and 2015

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

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

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

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

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

Overall performance

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

The 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 drilling and field programs on the Pie Option properties are anticipated to be in the order of $1.5 to $1.7 million. The details of the 2016 program conducted by Teck were included in the annual MD&A of the Company prepared by management as of October 25, 2016.

Summary of exploration expenditures incurred on various properties to September 30, 2016:

		Akie Property		Kechika Regional		Total
Acquisition Costs:						
Balance, June 30, 2016 and September 30, 2016	**$**	**24,165,241**	**$**	**336,785**	**$**	**24,502,026**
Deferred exploration costs:						
Balance, June 30, 2016		**40,821,568**		**4,631,543**		**45,453,111**
Camp equipment, depreciation		24,792		–		24,792
Camp rental		15,000		–		15,000
Engineering review		30,258		–		30,258
Geology		6,875		1,250		8,125
Environmental studies and permit compliance monitoring		2,142		–		2,142
Balance, September 30, 2016	**$**	**40,900,635**	**$**	**4,632,793**	**$**	**45,533,428**
Total, June 30, 2016	**$**	**64,986,809**	**$**	**4,968,328**	**$**	**69,955,137**
Total, September 30, 2016	**$**	**65,065,876**	**$**	**4,969,578**	**$**	**70,035,454**

Significant events for the three months ended September 30, 2016 included the following:

- Miller Thompson LLP. was appointed as legal counsel of the Company effective July 1, 2016. The Company's registered and records office has changed to Suite 1000-840 Howe St., Vancouver, BC V6Z 2M1;
- the Company 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 Normal Course Issuer Bid ("NCIB") application to purchase at market price up to 7,609,971 common shares, being approximately 5% of the Company's issued and outstanding common shares, through the facilities of the 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, 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 at any time by giving a 30 day notice in writing.
- the Company advanced $100,000 to a private company located in Ontario under a promissory note bearing interest at a rate of 10% per annum for a period of 6 months;
- the Company granted a total of 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 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.

Subsequent to September 30, 2016, the Company:

- entered into a one-year media and advertisement consulting services agreement commencing November 1, 2016 in exchange for $200,000 plus GST. In this regard, the Company also granted 150,000 incentive consultant share options exercisable at $0.40 per common share for a two year term;
- granted 90,000 incentive share options to consultants of the Company, exercisable at a price of $0.40 per common share for a period of five years commencing on November 2, 2016;
- filed Annual Information Form for the financial year ended June 30, 2016 on SEDAR (www.sedar.com);
- entered into an agreement with a syndicate of agents, led by Cormark Securities Inc. and including Echelon Wealth Partners (the "Agents"), pursuant to which the Agents have agreed to offer for sale up to 7,500,000 units of the Company at a price of $0.40 per unit and up to 3,850,000 flow-through common shares of the Company at a price of $0.52 per flow-through share on a best efforts private placement basis, for aggregate gross proceeds to the Company of up to $5.0 million (the "Offering"). Each whole unit shall consist of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant shall be exercisable into one common share of the Company at a price of $0.55 for 24 months following the closing of the Offering.

  The Agents will have the option, exercisable in whole or in part until 48 hours prior to the closing date, to arrange for the sale of up to an additional 15% of the number of units and flow-through shares sold under and on the same terms as the Offering.

  The Company agreed to pay a cash commission equal to 6% of the gross proceeds from the sale of units and flow-through shares and reimburse the Agent for all reasonable expenses.

  The Offering is scheduled to close on or about December 15, 2016 and is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory and other approvals including the approval of the TSX-V and the securities regulatory authorities; and
- announced a concurrent non-brokered financing of up to 1,250,000 units and 960,000 flow-through shares for aggregate gross proceeds of up to $1.0 million (the "Non-Brokered Offering"). The units and flow-through shares issuable under the Non-Brokered Offering shall be on the same terms as the Offering. A finder's fee may be payable on a portion of the Non-Brokered Offering, in accordance with the policies of the TSX-V.

Exploration Objectives

Akie Project:

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

Kechika Regional Project:

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

Kechika Regional Project (Pie Option Properties):

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

Results of Operations

During the three months ended September 30, 2016, the Company reported a net loss of $992,741 or $0.007 per share compared to a net loss of $181,399 or $0.007 per share during the same quarter last year, an increase in net loss of $811,342. The increase in net loss was primarily due to an increase in operating expenses of $666,613 and a reduction in deferred tax recovery of $136,725. Interest income decreased by $8,004 during the quarter ended September 30, 2016 due to lower balances of the cash deposits and short term investments.

The following transactions contributed to the increase in operating expenses by $666,613 during the first quarter ended September 30, 2016 as compared to the first quarter of the previous fiscal year:

- Consulting fees increased by $144,046 as a result of financial advisory services retained during the quarter. In addition, $28,125 (2015 - $625) was allocated to this expense category for geological consulting services provided by the VP of Exploration of the Company.

- Investor relations fees increased by $18,573 as a result of the investor relations services contract with Paradox dated August 8, 2016. The Company also paid $10,000 (2015 - $Nil) for the arrangement of investor meetings in Europe.

- Marketing expenses increased by $43,534 as a result of advertisement and marketing campaigns conducted to increase investor interest in the Company.

- Travel and promotion increased by $8,436 as a result of an increased number of senior management trips to Toronto, Montreal and Europe for investor presentations.

- Share-based compensation expenses increased by $454,367 as a result of two new stock option grants. During the first quarter ended September 30, 2016, 1,450,000 stock options were granted to directors, officers, consultants and employees of the Company at a price of $0.40 per share, all of which vested immediately and valued at approximately $0.30 using the fair value based method of accounting. The Company also granted incentive share options to Paradox 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. The options are exercisable for a period of three years and will vest quarterly over 12 months from the date of grant. The options granted to Paradox were valued at approximately $0.17 per share using the fair value based method of accounting. Share-based compensation expense recorded in the comparative quarter of the previous fiscal year was significantly lower as there were no options granted during that period.

- Wages and benefits increased by $3,125 as a result of higher salary expenses.

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

Rent expense decreased by $3,037 as the Company discontinued a separate rental arrangement for a geologists' office effective August 1, 2016.

Liquidity and capital resources

The Company's working capital position remains strong with cash of $1,735,720 and GIC investments with a fair value of $4,034,958 as at September 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 September 30, 2016, the Company reported working capital of $6,054,453 compared to working capital of $6,589,784 at June 30, 2016, representing a decrease in working capital of $535,331.

Net cash used in operating activities during the three months ended September 30, 2016 was $617,131 (2015 – $407,697) representing general administrative expenses and changes in non-cash items.

Net cash used in investing activities during the three months ended September 30, 2016 was $204,032 (2015 – $1,585,510), of which $81,927 (2015 - $1,476,948) was spent on exploration expenditures. In addition, $22,105 (2015 - $81,865) was used for the purchase of marketable securities and $100,000 (2015 - $Nil) was advances under a promissory note. There were no purchases of camp or office equipment during the quarter (2015 - $26,697).

Financing activities during the three months ended September 30, 2016 included the exercise of 45,000 share options by a former employee of the Company for gross proceeds of $10,350, and purchase of 17,000 common shares of the Company for a total of $3,570 (2015 - $9,260) with a weighted average price of $0.21 per share under its NCIB.

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

	September 30, 2016	June 30, 2016
Government Sales Tax credits	$ 16,625	$ 14,303
Accrued interest	597	338
Receivable from exercise of options	10,978	–
Prepaid expenses	119,879	54,419
Refundable exploration deposit	75,000	–
Loan receivable including interest	100,986	–
Marketable securities at fair value	84,578	90,400
GIC investments	4,034,958	4,019,351

The amount receivable from the exercise of share options and the refundable exploration deposit from the camp operator were collected subsequent to September 30, 2016.

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

The Company holds two GIC investments with the principal amounts of $2,000,000 each, yielding fixed interest rates of 1.6% and 1.5% per annum, and maturing on December 12, 2016 and June 1, 2017.

Current liabilities as at September 30, 2016 consisted of trade payables and accrued liabilities of $107,323 (June 30, 2016 - $139,130) and due to related parties of $17,545 (June 30, 2016 - $Nil).

The other sources of funds potentially available to the Company are through the exercise of outstanding stock options and share purchase warrants that are summarized below. There can be no assurance, whatsoever, that any or all of these outstanding exercisable securities will be exercised.

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

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

The Company is exposed in varying degrees to a variety of financial instrument related risks, including price risk with respect to commodity and equity prices. The Company closely monitors certain commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. For further discussion of financial risks, please refer to Note 16 of the condensed consolidated interim financial statements for the three months ended September 30, 2016.

Transactions with related parties

The remuneration of directors and other key management personnel during the three months ended September 30, 2016 and 2015 were as follows:

September 30,		2016		2015
Consulting fees (iv)	$	3,750	$	3,750
Directors fees (ii)		10,000		10,000
Exploration and evaluation expenditures (geological consulting) (v)		37,500		37,500
Management fees (i)		88,500		88,500
Other employment benefits (vii)		6,979		7,008
Share-based compensation (vi)		421,638		3,769
Total	$	568,367	$	150,527

(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 three months ended September 30, 2016, the Company paid $88,500 (2015 – $88,500) for management fees and $15,000 (2015 – $15,000) for administrative fees to VCC;

(ii) the Company paid $10,000 (2015 - $10,000) in directors' fees to the four directors of Company - John Thomas, Marco Strub, Peeyush Varshney and Praveen Varshney;

(iii) the Company paid $3,750 (2015 - $3,750) for consulting fees to Sircon AG, a company controlled by Marco Strub, a director of the Company;

(iv) the Company paid geological consulting fees of $37,500 (2015 - $37,500) to Ridgeview Resources Ltd., a company controlled by Ken MacDonald, VP of Exploration of the Company, of which $9,375 (2015 - $36,875) was capitalized as exploration and evaluation costs and $28,125 (2015 - $625) was expensed as consulting fees;

(v) 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

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

As at September 30, 2016, $17,545 (June 30, 2016 - $Nil) was due to the CEO and CFO of the Company for reimbursement of business expenses. The amounts were paid subsequent to September 30, 2016.

Summary of outstanding share data as at November 25, 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:	8,782,500
(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