CANADA ZINC METALS CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2011

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 26, 2011 and should be read in conjunction with the audited consolidated financial statements and related notes thereto of the Company for the years ended June 30, 2011 and 2010, which were prepared in accordance with Canadian generally accepted accounting principles.

The Company is presently a "Venture Issuer", as defined in NI 51-102.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the issuer, including potential business or mineral property acquisitions and negotiation and closing of future financings. The issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

1.2 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..

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

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

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

Drilling on the Akie property by Inmet Mining Corporation during the period 1994 to 1996 and by Canada Zinc since 2005 has identified a significant body of baritic-zinc-lead 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.

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

2011 Diamond Drill Program – Akie Property

The 2011 diamond drilling program commenced in early June as part of Canada Zinc Metals' exploration program on the Akie property and the regional properties; Pie, and Mt. Alcock. The objectives of this year's drilling program was focused on several targets located on the Akie property including the Cardiac Creek deposit, the NW Extension, the North Lead Anomaly and the SE Extension.

A total of 6,028.39 metres of drilling was completed in 15 drill holes. A total of 12 drill holes (5,667.81 metres) reached their intended target depths while 3 (360.58 metres) were abandoned due to poor ground conditions or excessive drill hole deviation. At the time of writing, exploration results are still pending due to an extensive backlog at Acme Analytical Laboratories.

SE Extension

The first drill hole of the 2011 exploration program focused on the SE extension target, utilizing the recently constructed lower access road. The SE extension drilling was a follow-up to early spring 2011 geotechnical drill holes completed along the road. They were designed for engineering purposes but managed to intercept the favorable Gunsteel Formation shale containing interlaminated sulphide bands similar to the Cardiac Creek mineralization found some 850m to the NW. A single drill hole A-11-86 totaling 505.06 metres was completed on the SE Extension and core logging has indicated the presence of both distal and proximal pyrite facies style mineralization. The distal and proximal pyrite facies mineralization are present at the Cardiac Creek zone and are generally a precursor to high grade zinc mineralization at depth.

NW Extension

Early in the exploration program drilling focused on the NW Extension target with 5 drill holes completed totaling 1,708.72 metres. The program was designed to follow-up on significant drill intersections from 2010. This included Cardiac Creek style zinc-lead-silver mineralization in hole A-10-69 and a unique sulphide zinc-nickel enriched zone intersected in drill hole A-10-72 that is also anomalous in gold, lead, copper and other elements. This interval appears to be similar in character to the zinc-lead-PGE (platinum group element) mineralization of the Nick Deposit in the Yukon.

Cardiac Creek Zone

The second half of the diamond drilling program was dominated by drilling along the SE edge of the Cardiac Creek deposit with the intent to expand the deposit both up and down-dip and along strike on approximate 100 metre spacing from existing resource drill holes. To this effect, a total of 3,454.62 metres of drilling was completed in 6 drill holes (A-11-92, A-11-93, A-11-95, A-11-96, A-11-98, A-11-99). All drill holes successfully intersected the Cardiac Creek zone over variable downhole thicknesses ranging from 5 to greater than 20 metres. Two drill holes, A-11-94 and A-11-97, totaling 261.52 metres were abandoned due to excessive deviation. All results are pending from the drilling conducted on the Cardiac Creek deposit.

GPS Showing & North Lead Anomaly

The final drill hole of the 2011 diamond drilling program targeted a massive bedded barite occurrence known as the GPS showing located along the western edges of the Akie property. Drilling was abandoned at a depth of 99 metres of a planned 275 metres due to unexpected extremely poor ground conditions. The target showing is hosted in a panel of recently interpreted prospective Gunsteel Formation stratigraphy located directly along strike from the Cirque Deposit, located on the adjacent Cirque property owned by Teck Resources Ltd.. This showing remains a viable drill target for future exploration. The ground conditions resulting in the abandonment of the drill hole will be assessed to determine the best method of drilling for future exploration programs.

2010 and 2011 Geotechnical Program – Akie Property

Two short technical programs were completed in October 2010 and April 2011. The late 2010 program focused on several key sites near the Cardiac Creek deposit gathering engineering data in support of planned underground development to facilitate diamond drilling. Geotechnical engineering assessments were completed at the planned waste rock dump site and along the access to the planned portal. A portion of the lower access road was constructed to provide tracked access for a drill and an excavator. Preliminary engineering designs were prepared for the portal, decline, laydown area, dump site, settling pond and lower access.

The 2011 spring program involved completion of the access trail to the proposed portal site and additional technical drilling (geotechnical and hydrogeological). The field data provided a basis for detailed engineering and environmental design criteria for final designs for a waste rock dump, access road, portal and underground decline. The final designs were submitted to the BC government for approval.

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 possible bulk ore sample to be taken providing data for pilot plant test work and marketability studies.

During access construction the surface expression of the Cardiac Creek zone was exposed. Preliminary mapping and sampling of the zone was completed during the summer exploration program. Of the two holes drilled along the access trail, Drill Hole A-11-85, located approximately 825m along strike from the deposit, intersected the Cardiac Creek zone 30 metres below surface from 60.40 metres to 83.40 metres (down hole depth). The interval of interest consisted primarily of interbedded sulphide and shale characteristic of proximal facies mineralization (thickly bedded pyrite +/- nodular barite) with minor sphalerite. Individual sulphide beds are on the order of 10-40 cm thick with an aggregate thickness in excess of 10 meters. Detailed core logging and sampling of this drill holes was completed during the summer exploration program.

Underground Development – Akie Property

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.

The underground drill permit is valid for a period of three years and is the main construction permit required to build the surface and underground infrastructure required for a comprehensive diamond drill definition program on the Cardiac Creek deposit. The underground exploration program, as currently planned, is comprised of 1,600 metres of underground development and 16,000 metres of underground diamond drilling designed to upgrade the current 43-101 compliant inferred resource to the measured and indicated category. Drill cores from underground would also be used in a systematic metallurgical sampling program intended to ensure metallurgical sampling across the full spectrum of the deposit. Underground development would also provide important engineering data for future mine design.

The Company recently concluded the surface construction works tender process and it has been awarded to Falcon Contracting Ltd. of Prince George, BC.

The surface works contract includes tree clearing, grubbing and 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. This surface work is necessary in order to prepare for construction of the underground portal and exploration decline. This work is expected to be completed by November 2011.

The Company continues to examine underground tender bids and costs associated with underground development for exploration drilling.

2010 Diamond Drill Program – Akie Property

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

Creek deposit.

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

Highlights:

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

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

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

Cardiac Creek Deposit

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

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

NW Extension Target

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

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

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

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

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

North Lead Anomaly

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

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

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

The results from the North Lead Anomaly are extremely positive, suggesting that another Zn-rich sulphide system is present on the Akie property. An analysis of the drill hole data in conjunction with the geology, surface sampling and other pertinent geological data is underway in order to determine future drill targets on the Cardiac Creek deposit as well as the North Lead Anomaly and NW Extension targets.

The North Lead Anomaly was not drill tested during the 2011 exploration program. It remains a high priority target and will undergo further analysis of existing surface and drill data in order to determine where best to locate future drill holes.

Kechika Regional

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

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

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

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

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

2011 Regional Exploration

The Pie and the Mt. Alcock properties were primary targets of the 2011 regional exploration program conducted on the Kechika group of properties. Work focused on the prospective black shales of West Pie; the nickel-in-rock anomalies of East Pie; and evaluation of the historical work conducted on the Mt Alcock property.

Mapping of the West Pie property has been completed. This work has defined a significant panel of interpreted prospective Gunsteel Formation shale encompassing 8 kilometers of strike length. A comprehensive 14.9 line kilometer soil sampling program has been completed across this panel, with a total of 317 samples taken at 50 metre spaced intervals, along 400 metre spaced lines. In addition, nodular barite occurrences have been discovered within this panel, indicating the presence of exhalative activity in the area. Channel sampling, using a portable rock saw, has been completed on these occurrences. It is important to note that the interpreted Gunsteel shales present at the West Pie property, which also host the GPS bedded barite showing, are situated directly along strike from the Cirque deposit. Additional prospecting, mapping and select soil sampling have been carried out in the vicinity of the nickel-in-rock anomalies of East Pie in an attempt to discover the source of these anomalies.

Work on the Mt. Alcock property included a property-scale silt sampling program designed to provide geochemical information from key drainages, infill and extension soil sampling with a total of 259 samples taken at 50m spaced intervals along 400m spaced lines, and an evaluation of the historical drill core for due diligence purposes. An effort has been taken to preserve the remaining historical drill core from further deterioration. The 100% owned Mt. Alcock property has yielded a historic drill intercept of 8.8 metres grading 9.3% zinc+lead and 1.2 oz per ton silver.
Analytical results from the regional exploration program are pending.

DA Property, Northwest Territories

On August 1, 2006, the Company entered into a joint venture agreement where by the Company holds 8.2% undivided interest in the mineral claims and three mineral leases, the latter subject to a 10% underlying NPI, a 5% GOR and a 5% NSR. Pursuant to an amended and restated Mineral Property Option Agreement, dated August 30, 1998, the Company has the option to reduce the GOR and NSR interests to 2.25% and 2%, respectively, and eliminate entirely the NPI by completing certain share issuances and cash payments to the original property owner within 90 days of a production decision. The other joint venture participants are Shear Minerals Ltd. (58.2%), the project operator, International Samuel Exploration Corp. (25.4%) and New World Resources Inc. (8.2%).

During the year ended June 30, 2011, the Company wrote-off the carrying amount of $221,560 related to the DA Properties as the Company has no further exploration plans for these properties in the foreseeable future.

Summary of exploration expenditures incurred on various properties:

	Akie Property	Kechika Regional	DA	Total
Acquisition Costs:				
Balance, June 30, 2009	$ 24,173,329	$ 328,432	$ 71,535	$ 24,573,296
Additions	2,000	–	–	2,000
Balance, June 30, 2010	24,175,329	328,432	71,535	24,575,296
Additions	–	348	–	348
Write-off	–	–	(71,535)	(71,535)
Balance, June 30, 2011	24,175,329	328,780	–	24,504,109
Deferred Exploration Costs:				
Balance, June 30, 2009	25,695,058	702,512	150,025	26,547,595
Additions:				
Geological consulting	495,362	220,047	–	715,409
Camp operating	188,715	249,974	–	438,689
Drilling	487,282	–	–	487,282
Community consultations	159,069	–	–	159,069
Environmental studies	109,072	–	–	109,072
Metallurgical analysis	52,200	–	–	52,200
Road and transportation	21,958	–	–	21,958
Less:				
Write-off of camp equipment	(5,843)	–	–	(5,843)
METC (2008)	(921,063)	–	–	(921,063)
Balance, June 30, 2010	26,281,810	1,172,533	150,025	27,604,368
Balance, June 30, 2010	26,281,810	1,172,533	150,025	27,604,368
Surface drilling program:				
Camp equipment	102,738	–	–	102,738
Camp operating	180,951	–	–	180,951
Drilling	4,838,253	15,033	–	4,853,286
Geology	182,085	16,193	–	198,278
Work assessment fees	72,336	18,284	–	90,620
Total surface drilling	5,376,363	49,510	–	5,425,873

Geotechnical program:	631,852	–	–	631,852
Camp operating	314,953	–	–	314,953
Trail construction	600,177	–	–	600,177
Total geotechnical program	1,546,982	–	–	1,546,982
Community consultations	210,000	–	–	210,000
Environmental studies	236,940	–	–	236,940
Underground engineering	92,227	–	–	92,227
Economical assessment	8,682	–	–	8,682
Metallurgical analysis	6,900	–	–	6,900
Less:				
Write-off	–	–	(150,025)	(150,025)
Less METC (2009)	(1,611,149)	–	–	(1,611,149)
Balance, June 30, 2011	32,148,755	1,222,043	–	33,370,798
June 30, 2011	**$ 56,324,084**	**$ 1,550,823**	**$ –**	**$ 57,874,907**

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		
	2011	2010	2009
Interest and other income	$249,033	$36,036	$80,256
Net Loss	($2,389,363)	($9,193,106)	($1,733,051)
Loss per share	($0.02)	($0.10)	($0.02)
Total assets	$81,527,157	$63,441,750	$57,815,908
Total long term liabilities (Future Income Tax Liability)	$6,021,000	$7,040,397	$1,514,583
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 years ended June 30, 2011 and 2010.

During the year ended June 30, 2011, the Company reported a loss of $2,389,363 or $0.02 per share compared to a loss of $9,193,106 or $0.10 per share during fiscal 2010, a decrease in loss of $6,803,743. The decrease in loss was primarily due to future income tax ("FIT") recovery of $963,093 (2010 – future income tax expense of $5,525,814). The future income tax expenses recorded in fiscal 2010 resulted from the reassessment of differences between tax values of resource properties, which were adjusted for the amount of acquisition costs of Ecstall in fiscal 2007, and accounting values of resource properties in the financial statements of the Company.

The Company's consolidated net loss for the year ended June 30, 2011, not factoring in non-cash transactions of stock-based compensation expense, amortization of office equipment and leasehold improvements, future income tax expense, write-off of resource properties and dividend income received in share purchase warrants, was $2,275,554 (2010 - $2,379,100), a decrease of $103,546.

Interest and other income

Total interest and other income for the year ended June 30, 2011 was $249,033 compared to $36,036 during last year. The increase in interest income of $158,236 was attributable to higher balances on short-term investment deposits and $54,761 in interest received on the fiscal 2008 METC refund.

For the year ended June 30, 2011, the Company recorded dividend income of $117,187 for 468,750 share purchase warrants of International Lithium Corp. ("ILC") received in the spin-out of TNR Gold Corp. ("TNR") property interests. In fiscal 2010, the Company invested $375,000 by subscribing for 1,875,000 units of TNR. In fiscal 2011, pursuant to the spin-out arrangements, the Company exchanged every old common share of TNR for one new share of TNR and one-quarter of a common share of ILC. During the year ended June 30, 2011, the Company sold 68,750 ILC shares at an average price of $0.26 per share for net cash proceeds of $17,678, and 68,500 ILC share purchase warrants at an average price of $0.07 for net cash proceeds of $4,350, and realized a pre-tax loss of $18,014 on sale of these securities.

General and administration expenses

Total general and administration expenses decreased by $218,383 due to decreases in flow-through taxes of $527,161, stock-based compensation of $309,627, interest expense of $41,447, and rent of $2,233, offset by increases in bonuses of $207,863, consulting fees of $124,827, director fees of $3,000, investor relations fees of $224,428, office and miscellaneous fees by $14,797, professional fees of $14,765, regulatory fees of $16,945, transfer agent fees of $3,656, travel and promotion of $31,467 and wages and benefits of $20,694.

Flow-through taxes

In September 2009, the Company issued 7,863,778 flow-through common shares for gross proceeds of $7,077,400. The flow-through agreements require the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's resource properties. The Company was unable to incur exploration expenditures between the September 2008 flow-through share issuance and December 31, 2009 to the extent it originally anticipated. The Company filed the amendments to eligible Canadian exploration expenditures previously renounced to the flow-through shareholders that subscribed for the Company's common shares in fiscal 2009. As a result of the expenditure shortfall and the amendment of the previous renunciations of explorations expenditures, the Company paid $601,595 in part XII.6 tax for 2009 and an additional $54,689 in interest.

As at June 30, 2011, the Company fully spent the required amount of the flow-through funds on eligible exploration expenditures, which were renounced to the flow-through shareholders for the 2010 calendar year.

During the year ended June 30, 2011, the Company accrued $74,434 in additional part XII.6 tax on flow-through funds raised in 2009 upon receipt of the CRA's flow-through assessment and $13,242 in penalty. The amounts were paid subsequent to the year ended June 30, 2011.

Stock-based compensation

The Company recognizes compensation expense for all stock options granted, using the fair value based method of accounting and any cash paid on the exercise of stock options is added to the stated value of common shares. For the year ended June 30, 2011, the Company recorded stock-based compensation expense of $969,495 (2010 - $1,279,122) on the vested portion of stock options granted to directors, officers and consultants of the Company. The decrease in stock-based compensation expense was a result of the fewer stock options being granted at lower exercise prices as well as different vesting provisions and changes in valuation assumptions used to calculate a fair value of stock options granted at varying times, such as stock market prices, volatility of stock prices and risk-free interest rates.

Consulting fees

The increase in consulting fees by $124,827 was due to increased business development consulting and financial advisory services retained during the period.

On October 1, 2009, the Company entered into two separate consulting agreements to provide business development consulting services to the Company for a period of two years for an aggregate monthly fee of approximately $17,500. One of these agreements was a renewal of the previous agreement of February 1, 2010. During the year ended June 30, 2011, the Company paid a total of $322,525 in consulting fees in respect of the above agreements including one time bonus fee of $100,000.

In addition, the Company also paid an aggregate of $479,517 in consulting fees related to financial advisory services and business development activities carried out in Europe.

Investor relations fees

The increase in investor relations fees by $224,428 was primarily a result of the Company retaining investor relations services from Translloyd Consulting GmbH ("Translloyd"). The Company engaged Translloyd to provide investor relations and communications services to the Company for a term of six months, renewable thereafter on a month to month basis, in exchange for a fee of $7,000 per month and approved reimbursable expenses. During the year ended June 30, 2011, the Company paid a total of $200,816 in investor relations fees and other reimbursements with respect of the above agreement.

The Company also incurred additional costs on its road show in Europe at the end of November 2010, which included various investor presentations and conferences.

Other increases in general and administration expenses were the following:

(a) professional fees by $14,765 for additional tax consultations in connection with the flow-through renunciation amendment;

(b) regulatory fees by $16,945 for filing fees on the investor relations agreement, extension of the normal course issuer bid ("NCIB") and the stock option plan with the TSXV.

(c) travel and promotion by $31,467 for presentations and conferences arranged for various potential and existing investors, including the European road show in November 2010 and the Company's senior management trip overseas in March 2011 to meet with representatives of Tongling Nonferrous Metals Group Holdings Co. Ltd., the Company's largest investor.

(d) wages and benefits by $20,694 due to increases in salaries of exploration and administrative personnel.

1.5 Summary of Quarterly Results

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

Quarter ended	Interest Income	Net Earnings (Loss)	Earnings (Loss) per share
June 30, 2011	$ 75,801	$ 48,214	$ 0.00
March 31, 2011	66,892	(822,496)	(0.01)
December 31, 2010	36,515	(1,282,097)	(0.01)
September 30, 2010	69,825	(332,984)	(0.00)
June 30, 2010	13,254	(6,681,427)	(0.07)
March 31, 2010	5,013	(1,233,305)	(0.02)
December 31, 2009	6,907	(827,018)	(0.01)
September 30, 2009	10,862	(451,356)	(0.00)

The significant changes in loss for the quarter ended:

a) June 30, 2011 was due to future income tax recovery of $963,093, stock-based compensation expense of $95,280 recorded on the vested portion of stock options granted during the prior periods, business development consulting fees of $188,544, investor relations fees of $149,243, flow-through taxes of $74,434, bonuses of $74,613 and write-off of mineral properties of $221,560;

b) March 31, 2011 was due to stock-based compensation expense of $140,149 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;

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

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

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

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

1.6/1.7 Liquidity and Capital Resources

The Company reported working capital of $21,945,977 at June 30, 2011 compared to working capital of $9,737,215 at June 30, 2010, representing an increase in working capital of $12,208,762. Net cash increased by $6,219,157 from $9,281,997 at June 30, 2010 to $15,501,154 at June 30, 2011.

During the year ended June 30, 2011, the Company utilized its cash and cash equivalents as follows:

(a) $2,247,952 was used in operating activities, consisting primarily of general and administrative expenditures and change in non-cash items including the receipt of the 2009 METC refund of $921,063 and payment of Part XII.6 taxes of $579,877;

(b) $7,199,737 was used for deferred exploration of resource properties and $220,000 was posted as a security deposit with government of British Columbia in connection with the underground exploration permit;

(c) $496,425 was used for purchase of marketable securities;

(d) $4,609,000 was invested in fixed rate GICs that bear an average annual interest of 1.5% and mature at various dates up to February 23, 2012;

(e) $117,145 was advanced as a tenant security deposit for a new office lease and $15,165 was used for the purchase of office equipment and furniture;

(f) $251,550 was generated from the exercise of 895,000 stock options at a weighted average price of $0.28 per share;

(g) $632,403 was used for the purchase of 1,352,500 common shares of the Company at a weighted average price of $0.47 under the NCIB, which commenced on July 31, 2009 and was subsequently extended for another 12 months on July 31, 2011;

(h) $17,952,900 was generated from the non-brokered private placement of 31,386,224 units at a price of $0.5735 per unit net of share issuance costs totaling $47,000; and

(i) $3,552,534 was generated from the non-brokered flow-through private placement of 4,845,000 units at a price of $0.77 per unit net of finder's fee and other share issuance costs totaling $178,116.

On August 1, 2011, the Company received TSXV approval to purchase at market price up to 6,922,765 common shares, being approximately 5% of the Company's issued and outstanding common shares under the NCIB.

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

The total NCIB purchases over the past two years are summarized as follows:

	August 1, 2009 to July 31, 2010	August 1, 2010 to July 30, 2011	August 1, 2011 to October 26, 2011	Total NCIB purchases
Number of shares	744,000	1,227,000	806,500	2,777,500
Purchase price	$ 311,501	$ 574,472	$ 331,357	$ 1,217,330

The purchases are made in accordance with the policies and rules of the TSXV. 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.

A total of 2,299,000 common shares repurchased since fiscal 2010, were cancelled and returned to the Company's treasury.

Current assets excluding cash as at June 30, 2011 include short-term investments of $4,609,000, receivables of $477,600, which consisted of HST recoverable of $279,906 and interest receivable on short-term investments of $197,694, METC recoverable of $1,611,149, prepaid expenses and exploration deposits of $378,838 and marketable securities with a fair market value of $557,260. Current assets excluding cash as at June 30, 2010 consisted of receivables of $67,972, which consisted of GST recoverable of $57,473 and interest receivable on short-term investments of $10,499, METC recoverable of $921,063, marketable securities of $450,000 and prepaid expenses of $373,081.

The Company has applied for the 20% British Columbia Mining Exploration Tax Credit ("METC") and the enhanced tax credit of an additional 10% for Mountain Pine Beetle affected areas, on qualified mining exploration costs incurred by the Company in fiscal 2009. During the year ended June 30, 2011, the Company received Canada Revenue Agency's ("CRA") assessment and preliminary approval of $1,611,149 in METC for its fiscal 2009 application and recorded this amount in METC recoverable with a corresponding reduction in Resource Properties on the consolidated balance sheet as at June 30, 2011.

Current liabilities as at June 30, 2011 consisted of accounts payable and accrued liabilities of $1,189,024 (2010 - $1,295,366) and amounts due to related parties of $Nil (2010 - $61,532).

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

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

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

1.8 Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

1.9 Transactions with Related Parties

During the year ended June 30, 2011:

(a) the Company paid or accrued $150,000 (2010 – $150,000) for management fees and $60,000 (2010 – $60,000) for administrative fees to a company partially controlled by a director and an officer of the Company.

(b) the Company paid $15,000 (2010 - $15,000) for consulting services to a company controlled by a director of the Company;

(c) the Company paid or accrued $70,000 (2010 - $Nil) for consulting and geological services fees, included in resource properties, to a company controlled by an officer of the Company;

(d) the Company paid or accrued $Nil (2010 - $148,000) for consulting and geological services fees, included in resource properties, to a company controlled by a former director of the Company;

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

(f) the Company paid $3,000 (2010-$Nil) in directors fees;

(g) the Company paid bonuses totalling $434,613 (2010 - $226,750) to a company partially controlled by a director and an officer of the Company.

(h) as at June 30, 2011, $Nil (June 30, 2010 - $6,932) was due to directors and officers of the Company for reimbursement of business expenses.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

1.10 Fourth Quarter and Subsequent Events

During the fourth quarter of fiscal 2011, the Company completed the geotechnical and engineering program on the property, including extension of the access trail to the proposed portal site, excavation of a series of test pits and the completion of five hydrogeological and geotechnical drill holes, and commenced the 2011 Akie exploration program with diamond drilling targeting several key zones along strike from the Cardiac Creek deposit including the NW Extension and the SE Extension.

Subsequent to the year ended June 30, 2011, the Company:

(a) received an underground drill permit from the BC government for the Akie project which will facilitate advanced exploration of the Cardiac Creek deposit.

(b) sold 70,000 ILC shares at an average price of $0.18 per share for net cash proceeds of $12,591, and 290,000 ILC share purchase warrants at an average price of $0.03 for net cash proceeds of $9,515.

(c) invested $1,571,358 in 1,939,000 common shares of Oracle Mining Corp. (former Gold Hawk Resources Inc.) through the open market purchases.

(d) received the TSXV approval to purchase at market price up to 6,922,765 common shares, being approximately 5% of the Company's issued and outstanding common shares, by way of a normal course issuer bid (the "New Bid") through the facilities of the TSXV. The Bid commenced on August 1, 2011 and will stay open for 12 months.

    The purchases are made in accordance with the policies and rules of the TSXV. 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.

(e) Repurchased 835,000 of its common share for a total consideration of $ 344,375 at a weighted average price of $0.41 per share under the NCIB;

(f) 916,500 common shares repurchased through the NCIB were returned to the Company treasury for cancellation.

1.11 Proposed Transactions

None.

1.12 Critical Accounting Estimates

Not applicable to Venture Issuers.

1.13 Changes in Accounting Policies including Initial Adoption

The financial information presented in this MD&A has been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Our significant accounting policies are set out in Note 2 of the audited consolidated financial statements of the Company, as at and for the years ended June 30, 2011 and 2010.

International Financial Reporting Standards (IFRS)

In February 2008, the Accounting Standards Board of Canada confirmed that Canadian GAAP for publicly accounting enterprises will be converged with International Financial Reporting Standards ("IFRS") effective for fiscal years beginning on or after January 1, 2011. The Company will therefore be required to report using IFRS commencing with its annual financial statements for the year ended June 30, 2012 which must include the annual results for the year ended June 30, 2011 prepared on the same basis. IFRS uses a conceptual framework similar to Canadian GAAP but there are significant differences on recognition, measurement and disclosures.

Management has completed phase one, IFRS Scoping phase, and now advancing through phase two, the Planning stage. Management prepared a component evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of differences. Many of the differences identified are not expected to have a material impact on the reported results and financial position.

Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance presented based on standards applicable at that time.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adoption IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. Set out below are the most significant areas, management has identified to date, where changes in accounting policies may have the highest potential impact on the Company's consolidated financial statements based on the accounting policy choices approved by the Audit Committee and Board of Directors.

Impairment of Assets

Canadian GAAP generally uses a two-step approach to impairment testing: first comparing asset carrying values with undiscounted future cash flows to determine whether impairment exists; and then measuring any impairment by comparing asset carrying values with discounted cash flows. International Accounting Standard (IAS) 36, "Impairment of Assets" uses a one-step approach for both testing and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell and value in use (which uses discounted future cash flows). This may potentially result in write downs where the carrying value of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted cash flow basis.

Share Based Payments

IFRS and Canadian GAAP largely converge on the accounting treatment for share-based transactions with only a few differences.

Canadian GAAP allows either accelerated or straight line method of amortization for the fair value of stock options under graded vesting. Currently, the Company is using the accelerated method. IFRS 2, on the other hand, allows only the accelerated method.

Under IFRS, the estimate for forfeitures must be made when determining the number of equity instruments expected to vest, while under Canadian GAAP forfeitures can be recognized was they occur.

Upon adoption of IFRS, the Company will change both the method of amortization, which would give rise to an accelerated compensation expense, and the method of forfeiture recognition.

Property, Plant and Equipment

Under IFRS, Property, Plant and Equipment ("PP&E") can be measured at fair value or at cost while under Canadian GAAP, the Company has to carry PP&E on a cost basis and the revaluation is prohibited.

Upon adoption of IFRS, the Company has to determine whether to elect a cost model or revaluation model. Management has decided to adopt the cost model.

In accordance with IAS 16 "Property, Plant and Equipment", upon acquisition of significant assets, the Company will need to allocate an amount initially recognized in respect of an asset to its component parts and accounts for each component separately when the components have different useful lives or the components provide benefits to the entity in a different pattern.

Future Income Taxes

Like Canadian GAAP, deferred income taxes under IFRS are determined using the liability method for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and by generally applying tax rates applicable to the Company to such temporary differences. Deferred income taxes relating to temporary differences that are in equity are recognized in equity and under IFRS subsequent adjustments thereto are backward traced to equity.

IFRS prohibits recognition where deferred income taxes arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting nor taxable net earnings. The Company expects the impact of implementing IAS 12, Income Taxes to not have an impact on the financial statements. However, as events and circumstances of the Company's operations change that give rise to future income taxes, IAS 12 will be applied.

As the Company elects and approves the IFRS accounting policy for each of the areas above, management will determine and disclose impact of the IFRS adoption at the transition date on our financial statements. The International Accounting Standards Board will also continue to issue new accounting standards during the conversion period and, as a result, the final impact of IFRS on the Company's consolidated financial statements will only be measured once all the IFRS applicable accounting standards at the conversion date are known.

Based on management assessment of the information system currently used by the Company, all information required to be reported under IFRS will be available with minimal system changes.

One of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required to its consolidated financial statements.

1.14 Financial Instruments and Other Instruments

Please see Note 2 of the audited consolidated financial statements of the Company, as at and for the years ended June 30, 2011 and 2010.

1.15 Other Requirements

Summary of outstanding share data as at October 26, 2011:

(1)	Authorized: Unlimited common shares without par value	
	Issued and outstanding:	137,538,638
(2)	Stock options outstanding:	7,960,000
(3)	Share purchase warrants	20,615,612

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 26, 2011