CANADA ZINC METALS CORP.

Interim MD&A - Quarterly Highlights
For the nine months ended March 31, 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 nine months ended March 31, 2016. The Quarterly Highlights have been prepared by management as of May 27, 2016 and should be read in conjunction with the condensed consolidated interim financial statements and related notes thereto of the Company for the nine months ended March 31, 2016 and 2015, the audited consolidated financial statements and related notes thereto of the Company for the years ended June 30, 2015 and 2014, which were prepared in accordance with International Financial Reporting Standards ("IFRS"), and the annual Management Discussion and Analysis ("MD&A") of the Company prepared by management as of October 23, 2015.

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

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

The Company's flagship Akie Project is host to the Cardiac Creek deposit. Drilling on the Akie property by CZX since 2005 has identified a significant body of baritic zinc-lead-silver SEDEX 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.

In 2012, the Company outlined a National Instrument 43-101 (NI 43-101) compliant mineral resource for the Cardiac Creek deposit, including an indicated resource of 12.7 million tonnes grading 8.4% zinc, 1.7% lead and 13.7 g/t silver (at a 5% zinc cut-off grade) and an inferred resource of 16.3 million tonnes grading 7.4% zinc, 1.3% lead and 11.6 g/t silver (at a 5% zinc cut-off grade).

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

Overall performance

Significant events and operating highlights for the nine months ended March 31, 2016 and as at the date of these MD&A – Quarterly Highlights:

- The Company concluded its 2015 Akie drilling program in late September. A total of 5,350 metres was drilled and eight diamond drill holes were completed on the Cardiac Creek deposit. Drilling focused on the expansion of the lead-zinc-silver high-grade central core of the deposit and the down-dip expansion of the indicated resource.

- The 2015 drilling has expanded the known limits of the high-grade core in the down-dip direction by approximately 75 to 100 metres. Excellent results such as 17.06% combined Zn+Pb over 12.98 metres (true width) in A-15-121 and 17.20% combined Zn+Pb over 11.09 metres (true width) in A-15-124 were highlights of the drill program. Furthermore, drill holes A-15-124, A-15-127 and A-15-130 have demonstrated that the deposit is still open at depth and warrants additional down-dip drilling.

  The 2015 drill assay results were reported by the Company in press releases issued on September 2nd, October 22nd, November 12th and December 2nd, 2015.

- In May 2016, the Company announced the revised NI 43-101 compliant mineral resource for the Cardiac Creek deposit.

ESTIMATE OF MINERAL RESOURCES

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

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

SENSITIVITY OF MINERAL RESOURCES TO CUT-OFF GRADE

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

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

Highlights for the updated resource include:

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

- The Company filed an assessment report and a statement of work with the Government of British Columbia to register the exploration expenditures for claim maintenance for its 2015 drilling program. The Akie and Kechika Regional claims are now in good standing until December, 2025.

- The Company received approval from the Ministry of Energy and Mines extending the surface drill permit for the Akie Property to December 31, 2020.

- The Company also received extensions of four separate exploration permits for the Pie, Yuen, Mt. Alcock and Kechika North properties to December 2019.

- The approved Akie surface drill permit enables the Company to establish long term exploration goals and carry them out in a time effective manner without having to re-apply or renew the existing permit on an annual basis. The Company is also pleased to note there was no concurrent increase in the reclamation security bond. The progressive reclamation completed by the Company on an annual basis was recognized by the issuing authority as satisfactory and suitable to maintain the bond at the current levels.

- The Company received the final Logistics and Processing Report and related reprocessed airborne gravity gradiometry data from CGG in February 2016. Earlier efforts in 2015 by CGG to transform the measured data using a Fast Fourier transformation resulted in errors that have now been rectified using an Equivalent Source transformation. The data has now been incorporated into the Company's existing geological and geophysical framework and new tentative targets have been identified coincident with VTEM and soil geochemistry. These targets will be subsequently examined at a future date with ground truthing. CGG had initially conducted a high-sensitivity HeliFALCON™ Airborne Gravity Gradiometer (AGG) survey over the Akie, Mt. Alcock and Yuen North properties in 2014 -2015.

- The Pie, Yuen and Cirque East properties (Pie Option Properties) are the subject of an option agreement (the "Option Agreement") concluded on September 9, 2013 with Teck Resources Limited ("Teck") and its JV partner, Korea Zinc Co., Ltd. ("Korea Zinc"). The Option Agreement would see Teck and Korea Zinc spend up to $8.5 million to acquire up to 70% interest in the Pie, Yuen and Cirque East properties.

- Teck and Korea Zinc have spent approximately $1.3 million in exploration expenditures over the past two field seasons on the Pie Option Properties. An additional $2.2 million in expenditures by the end of 2017 would conclude the “First Option” and earn Teck/Korea Zinc an undivided 51% interest in the Pie Option Properties. Upon exercising the First Option, Teck/Korea Zinc would have an additional option (the "Second Option") to acquire a further 19% interest in the properties for a total of 70%, by incurring an additional $5.0 million in exploration expenditures by the end of 2019.

Exploration and evaluation assets

		Akie Property		Kechika Regional		Total
Acquisition Costs:						
Balance, June 30, 2015 and March 31, 2016	$	24,165,241	$	336,785	**$**	**24,502,026**
Deferred exploration costs:						
Balance, June 30, 2015	$	39,114,298	$	4,624,430	$	43,738,728
Camp equipment, depreciation		92,508		–		92,508
Airborne geophysical survey		6,725		6,175		12,900
Drilling		1,440,861		–		1,440,861
Geology		21,938		–		21,938
Community consultations		91,875		–		91,875
Environmental studies and permit compliance monitoring		26,182		–		26,182
Less:						
METC		(85,291)		–		(85,291)
Balance, March 31, 2016	$	40,675,326	$	4,627,855	**$**	**45,303,181**
Total, March 31, 2016	**$**	**64,889,317**	**$**	**4,967,390**	**$**	**69,856,707**

Exploration Objectives

Akie Project:

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

- Continue environmental baseline sampling as required to maintain all related exploration permits in good standing.

Kechika Regional Project:

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

Kechika Regional Project (Pie Option Properties):

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

Results of Operations

Nine months ended March 31, 2016 and 2015

During the nine months ended March 31, 2016, the Company reported a net loss of $907,287 or $0.006 per share compared to a net loss of $1,128,441 or $0.007 per share during the same period last year, a decrease in net loss of $221,154. The decrease in net loss was primarily due to a decrease in operating expenses of $286,610 and an increase in deferred tax recovery of $22,987, partially offset by a decrease in interest income of $55,928, loss on sale of marketable securities of $8,795 and write-off of marketable securities of $23,720.

The following transactions contributed to the decrease in operating expenses by $286,610 during the nine months ended March 31, 2016 as compared to the same period in the previous fiscal year:

- Bonuses decreased by $27,117 as there were lesser amounts granted as bonuses as compared to 2015.
- Directors' fees decreased by $7,500 due to the resignation of Henry Giegerich from the Board of Directors of the Company effective June 30, 2015.
- Investor relations fees decreased by $2,559 as a result of reduced costs for press release dissemination in Europe.
- Marketing expenses decreased by $200,148 as a result of reduced marketing activities.
- Office expenses decreased by $1,752 as a result of a reduction of telephone expenses, printing costs and costs of staff events.
- Professional fees decreased by $4,667 as a result of a reduction of the year-end audit costs. The Company paid an aggregate of $41,720 (2014 - $46,650) for its June 30, 2015 year-end audit and preparation of the corporate tax return, of which $1,620 (2015 - $6,650) was recorded in the current fiscal year.

- Transfer agent fees decreased by $4,603 due to less activity requiring transfer agent services. The higher transfer agent fees recorded during the nine months ended March 31, 2016 included costs incurred in connection with the private placements that closed in September and October of 2014.
- Travel and promotion decreased by $96,878 as a result of decreased travel and promotional activities. Senior management trips to resource conferences and for investor meetings in Asia and Europe in the fall of 2014 contributed to higher travel expenses recorded during the comparative period of the previous fiscal year.
- Share-based compensation expenses decreased by $13,822 as a result of a smaller number of stock options vested in the comparative periods.

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

Consulting fees increased by $20,999 as a result of an increase in the allocation of geological consulting fees for services provided by the VP of Exploration of the Company. During the nine months ended March 31, 2016, the Company paid $112,500 in total to a company controlled by the VP of Exploration, of which $56,875 (2015 - $75,378) was allocated to the Company's drilling program and capitalized as exploration and evaluation costs, and $55,625 (2015 - $34,626) was expensed as consulting fees.

Rent expense increased by $23,794 primarily due to an increase in monthly office rent from $5,000 per month to $7,500 per month effective April 1, 2015.

Wages and benefits increased by $24,754 as a result of higher salary expenses and increased premiums of medical and life insurance benefits paid for employees and officers of the Company.

The deferred tax recovery of $136,725 (2015 - $113,738) recognized during the period resulted from amortization of the flow-through premium liabilities recorded in connection to the October 2014 flow-through private placement. As of December 31, 2015, the Company incurred the required qualifying exploration expenditures of $1,618,821, which have been already renounced to the flow-through investors in calendar 2014, and fulfilled all its flow-through commitments.

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

During the nine months ended March 31, 2016, the Company also wrote-off its holdings in one of its investments. As a result, the Company reclassified accumulated previously recorded unrealized losses of $1,047,765.

The accumulated unrealized losses from the sale and write-off were reclassified from Accumulated Other Comprehensive Losses account to Deficit. There were no similar transactions incurred during the nine months ended March 31, 2015.

Three months ended March 31, 2016 and 2015

During the three months ended March 31, 2016, the Company reported a net loss of $348,322 or $0.002 per share compared to a net loss of $291,176 or $0.002 per share during the comparative period last year, an increase in net loss of $57,146.

The increase in net loss was primarily due to an increase in administration expenses of $16,044, a decrease in deferred tax recovery of $20,040 and a decrease in interest income of $21,062.

The significant variations that largely contributed to the increase in operating expenses over the comparative quarters included increases in consulting fees of $32,501, office and miscellaneous of $3,964, rent of $8,555 and wages and benefits of $13,364 partially offset by decreases in director's fees and travel and promotion of $38,517. These and other significant variations are discussed in the results of operations for the nine months ended March 31, 2016.

Liquidity and capital resources

The Company's working capital position remains strong with its cash of $4,850,264 and a GIC investment of $2,000,000 as at March 31, 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 March 31, 2016, the Company reported working capital of $6,992,312 compared to working capital of $9,485,202 at June 30, 2015, representing a decrease in working capital of $2,492,890. Net cash used in operating activities during the nine months ended March 31, 2016 was $1,058,329 (2015 – $1,204,887) representing general administrative expenses and changes in non-cash items.

Net cash used in investing activities during the nine months ended March 31, 2016 was $3,137,204 (2015 – $1,031,663), of which $2,039,468 (2015 - $1,346,346) was spent on exploration expenditures. In addition, $34,213 (2015 - $7,619) was used for the purchase of camp and office equipment and $110,964 (2015 - $42,148) was used for the purchase of marketable securities net of sales. The Company's previous investment in a guaranteed investment certificate ("GIC") of $1,000,000 matured on December 7, 2015 paying interest of $24,012 accumulated over 18 months, and $2,000,000 was invested into a new 1 Year GIC yielding an annual interest rate of 1.5%.

There were no significant financing activities during the period ended March 31, 2016, except for the purchase of 157,000 common shares of the Company for a total of $22,802 (2015 - $49,183) with a weighted average price of $0.15 per share under its NCIB. During the nine months ended March 31, 2015, $1,812,861 was received from private placements net of finders' fees and regulatory filing fees of $96,335, and $80,000 was received from the exercise of 200,000 share options at a price of $0.40 per share.

Current assets excluding cash as at March 31, 2016 include receivables of $102,818 (June 30, 2015 - $65,283), which consisted of GST recoverable of $15,431 (June 30, 2015 - $64,886), mineral exploration tax credit ("METC") of $85,291 (June 30, 2015 - $Nil) and accrued interest receivable of $2,096 (June 30, 2015 - $397) , prepaid expenses of $27,690 (June 30, 2015 - $44,280), marketable securities with a fair market value of $82,238 (June 30, 2015 - $48,245) and investment in a GIC with a fair market value of $2,009,180 (June 30, 2015 - $1,016,968).

Current liabilities as at March 31, 2016 consisted of trade payables and accrued liabilities of $79,207 (June 30, 2015 - $621,448), due to related parties of $671 (June 30, 2015 - $Nil) and flow-through premium liability of $Nil (June 30, 2015 - $136,725).

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

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

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

The Company is exposed in varying degrees to a variety of financial instrument related risks, including price risk with respect to commodity and equity prices. The Company closely monitors certain commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. For further discussion of financial risks, please refer to Note 15 of the condensed consolidated interim financial statements for the nine months ended March 31, 2016.

<u>Transactions with related parties</u>

The remuneration of directors and other key management personnel during the nine months ended March 31, 2016 and 2015 were as follows:

March 31,		2016		2015
Bonuses (iii)	$	11,067	$	38,184
Consulting fees (iv)		11,250		11,250
Directors fees (ii)		30,000		37,500
Exploration and evaluation expenditures (geological consulting) (v)		112,500		110,004
Management fees (i)		265,500		265,500
Other employment benefits (vii)		21,061		19,497
Share-based compensation (vi)		11,266		17,966
Total	$	462,644	$	499,901

(i) Pursuant to a management and administrative 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 $24,500 and $29,500, respectively. During the nine months ended March 31, 2016, the Company paid $265,500 (2015 – $265,500) for management fees and $45,000 (2015 – $45,000) for administrative fees to VCC;

(ii) the Company paid $30,000 (2015 - $37,500) in directors' fees to the four directors of the Company - John Thomas, Marco Strub, Peeyush Varshney and Praveen Varshney;

(iii) the Company paid a bonus of $11,067 (2015 - $38,184) to VCC;

(iv) the Company paid $11,250 (2015 - $11,250) for consulting fees to Sircon AG, a company controlled by Marco Strub, a director of the Company;

(v) the Company paid geological consulting fees of $112,500 (2015 - $110,004) to Ridgeview Resources Ltd., a company controlled by Ken MacDonald, VP of Exploration of the Company. Of this amount, $56,875 was capitalized in exploration and evaluation costs, and $55,625 was expensed as consulting fees;

(vi) share-based compensation is the fair value of options that have been granted to directors and executive officers and the related compensation expense recognized over the vesting periods; and

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

As at March 31, 2016, $671 (June 30, 2015 - $Nil) was due to the CFO of the Company for reimbursement of business expenses. The amount was paid subsequent to March 31, 2016.

<u>Summary of outstanding share data as at May 27, 2016:</u>

(1) Authorized: Unlimited common shares without par value

	Issued and outstanding:	152,414,428
	Less treasury shares:	(153,000)
(2)	Share options outstanding:	6,982,500
(3)	Warrants	1,250,000

Additional disclosures pertaining to the Company's technical report, management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

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

"Peeyush Varshney"

Peeyush Varshney
Director