CANADA ZINC METALS CORP.

Condensed Consolidated Interim Financial Statements

For the Three Months Ended September 30, 2014 and 2013

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

CANADA ZINC METALS CORP.

Index	**Page**

CANADA ZINC METALS CORP.

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

November 27, 2014

CANADA ZINC METALS CORP.
Condensed Consolidated Interim Statements of Financial Position
As at September 30, 2014 and June 30, 2014
(Expressed in Canadian Dollars - Unaudited)

	Note	**September 30, 2014 (unaudited)**	June 30, 2014 (audited)
Assets			
Current assets			
Cash		**$ 10,304,432**	$ 10,558,472
Receivables	3	**69,474**	111,761
METC recoverable	10	–	296,846
Prepaid expenses		**76,820**	33,187
Marketable securities	4	**209,239**	255,796
		10,659,965	11,256,062
Other assets	6	**332,500**	332,500
Equipment and leasehold improvements	9	**323,410**	345,655
Refundable deposit		**121,858**	121,858
Long-term investment	5	**1,005,090**	1,001,088
Exploration and evaluation assets	10	**67,061,474**	66,482,435
		$ 79,504,297	$ 79,539,598
Liabilities and Equity			
Current liabilities			
Trade payables and accrued liabilities	7	**$ 187,636**	$ 745,191
Due to related parties	13	**27,669**	–
Flow-through premium liability	8	**182,569**	163,498
		397,874	908,689
Deferred income tax liability		**2,120,000**	2,120,000
Equity			
Capital stock	11	**96,395,939**	95,367,267
Reserves	11	**12,277,487**	12,289,609
Deficit		**(30,196,152)**	(29,741,306)
Accumulated other comprehensive loss		**(1,490,851)**	(1,404,661)
		76,986,423	76,510,909
		$ 79,504,297	$ 79,539,598

Nature and continuance of operations (Note 1)
Subsequent events (Note 16)
The accompanying notes form an integral part of these consolidated financial statements.

CANADA ZINC METALS CORP.

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in Canadian Dollars - Unaudited)

	Note	Capital Stock: Number of common shares	Capital Stock: Number of treasury Shares	Capital Stock: Common shares Amount	Treasury shares Amount	Reserves (Note 10)	Deficit	Accumulated other comprehensive income (loss)	Total Equity
Balance, June 30, 2013		142,299,138	–	$ 92,555,610	$ –	$ 11,931,251	$ (27,418,595)	(598,864)	**$ 76,469,402**
Private placement	11	1,250,000	–	288,750	–	211,250	–	–	500,000
Share issuance costs	11	–	–	(3,250)	–	–	–	–	(3,250)
Exercise of options		50,000	–	20,500	–	(8,000)	–	–	12,500
Treasury shares		–	(49,000)	–	(10,475)	–	–	–	(10,475)
Share-based compensation	11	–	–	–	–	3,185	–	–	3,185
Change in fair value of securities		–	–	–	–	–	–	(405,814)	(405,814)
Net loss for the period		–	–	–	–	–	(76,383)	–	(76,383)
Balance, September 30, 2013		143,599,138	(49,000)	92,861,610	(10,475)	12,137,686	(27,494,978)	(1,004,678)	**76,489,165**
Private placements	11	200,000	–	100,000	–	–	–	–	100,000
Flow-through private placements	11	3,852,230	–	1,845,327	–	–	–	–	1,845,327
Flow-through premium liability	11	–	–	(257,228)	–	–	–	–	(257,228)
Share issuance costs	11	–	–	(91,290)	–	–	–	–	(91,290)
Exercise of options		1,305,000	–	946,500	–	(558,950)	–	–	387,550
Treasury shares repurchased		–	(65,500)	–	(27,177)	–	–	–	(27,177)
Share-based compensation		–	–	–	–	710,873	–	–	710,873
Change in fair value of securities		–	–	–	–	–	–	(399,983)	(399,983)
Net loss for the period		–	–	–	–	–	(2,246,328)	–	(2,246,328)
Balance, June 30, 2014		148,956,368	(114,500)	95,404,919	(37,652)	12,289,609	(29,741,306)	(1,404,661)	**76,510,909**
Flow-through private placement	11	1,955,090	–	1,075,300	–	–	–	–	1,075,300
Flow-through premium liability	8	–	–	(97,754)	–	–	–	–	(97,754)
Share issuance costs	11	–	–	(50,989)	–	–	–	–	(50,989)
Exercise of options	11	200,000	–	143,169	–	(63,169)	–	–	80,000
Treasury shares cancelled	11	(117,000)	117,000	(75,341)	38,482	36,859	–	–	–
Treasury shares repurchased	11	–	(10,000)	–	(4,195)	–	–	–	(4,195)
Share-based compensation	11	–	–	–	–	14,188	–	–	14,188
Change in fair value of securities	4	–	–	–	–	–	–	(86,190)	(86,190)
Net loss for the period		–	–	–	–	–	(454,846)	–	(454,846)
Balance, September 30, 2014		**150,994,458**	**(7,500)**	**$ 96,399,304**	**$ (3,365)**	**$ 12,277,487**	**$ (30,196,152)**	**$ (1,490,851)**	**$ 76,986,423**

The accompanying notes form an integral part of these consolidated financial statements.

CANADA ZINC METALS CORP.

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars - Unaudited)

		Three months ended September 30,	
	Note	**2014**	2013
ADMINISTRATION EXPENSES			
Administration	13	**$ 15,000**	$ 15,000
Bonuses	13	**21,506**	10,000
Consulting		**11,626**	33,750
Depreciation	9	**985**	1,211
Directors fees	13	**12,500**	12,500
Flow-through taxes		–	12,957
Interest and bank charges		**885**	482
Investor relations		**3,012**	500
Management fees	13	**88,500**	73,500
Marketing		**204,105**	10,000
Office and miscellaneous		**16,876**	28,778
Professional fees		–	17,563
Regulatory fees		**5,250**	5,800
Rent		**22,895**	15,000
Share-based compensation	11	**14,188**	3,185
Transfer agent fees		**4,289**	1,233
Travel and promotion		**50,004**	29,598
Wages and benefits		**105,366**	116,257
		(576,987)	(387,314)
Interest income		**43,458**	47,794
Other income		–	17,935
Write off of equipment and leasehold improvements		–	(377)
		43,458	65,352
Loss before income taxes		**(533,529)**	(321,962)
Deferred income tax recovery	7	**78,683**	245,579
Net loss for the period		**(454,846)**	(76,383)
Adjustment for change in fair value of marketable securities		**(86,190)**	(405,814)
Comprehensive loss for the period		**$ (541,036)**	$ (482,197)
Basic and diluted loss per common share		**$ (0.00)**	$ (0.00)
Weighted average number of common shares outstanding		**149,088,597**	142,499,681

The accompanying notes form an integral part of these condensed consolidated interim financial statements.

CANADA ZINC METALS CORP.

Condensed Consolidated Interim Statements of Cash Flows
(Expressed in Canadian Dollars - Unaudited)

	Three months ended September 30, **2014**	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ **(454,846)**	$ (76,383)
Items not affecting cash:		
Depreciation	**985**	1,211
Interest accrued on long-term investment	**(4,002)**	–
Share-based compensation	**14,188**	3,185
Deferred income tax recovery	**(78,683)**	(245,579)
Write off of equipment and leasehold improvements	**–**	377
Changes in non-cash working capital items:		
Decrease (increase) in receivables	**42,286**	(167,392)
Increase in prepaid expenses	**(43,632)**	(13,610)
Increase (decrease) in due to related parties	**27,669**	(11,651)
Increase (decrease) in accounts payable and accrued liabilities	**(28,216)**	29,760
Cash used in operating activities	**(524,251)**	(480,082)
CASH FLOWS FROM INVESTING ACTIVITIES		
Marketable securities costs	**(39,633)**	(37,100)
Equipment and leasehold improvements	**–**	(37,057)
Exploration and evaluation asset costs	**(1,087,118)**	(1,324,567)
METC recovered	**296,846**	–
Cash used in investing activities	**(829,905)**	(1,398,724)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock, net of issuance costs	**1,104,311**	509,250
Common shares repurchased	**(4,195)**	(10,475)
Cash generated from financing activities	**1,100,116**	498,775
Change in cash during the period	**(254,040)**	(1,380,031)
Cash, beginning of period	**10,558,472**	13,028,707
Cash, end of period	$ **10,304,432**	$ 11,648,676

Supplemental disclosure with respect to cash flows (Note 12)
The accompanying notes form an integral part of these condensed consolidated interim financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

Canada Zinc Metals Corp. (the "Company") is incorporated under the laws of the Province of British Columbia. The Company operates in one business segment, that being the exploration and evaluation of resource properties in Canada, and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development, and upon future profitable production.

The Company's head office and principal address is Suite 2050-1055 West Georgia Street, PO Box 11121, Royal Centre, Vancouver, BC V6E 3P3. The registered and records office is Suite 700-595 Burrard St., PO Box 49290, Vancouver, BC V7X 1S8.

These consolidated financial statements have been prepared on a going concern basis, which presumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has incurred losses since its inception and the ability of the Company to continue as a going-concern depends upon its ability to raise adequate financing and to commence profitable operations in the future.

While the Company has been successful in obtaining its required financing in the past, mainly through the issuance of equity capital, there is no assurance that such financing will be available or be available on favorable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. The consolidated financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

At September 30, 2014, the Company has a positive cash working capital position of $10,444,660 (June 30, 2014 - $10,510,871). Management believes the Company has sufficient working capital to maintain its operations and its activities for the next fiscal year.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

These financial statements were authorized for issue on November 27, 2014 by the directors of the Company.

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Statement of compliance (cont'd)

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with those used in the Company's annual financial statements for the year ended June 30, 2014 except for new standards, interpretations and amendments mandatory effective for the first time from July 1, 2014. It is therefore recommended that these condensed interim financial statements be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2014.

Section ***New standards and interpretations*** in Note 2 below sets out the impact of new standards, interpretations and amendments that have had a material effect on the financial statements.

Basis of Preparation

These condensed consolidated interim financial statements of the Company have been prepared on an accrual basis except for certain cash flow information and are based on historical costs, except for certain financial instruments classified as financial instruments at fair value through profit and loss or available-for-sale which are stated at their fair value. The consolidated interim financial statements are presented in Canadian dollars unless otherwise noted, which is also the functional currency of the Company and its subsidiary.

The accounting policies chosen by the Company have been applied consistently to all periods presented.

Principles of consolidation

These condensed consolidated interim financial statements include amounts of the Company and its wholly owned subsidiary Ecstall Mining Corp. ("Ecstall"), a company incorporated under the laws of the Province of British Columbia and engaged in the exploration and evaluation of resource properties.

Subsidiaries are corporations in which the Company is able to control the financial operating, investing and financing activities and policies, which is the authority usually connected with holding majority voting rights. The consolidated financial statements include the accounts of the Company and its controlled entity from the date on which control was acquired. Ecstall uses the same reporting period and the same accounting policies as the Company.

All inter-entity balances and transactions, including unrealized profits and losses arising from inter-company transactions, have been eliminated in full on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

New standards and interpretations

The standards and interpretations within IFRS are subject to change and accordingly, the accounting policies that are relevant to these interim financial statements will be finalized when the annual IFRS financial statements are prepared for the year ending June 30, 2014.

The following new and amended standards were effective for the Company on July 1, 2014. There was no material impact on the consolidated financial statements arising from the implementation of these standards.

• *IAS 32, Offsetting Financial Assets and Financial Liabilities (Amendment).* The standard amends IAS 32 to clarify the application of the offsetting requirements.

• *IFRS 2, Share-based payments (Amendment).* The amended standard includes amended definitions of vesting and market condition, and new definition of performance and service condition.

• *IFRS 10, Investment Entities (Amendment).* The standard amends IFRS 10, IFRS 12 and IAS 27 to provide investment entities exemption from the consolidation of particular subsidiaries and instead require that investment entities measure the investment in each eligible subsidiary at fair value through profit and loss in accordance with IFRS 9 and IAS 39.

• *IFRIC 21, Levies*: IFRIC 21 is an interpretation of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

Standards and interpretations issued but not yet effective

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

IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2018.

IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amount of expenses during the reporting period.

Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Critical judgments

The preparation of our consolidated financial statements requires us to make judgments regarding the going concern of the Company as discussed in Note 1.

Key Sources of Estimation Uncertainty

Significant estimates made by management affecting our consolidated financial statements include:

Share-based compensation

We measure our share-based compensation expense by reference to the fair value of the stock options at the date at which they are granted. Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumption about them. The value of the share-based compensation expense for the year along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 11.

Financial instruments

The fair values of financial instruments are estimated based upon market and third party inputs. These estimates are subject to change with fluctuations in commodity prices, interest rates, foreign currency exchange rates and estimates of non-performance risk.

Deferred tax assets & liabilities

The measurement of deferred income tax provision is subject to uncertainty associated with the timing of future events and changes in legislation, tax rates and interpretations by tax authorities. The estimation of taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Significant accounting judgements, estimates and assumptions (cont'd)

Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful operations of the Company. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

Useful life of equipment and leasehold improvements

Each significant component of an item of Equipment and Leasehold improvements is depreciated over its estimated useful life. Estimated useful lives are determined based on current facts and past experience, and take into consideration the anticipated physical life of the asset, existing long-term sales agreements and contracts, current and forecasted demand, the potential for technological obsolescence, and regulations.

Carrying value and recoverability of exploration and evaluation assets

The carrying amount of Company's exploration and evaluation assets does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets.

Financial instruments

All financial instruments are initially recognized at fair value on the statement of financial position. The Company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) available-for-sale financial assets, (4) held-to-maturity financial assets, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in net earnings. "Available-for-sale" financial assets are subsequently measured at fair value with changes in fair value recognized in other comprehensive income (loss), net of tax. "Held-to-maturity" financial assets, "loans and receivables", and "other financial liabilities" are subsequently measured at amortized cost using the effective interest method.

(Expressed in Canadian Dollars, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (cont'd)

Financial instruments (cont'd)

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of the financial instruments by valuation technique:

i) Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

ii) Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

iii) Level 3 – Applies to assets or liabilities for which there are unobservable market data.

Cash and cash equivalents, long-term investment and marketable securities have been measured at fair value using Level 1 inputs.

The Company has classified its cash and long-term investment as at FVTPL. Marketable securities are classified as available-for-sale. Receivables (excluding GST receivable), and refundable deposit are classified as loans and receivables and trade payables and accrued liabilities, and due to related parties are classified as other financial liabilities, all of which are measured at amortized cost.

The Company's financial instruments at September 30, 2014 are as follows:

	Loans & receivables	*Available for sale*	*Fair Value through Profit or Loss*	*Other financial liabilities*
Financial assets				
Cash	$ –	$ –	$ 10,304,432	$ –
Receivables	1,356	–	–	–
Marketable securities	–	209,239	–	–
Long-term investment	–	–	1,005,090	–
Refundable deposit	121,858	–	–	–
Financial liabilities				
Trade payables and accrued liabilities	–	–	–	187,636
Due to related parties				27,669
	$ 123,214	$ 209,239	$ 11,309,522	$ 215,305

Unless otherwise disclosed their carrying values approximate their fair values due to the short term nature of these instruments.

(Expressed in Canadian Dollars, unless otherwise stated)

3. RECEIVABLES

		September 30, 2014		June 30, 2014
Government Sales Tax credits	$	68,118	$	51,574
Accrued interest (Note 6)		1,356		536
Other		–		59,651
	$	69,474	$	111,761

Other receivables at June 30, 2014 consisted of a refund of flow-through Part XII.6 tax recorded as a result of the CRA assessment of the "look-back" renunciation on the November 2012 flow-through private placement. The amount was received during the quarter ended September 30, 2014.

4. MARKETABLE SECURITIES

The Company holds marketable securities that have been designated as available-for-sale as follows:

		September 30, 2014		June 30, 2014
Common shares of public companies:				
Fair value, beginning of period	$	255,796	$	1,078,980
Purchases		39,633		83,890
Disposals		–		(44,475)
Realized losses		–		(56,802)
Unrealized losses		(86,190)		(805,797)
Fair value, end of period	$	209,239	$	255,796

5. LONG-TERM INVESTMENT

Long-term investment consists of highly liquid Canadian dollar denominated non-redeemable guaranteed investment certificate ("GIC") yielding an interest rate of 1.588% per annum maturing December 7, 2015. Long-term investment has a term to maturity of greater than one year, classified as a FVTPL financial asset, and includes a principal amount of $1,000,000 (June 30, 2014 - $1,000,000) and accrued interest of $5,090 (June 30, 2014 - $1,008). The counter-party is a financial institution.

6. OTHER ASSETS

Other assets comprise of reclamation bonds totalling $332,500 (June 30, 2014 – $332,500) posted as security deposits with the Government of British Columbia in relation to the Akie and Kechika Regional properties. The reclamation bonds are deposited in GICs through a financial institution and earn an average annual variable interest rate of approximately 1.05% and reinvested on an annual basis immediately at maturity. Interest accrued on the GICs is included in receivables (Note 3).

(Expressed in Canadian Dollars, unless otherwise stated)

7. TRADE PAYABLES AND ACCRUED LIABILITIES

	September 30, 2014	June 30, 2014
Trade payables	$ 101,452	$ 652,759
Accrued liabilities	86,184	92,432
	$ 187,636	$ 745,191

8. FLOW-THROUGH PREMIUM LIABILITY

	September 30, 2014	June 30, 2014
Balance, beginning of period	$ 163,498	$ 276,493
Recorded	97,754	257,228
Amortized	(78,683)	(370,223)
Balance, end of period	$ 182,569	$ 163,498

The unamortised balance of the flow-through liability of $182,569 as of September 30, 2014 consists of the following:

a. the flow-through liability of $130,472 recorded in connection with the February 2014 flow-through private placement of 1,739,630 shares (Note 11(b)(viii)) calculated based on an estimated premium of $0.075 per flow-through share issued less amortization of $45,657 pro-rata with the qualifying exploration expenditures incurred to September 30, 2014 ; and

b. the flow-through liability of $97,754 recorded in connection with the September 2014 flow-through private placement of 1,955,090 shares (Note 11(b)(i)) calculated based on an estimated premium of $0.05 per flow-through share issued.

The flow-through agreements require the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's resource properties. The flow-through premium liability does not represent a cash liability to the Company, and is to be fully amortized to the statement of operations and comprehensive loss pro-rata with the amount of qualifying flow-through expenditures that will be incurred in 2014 and 2015 applicable to the flow-through financing completed.

(Expressed in Canadian Dollars, unless otherwise stated)

9. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	Computers	Office equipment and furniture	Office leasehold improvements	License (1)	Vehicle (1)	Camp equipment and fixtures (1)	Camp upgrades (1)	Total
Cost:								
At June 30, 2013	$ 18,826	$ 15,602	$ 4,616	$ 19,000	$ 37,026	$ 160,158	$ 440,993	$ 696,221
Acquisition	543	–	–	–	–	67,362	–	67,905
Reclassified from Exploration and Evaluation assets	–	–	–	–	–	3,038	33,049	36,087
Write-off	(520)	–	–	–	–	–	–	(520)
At June 30, 2014	18,849	15,602	4,616	19,000	37,026	230,558	474,042	**799,693**
Disposal	(6,757)	–	–	–	–	–	–	(6,757)
At September 30, 2014	$ 12,092	$ 15,602	$ 4,616	$ 19,000	$ 37,026	$ 230,558	$ 474,042	$ **792,936**
Accumulated depreciation:								
At June 30, 2013	$ 14,514	$ 6,989	$ 1,384	$ 17,504	$ 20,519	$ 96,000	$ 181,306	$ 338,216
Depreciation	2,292	1,722	924	823	4,952	23,548	81,704	115,965
Write-off	(143)	–	–	–	–	–	–	(143)
At June 30, 2014	16,663	8,711	2,308	18,327	25,471	119,548	263,010	**454,038**
Depreciation	406	348	231	93	874	6,995	13,298	22,245
Disposal	(6,757)	–	–	–	–	–	–	(6,757)
At September 30, 2014	$ 10,312	$ 9,059	$ 2,539	$ 18,420	$ 26,345	$ 126,543	$ 276,308	$ **469,526**
Net book value:								
At June 30, 2014	$ 2,186	$ 6,891	$ 2,308	$ 673	$ 11,555	$ 111,010	$ 211,032	**$ 345,655**
At September 30, 2014	$ 1,780	$ 6,543	$ 2,077	$ 580	$ 10,681	$ 104,015	$ 197,734	**$ 323,410**

(1) License, vehicles, camp equipment and fixtures and camp upgrades are used for exploration and evaluation activities.
Depreciation for these items of $21,260 for the three months ended September 30, 2014 (2013 - $21,844) has been capitalized to Exploration and evaluation assets. Depreciation of the remaining items of $985 (2013 - $1,211) has been expensed.

10. EXPLORATION AND EVALUATION ASSETS

Title to exploration and evaluation assets involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource claims. The Company has investigated title to all of its exploration and evaluation assets and, to the best of its knowledge, title to all of its claims are in good standing.

Akie Property, British Columbia

The Akie property is the Company's flagship exploration project and is host to the Cardiac Creek SEDEX Zn-Pb-Ag deposit. The Company owns a 100% interest in the Akie property, which resulted from Company expenditures and the acquisition of Ecstall Mining Corporation.

Kechika Regional project, British Columbia

The Kechika Regional project, represented by a series of contiguous property blocks including Pie and Mt. Alcock, extends northwest from the Akie property. The Company owns a 100% interest in these properties, which were acquired during fiscal 2007 and 2008, including the acquisition of Ecstall. The interest in the Mt. Alcock property is subject to a 1.0 % net smelter royalty.

In September 2013, the Company entered into an option agreement (the "Agreement') with Teck Resources Limited ("Teck") that would see Teck acquire up to a 70% interest in the Company's Pie, Cirque East and Yuen properties (the "Property"), three of the 10 regional properties that make up the Kechika Regional Project.

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

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

Subject to one or more of the Options being exercised, Teck and the Company will form a joint venture to continue with exploration and, if warranted, development of the Property.

(Expressed in Canadian Dollars, unless otherwise stated)

10. EXPLORATION AND EVALUATION ASSETS (cont'd)

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

The Pie, Cirque East and Yuen properties surround T-KZ JV's Cirque deposit to the north and east, and provide extensive coverage of the highly prospective Gunsteel Formation shale, which is the known host rock for SEDEX Zn-Pb-Ag deposits at Cirque and at Canada Zinc Metals' Cardiac Creek deposit.

Summary of exploration expenditures incurred on various properties:

	Akie Property	Kechika Regional	Total
Acquisition Costs:			
Balance, June 30, 2013	$ 24,175,329	$ 330,434	$ 24,505,763
Additions	–	6,351	6,351
Write-off	(10,088)	–	(10,088)
Balance, June 30, 2014 and September 30, 2014	**$ 24,165,241**	**$ 336,785**	**$ 24,502,026**
Deferred exploration costs:			
Balance, June 30, 2013	$ 34,762,617	$ 3,776,997	$ 38,539,614
Airborne survey	–	189,491	189,491
Camp equipment, reclassification	(36,087)	–	(36,087)
Camp equipment, depreciation	111,027	–	111,027
Camp supplies, settlement of contract	(82,401)	–	(82,401)
Drilling	2,510,831	456,322	2,967,153
Geology	45,961	40,030	85,991
Community consultations	355,367	–	355,367
Environmental studies and permit compliance monitoring	102,796	–	102,796
Less:			
METC	(170,349)	–	(170,349)
Write-off	(82,193)	–	(82,193)
Balance, June 30, 2014	$ 37,517,569	$ 4,462,840	$ 41,980,409

(Expressed in Canadian Dollars, unless otherwise stated)

10. EXPLORATION AND EVALUATION ASSETS (cont'd)

		Akie Property		Kechika Regional		Total
Balance, June 30, 2014	$	37,517,569	$	4,462,840	$	41,980,409
Camp equipment, depreciation (Note 9)		21,260		–		21,260
Camp stand-by fees		18,839		–		18,839
Drilling		486,315		23,428		509,743
Geology		5,834		–		5,834
Environmental studies and permit compliance monitoring		23,363		–		23,363
Balance, September 30, 2014	**$**	**38,073,180**	**$**	**4,486,268**	**$**	**42,559,448**
Total June 30, 2013	$	58,937,946	$	4,107,431	$	63,045,377
Total June 30, 2014	$	61,682,810	$	4,799,625	$	66,482,435
Total September 30, 2014	**$**	**62,238,421**	**$**	**4,823,053**	**$**	**67,061,474**

11. CAPITAL STOCK AND RESERVES

(a) Authorized

Unlimited common shares without par value

(b) Issued and outstanding

During the three months ended September 30, 2014:

(i) the Company completed a flow-through private placement of 1,955,090 shares at a price of $0.55 per common share for gross proceeds of $1,075,300. The Company paid a finder's fee of $43,012 and incurred regulatory filing fees and other expenses of $7,977 in connection with the private placement. A flow-through premium liability of $97,754 was recorded in connection with this transaction (Note 8);

(ii) 200,000 share options were exercised at a price of $0.40 per share, and 200,000 common shares were issued for total proceeds of $80,000. In addition, a reallocation of $63,129 from reserves to capital stock was recorded on the exercise of these options. This amount constitutes the fair value of options recorded at the original grant date;

(iii) the Company received TSXV approval for its new Normal Course Issuer Bid ("NCIB") application to purchase at market price up to 7,441,968 common shares, being approximately 5% of the Company's issued and outstanding common shares through the facilities of the TSXV. The bid commenced on August 1, 2014 and will stay open for another 12 months; and

11. CAPITAL STOCK AND RESERVES (cont'd)

(b) Issued and outstanding (cont'd)

(iv) the Company repurchased under the NCIB 10,000 of its common shares for total consideration of $4,195 at a weighted average price of $0.42 per share; and

(v) 117,000 common shares repurchased under NCIB, of which 114,500 common shares were repurchased in fiscal 2014, were cancelled and returned to the Company's treasury. Upon the cancellation, $75,341 was recorded as a reduction to capital stock for the assigned value of the shares, and $36,859 was allocated to reserves.

During the year ended June 30, 2014:

(vi) the Company completed a private placement with Teck issuing 1,250,000 units of the Company at a price of $0.40 per unit, resulting in a total subscription of $500,000. Each unit consisted of one common share and one share purchase warrant that will entitle Teck to purchase one additional common share of the Company within 24 months at a price of $0.40 per share. The Company paid $3,250 in regulatory filing fees in connection with the private placement;

The proceeds from the issue of units were allocated to capital stock based on the fair value of the common shares on the date of the TSXV approval of the transaction, which was estimated at $288,750. The residual value attributable to the warrants attached to the units was $211,250, or $0.169 per share. The Company recorded the residual value in equity reserves (Note 11(e)) until the warrants are exercised or expired unexercised;

(vii) the Company completed a flow-through private placement of 2,112,600 shares at a price of $0.40 per common share for gross proceeds of $845,040. The Company paid a finder's fee of $33,802 and incurred regulatory filing fees and other expenses of $6,075 in connection with the private placement. A flow-through premium liability of $126,756 was recorded in connection with this transaction;

(viii) the Company completed a flow-through private placement of 1,739,630 shares at a price of $0.575 per common share for gross proceeds of $1,000,287. The Company paid a finder's fee of $40,011 and incurred regulatory filing fees and other expenses of $6,052 in connection with the private placement. A flow-through premium liability of $130,472 was recorded in connection with this transaction;

(ix) the Company completed a non flow-through private placement of 200,000 units at a price of $0.50 per unit for gross proceeds of $100,000. Each unit consists of one common share and one-half share purchase warrant of the Company. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.75 for a period of 18 months from closing. The Company paid a finder's fee of $4,000 and incurred regulatory filing fees and other expenses of $1,350 in connection with the private placement;

(Expressed in Canadian Dollars, unless otherwise stated)

11. CAPITAL STOCK AND RESERVES (cont'd)

(b) Issued and outstanding (cont'd)

(x) 1,355,000 share options were exercised at a weighted average price of $0.30 per share, and 1,355,000 common shares were issued for total proceeds of $400,050. In addition, a reallocation of $566,950 from reserves to capital stock was recorded on the exercise of these options. This amount constitutes the fair value of options recorded at the original grant date and on subsequent re-pricing;

(xi) the Company received TSXV approval for its new Normal Course Issuer Bid ("NCIB") application to purchase at market price up to 7,114,957 common shares, being approximately 5% of the Company's issued and outstanding common shares through the facilities of the TSXV. The bid commenced on August 1, 2013 and will stay open for another 12 months; and

(xii) the Company repurchased under the NCIB 114,500 of its common shares for total consideration of $37,652 at a weighted average price of $0.33 per share, all of which were held in the Company's treasury at June 30, 2014.

(c) Share options

The Company has adopted a 20% fixed share option plan whereby the Company has reserved 20,557,283 common shares under the plan. The term of any options granted under the plan is fixed by the Board of Directors and may not exceed ten years from date of grant.

The number of options granted to a consultant in a 12 month period must not exceed 2% of the issued shares of the Issuer from the date of grant. Options issued to consultants performing investor relations activities must vest in stages over 12 months with no more than 1/4 of the options vesting in any three month period. Share options granted to directors, officers and employees of the Company vest at the discretion of the Board of Directors.

Share option transactions and the number of share options outstanding are summarized as follows:

	Options Outstanding	Weighted Average Exercise Price
Outstanding, June 30, 2013	7,147,500	$ 0.49
Granted	2,340,000	0.38
Exercised	(1,355,000)	0.30
Expired	(125,000)	0.25
Outstanding, June 30, 2014	8,007,500	0.49
Exercised	(200,000)	0.40
Expired	(500,000)	0.40
Cancelled	(20,000)	0.39
Outstanding, September 30, 2014	7,287,500	$ 0.50

(Expressed in Canadian Dollars, unless otherwise stated)

11. CAPITAL STOCK AND RESERVES (cont'd)

(c) Share options (cont'd)

Share options outstanding and exercisable at September 30, 2014 are summarized as follows:

Number of Options	Exercise Price	Expiry Date	Remaining Life of Options (Years)	Number of Options Exercisable
130,000	$0.70	November 14, 2016	2.09	130,000
295,000	$1.05	February 11, 2018	3.32	295,000
270,000	$0.25	October 31, 2018	4.03	270,000
330,000	$0.40	October 9, 2019	4.96	330,000
440,000	$0.41	October 13, 2016	2.01	440,000
1,205,000	$0.63	January 15, 2020	5.22	1,205,000
300,000	$0.50	May 10, 2015	0.60	300,000
417,500	$0.50	November 8, 2020	6.02	417,500
1,430,000	$0.55	November 24, 2020	6.07	1,130,000
150,000	$0.60	January 7, 2015	0.27	150,000
1,720,000	$0.39	December 27, 2023	9.12	1,662,500
600,000	$0.35	June 16, 2021	6.62	600,000
7,287,500			6.90	6,930,000

During the three months ended September 30, 2014, the Company recorded share-based compensation expense of $14,188 (2013 – $3,185) for share options granted in prior years and vested during the current period. There were no stock options granted during the three months ended September 30, 2014 and 2013.

(d) Warrants

Share purchase warrants transactions and warrants outstanding are summarized as follows:

	Warrants Outstanding	**Weighted Average Exercise Price**
Balance, June 30, 2013	3,750,000	$ 0.60
Issued	1,350,000	0.43
Expired	(3,750,000)	0.60
Balance, June 30, 2014 and September 30, 2014	1,350,000	$ 0.43

(Expressed in Canadian Dollars, unless otherwise stated)

11. CAPITAL STOCK AND RESERVES (cont'd)

(d) Warrants (cont'd)

The following table summarizes the warrants outstanding at September 30, 2014:

Number of Warrants	Exercise Price	Expiry Date
1,250,000	$ 0.40	September 16, 2015
100,000	$ 0.75	August 27, 2015
1,350,000		

(e) Reserves

	Note	Options and agent warrants	Finance warrants	Treasury shares	Total
Balance, June 30, 2013		$ 8,641,749	$ 1,993,026	1,296,476	$ 11,931,251
Exercise of options		(566,950)	–	–	(566,950)
Share-based compensation		714,058	–	–	714,058
Residual value of warrants attached to units issued to Teck		–	211,250	–	211,250
Balance, June 30, 2014		8,788,857	2,204,276	1,296,476	12,289,609
Exercise of options	11(b)(ii)	(63,169)	–	–	(63,169)
Share-based compensation	11(c)	14,188	–	–	14,188
Cancellation of treasury shares	11(b)(iv)	–	–	36,859	36,859
Balance, September 30, 2014		$ 8,739,876	$ 2,204,276	$ 1,333,335	$ 12,277,487

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the three months ended September 30, 2014 included:

- exploration and evaluation assets of $76,361 (June 30, 2014 - $605,701) in accounts payable;
- depreciation of camp equipment and upgrades of $21,260 included in exploration and evaluation assets;
- an allocation of $97,754 from capital stock to flow-through premium liability on the issuance of the flow-through shares (Note 8);
- an allocation of $63,169 from reserves to capital stock upon the exercise of stock options (Note 11(b)(ii)); and
- unrealized loss of $86,190 on marketable securities due to changes in fair value, which was allocated to accumulated other comprehensive loss (Note 4).

(Expressed in Canadian Dollars, unless otherwise stated)

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd)

Significant non-cash transactions for the three months ended September 30, 2013 included:

- exploration and evaluation expenditures of $1,233,160 (June 30, 2013 - $208,793) in accounts payable;
- exploration and evaluation expenditures of $Nil (June 30, 2013 - $6,659) in due to related parties;
- depreciation of camp equipment and upgrades of $21,844 included in exploration and evaluation assets;
- an allocation of $8,000 from reserves to capital stock upon the exercise of stock options; and
- unrealized loss of $405,814 on marketable securities due to changes in fair values, which was allocated to accumulated other comprehensive loss.

13. RELATED PARTY TRANSACTIONS

The remuneration of directors and other key management personnel during the three months ended September 30, 2014 and 2013 were as follows:

		2014		2013
Bonuses (ii)	$	21,506	$	10,000
Consulting fees (iii)		3,750		3,750
Directors fees (iv)		12,500		12,500
Exploration and evaluation expenditures (geological consulting) (v)		35,004		35,004
Management and administration (i)		103,500		88,500
Share-based compensation (vi)		9,165		3,185
Total	$	185,425	$	152,939

(i) On May 1, 2007, the Company entered into a management and administrative agreement with Varshney Capital Corp. ("VCC"), a company with two common directors, whereby the Company agreed to pay management and administrative fees of $12,500 and $5,000 per month, respectively. The agreement was amended effective July 1, 2011 and May 1, 2014 to increase the monthly management fee to $24,500 and $29,500, respectively. During the three months ended September 30, 2014, the Company paid or accrued $88,500 (2013 – $73,500) for management fees and $15,000 (2013 – $15,000) for administrative fees to VCC;

(ii) the Company accrued a bonus of $21,506 (2013 - $10,000) to VCC;

(iii) the Company paid or accrued $3,750 (2013 - $3,750) for consulting fees to a company controlled by a director;

(iv) the Company paid or accrued $12,500 (2013 - $12,500) in directors' fees to five directors of the Company;

13. RELATED PARTY TRANSACTIONS (cont'd)

(v) the Company paid or accrued exploration and evaluation costs of $35,004 (2013 - $35,004) for geological consulting fees to a company owned by an officer of the Company; and

(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.

As at September 30, 2014, $6,163 (June 30, 2014 - $Nil) was due to directors of the Company for reimbursement of business expenses and $21,506 was due to VCC. The amounts were repaid subsequent to September 30, 2014.

14. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments based on the funds available in order to support continued operation and future business opportunities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company considers its capital to be equity.

The Company's operations are currently not generating positive cash flow; as such, the Company is dependent on external financing to fund its activities. In order to carry out potential expansion and to continue operations, and pay for administrative costs, the Company will spend its existing working capital, and raise additional amounts as needed. Companies in this stage typically rely upon equity and debt financing or joint venture partnerships to fund their operations. The current financial markets are very difficult and there is no certainty with respect to the Company's ability to raise capital. However, the Company feels that it has sufficient working capital to continue with planned activities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended September 30, 2014. The Company is not subject to externally imposed capital requirements.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Cash, long-term investment, and marketable securities are carried at fair value using a level 1 fair value measurement. The carrying value of receivables, refundable deposit, trade payables and accrued liabilities and due to related parties approximate their fair value because of the short-term nature of these instruments.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its bank deposits of $10,304,432 and a long-term investment in GIC of $1,000,000. This risk is managed by using major Canadian banks that are high credit quality financial institutions as determined by rating agencies.

The Company's secondary exposure to credit risk is on its receivables. This risk is minimal as receivables consist primarily of refundable government sales taxes and interest accrued on GIC.

Liquidity Risk
Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements at any point in time. The Company achieves this by maintaining sufficient cash and cash equivalents. As at September 30, 2014, the Company was holding cash deposits of $10,304,432 to settle current cash liabilities of $215,305. Management believes it has sufficient funds to meet its current obligations as they become due and to fund its exploration projects and administrative costs.

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

a. Interest Rate Risk
The Company is exposed to interest rate risk as its bank treasury account, other assets, and long-term investment earn interest income at variable rates. The effect of a 10% fluctuation in interest rates may result in an increase or decrease in annual net loss of $16,956.

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

c. Price risk
The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors certain commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

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

16. SUBSEQUENT EVENTS

Subsequent to the quarter ended September 30, 2014, the Company:

a. repurchased 68,500 of its common shares for the total consideration of $26,888 at a weighted average price of $0.39 per share;

b. completed a private placement of 988,220 flow-through shares at a price of $0.55 per flow-through share for gross proceeds of $543,521, and 580,750 non flow-through units at a price of $0.50 per unit for gross proceeds of $290,375. Each unit consists of one common share and one-half share purchase warrant of the Company. Each whole warrant entitles the holder to purchase one additional common share at a price of $0.75 for a period of 12 months from closing. The Company paid a finder's fee of $39,610 in connection with the private placement; and

c. commenced a large-scale airborne gravity gradiometry geophysical survey, which will consist of the acquisition and subsequent analysis of airborne gravity data over two large property blocks, one covering the Akie property and one covering the Mt. Alcock and Yuen North properties.