CANADA ZINC METALS CORP.

MANAGEMENT DISCUSSION AND ANALYSIS

June 30, 2010

1.1 Date

This Management Discussion and Analysis ("MD&A") of Canada Zinc Metals Corp. ("Canada Zinc" or the "Company") has been prepared by management as of September 27, 2010 and should be read in conjunction with the audited consolidated financial statements and related notes thereto of the Company, as at and for the years ended June 30, 2010 and 2009, 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 Over-all 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.

To date, the Company has not generated significant revenues from operations or recorded any cost of sales and as a result is considered to be in the development stage. The underlying value of the mineral properties and related deferred costs are entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and upon future profitable production.

Effective October 18, 2005, the Company's common shares commenced trading on the Frankfurt Stock Exchange under the trading symbol, WKN A0RAQJ, M9R.

During fiscal 2006, the Company graduated to Tier 1 of the TSX Venture Exchange ("TSXV").

Effective September 26, 2008, the Company changed its name from Mantle Resources Inc. to Canada Zinc Metals Corp. and commenced trading under its new name and symbol "CZX". There was no consolidation of share capital.

As at the date hereof, the Company has mining interests in properties located in British Columbia and the Northwest Territories.

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

Akie Property

On August 23, 2005, the Company entered into an agreement with Ecstall Mining Corporation ("Ecstall"), pursuant to which the Company had been granted an option entitling it to earn a 65% interest in Ecstall's Akie property, located in northeastern British Columbia, approximately 260 kilometers north-northwest of the town of Mackenzie.

In consideration, the Company was required to make staged cash payments totalling $450,000 on or before June 21, 2008 (fully paid as of June 30, 2007) and incur a total of $4,000,000 in exploration expenditures on or before August 31, 2008 (incurred as of June 30, 2007).

As per the original agreement, the Company was appointed operator of the Akie property until December 31, 2006 and was responsible for managing all work carried out. In return, the Company was paid an operator's fee.

The Company issued 150,000 shares as a finder's fee to a third party as per the terms of the agreement.

The Company acquired 100% of the issued and outstanding shares of Ecstall pursuant to a take-over bid made December 22, 2006, as amended by its Notice of Variation dated January 29, 2007 and Notice of Extension dated February 9, 2007. The conditions of its Offer were satisfied and the Company took up an aggregate of 53,533,615 shares of Ecstall which were validly tendered prior to the February 23, 2007 expiry date. Pursuant to the Offer, the Company issued and distributed to those shareholders who tendered, 0.41 of one share of the Company for each Ecstall share tendered.

The Company exercised its rights pursuant to compulsory acquisition procedures under the British Columbia Business Corporations Act to acquire, for the same consideration as that paid under the Offer, all of the remaining shares of Ecstall that were not tendered to the Offer. The Company now owns 100 % interest in the Akie property.

Akie Property Update

Below is a progress report on exploration activities completed to date on the Akie zinc-lead property.

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.

The primary objectives of the 2008 drill program were to determine both the updip and on-strike extent of the Cardiac Creek Deposit as well as other key targets within the deposit.A total of eleven drill holes were completed on the Cardiac Creek zinc-lead-silver deposit during the 2008 field season, for a total of 5,103.15 metres (NQ and HQ core).

The following is a summary of drilling results from the 2008 drilling program. Hole A-08-58 yielded an interval of 20.19 metres grading 9.35% zinc +lead (including 8.5 metres grading 11.67% zinc+lead). This intercept indicates that mineralization is still open in an updip direction from this hole. Holes A-08-64 (11.12 metres grading 9.03% zinc+lead) and A-08-66 (which includes 8.23 metres grading 6.96% zinc+lead) tested the southeastern extension of the deposit – these results are highly encouraging as they validate that mineralization remains open in this direction. Hole A-08-65 contains several high grade intervals (including 10.78 metres grading 13.07% zinc+lead) that confirm both the thickness and high grade of the Cardiac Creek deposit to the northwest. The high grade in hole A-08-60A (5.19 metres of 14.00% zinc+lead) supports the interpretation of a high grade core continuing to the northwest direction and highlights the value of some further drilling in this open area. In summary, the drilling completed to date indicates a strike length potentially exceeding 1 kilometer and a dip extent exceeding 550 metres.

In addition, the Company completed construction of approximately 14.5 km of mainline access road and 3.7 km of access trail on the Akie property. These roads have greatly improved access to the Cardiac Creek deposit for future exploration activities. Other work over the reporting period involved the completion of a variety of base line studies.

On November 18, 2008, the Company provided an update on the 2008 exploration activities on the North Lead Anomaly located at the northern end of the Akie property. The following is a summary of results on this target.

Two holes (A-08-62 and A-08-63) were completed testing the downdip and updip extension, approximately 70 metres in each direction, of the massive sulphide mineralization observed in the 1996 Inmet hole. For both of the holes, zinc and lead values, which increase updip, are locally as high as 9.82% and 0.17%, respectively. Of particular interest is the presence of finely banded, colloform, pinkish sphalerite in the matrix of the second (updip) 2008 hole. These characteristics are also noted in several holes located at the northern end of the Cardiac Creek deposit. Such debris flows may reflect the presence of an underlying syn-sedimentary fault zone, a feature that is interpreted as a conduit for metal-bearing hydrothermal fluids.

About the North Lead Anomaly: This feature, located some 2.3 km northwest of the nearest drill hole to penetrate the Cardiac Creek deposit, is considered to be the highest priority target on the Akie property due to the mineralization encountered in a 1996 drill hole (Inmet; 11.60% zinc and 9.05% lead over an interval of 0.80 metre) within a geologic environment similar to that at Cardiac Creek. Pyritic sulphide mineralization, hosted by Gunsteel shale, is positioned stratigraphically above a debris flow in which the fragments and matrix have been locally replaced by pyrite, sphalerite and galena. This, combined with the presence of quartz-carbonate alteration in the underlying Road River Group footwall rocks and widespread high lead/zinc ratios in samples of the overlying soil, are supportive of the presence of a hydrothermal feeder zone/vent complex in the area. Worldwide, SEDEX mineralizing centers such as this exhibit higher grade mineralization at the transition between the vent complex and the laterally extensive bedded ore facies.

The 2009 summer exploration program on Akie property focused on detailed geologic mapping in the general vicinity of the North Lead Anomaly. This mapping has provided important information on the distribution of geological units in this highly prospective area, including identification of carbonate outcrops which, along with a nearby iron seep, indicate proximity to shale (Gunsteel)-carbonate contact, a key stratigraphic marker horizon. The zinc-lead mineralization in both the Cardiac Creek deposit and the North Lead Anomaly occurs in Gunsteel shale at, or close to, the contact with carbonate rocks.

In addition to the mapping, a small program of prospecting and silt sampling was carried out in the southeast corner of the Akie property to follow-up a highly anomalous (18,500 ppm zinc, 100 ppm lead) silt sample collected by a previous operator (1978) at the southeast end of the **South Zinc Anomaly** (+2,000 ppm zinc; 200 to 500 metres wide by 2 km long). This work yielded anomalous (to >3,000 ppm) zinc values from silts from four widely spaced creeks in the area, confirming the earlier result. The South Zinc Anomaly, which is underlain by Gunsteel formation/Pinstripe shale, remains as a high priority exploration target.

2010 Exploration Program – Akie Property

Objectives of the 2010 drilling program include testing the prospective Gunsteel Formation shales for the continuation of the Cardiac Creek deposit in the “NW Extension” and to further explore the potential of the “North Lead Anomaly” (see below) located 2km northwest along strike of the deposit.

To date, 10 diamond drill holes (5,304.90 metres) have been completed. Of these, 4 holes (1,464 metres) tested the “NW Extension” target while a further 3 holes (1,762.12 metres) continued to test the highly prospective “North Lead Anomaly”. 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.

Three drill holes (2,078.78 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. One drill rig has now relocated to the North Lead Anomaly to complete a single 775 metre drill hole to further test observed mineralization intercepted in earlier drill holes. At the time of writing, the exploration program is ongoing and all assay results are currently pending.

An analysis of the drill hole data in conjunction with the geology, surface sampling and other pertinent geological data will occur upon receipt of all assay results from this year’s exploration drill program to determine future drill targets on the Cardiac Creek deposit as well as assess the continued potential of the North Lead Anomaly and NW Extension.

In addition to the exploration drilling, a brief geotechnical program will commence shortly involving trail construction to the proposed portal site and geotechnical drilling. The information obtained from this program will assist the Company in advancing the property toward a potential underground exploration program.

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

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, "sugary" siliceous matrix (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 (1 metre samples on 7 lines up to 5 metres long and approximately 1 to 2 metres apart) 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 a little 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.

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 limestone, which elsewhere in this area has been noted to host local sphalerite and galena mineralization in veinlets and fractures, or nearby black shales.

Afridi Lake, NWT (diamonds)

DA Properties

The Company beneficially owns an undivided 8.2% interest, subject, in part, to certain royalties and a royalty reduction option dated August 30, 1998, in twenty-four mineral claims and three mineral leases, known collectively as the Afridi Lake Property. The Afridi Lake Property is located southeast of Lac de Gras, some 40 km east of the Diavik Diamond Mine, approximately 335 km northeast of Yellowknife, Northwest Territories. The target mineral being sought on the property is diamond contained in kimberlite. To date, five kimberlite intrusions, with variable, but low diamond content, have been identified on the mineral leases.

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. (“Shear”) (58.2%), the project operator, International Samuel Exploration Corp. (25.4%) and New World Resources Inc. (8.2%).

During April and May, 2008, Shear completed 12 holes (1741 m) to test 12 geophysical targets. Kimberlite was encountered in three holes, all of which tested targets in the vicinity of previously identified DA kimberlites.

Summary of exploration expenditures incurred on various properties:

	Akie Property	Kechika Regional	DA	Total
Acquisition Costs:				
Balance, June 30, 2008	$ 24,174,119	$ 346,740	$ 71,535	$ 24,592,394
Additions	–	1,524	–	1,524
Write-off	(790)	(19,832)	–	(20,622)
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
Deferred Exploration Costs:				
Balance, June 30, 2008	19,053,980	161,928	150,025	19,365,933
Additions:				
Geological Consulting	834,930	346,996	–	1,181,926
Drilling	4,273,940	–	–	4,273,940
Environmental studies	463,901	–	–	463,901
Road construction	1,068,307	193,588	–	1,261,895
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	(921,063)	–	–	(921,063)
Balance, June 30, 2010	26,281,810	1,172,533	150,025	27,604,368
June 30, 2010	**$ 50,457,139**	**$ 1,500,965**	**$ 221,560**	**$ 52,179,664**

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 2010	2009	2008
Interest and other income	$36,036	$80,256	$309,987
Net Loss	($9,193,106)	($1,733,051)	($3,151,779)
Loss per share	($0.10)	($0.02)	($0.05)
Total assets	$63,441,750	$57,815,908	$49,054,558
Total long term liabilities (Future Income Tax Liability)	$7,040,397	$1,514,583	$102,589
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, 2010 and 2009.

During the year ended June 30, 2010, the Company reported a loss of $9,193,106 or $0.10 per share compared to a loss of $1,733,051 or $0.02 per share in fiscal 2009, an increase in loss of $7,460,055. The increase in loss was primarily due to recorded future income tax expense of $5,525,814, significant increases in consulting fees of $670,965 and flow-through taxes of $579,035. The Company also paid performance bonuses of $226,750 (2009 - $Nil) to a company partially controlled by a director and an officer of the Company.

For the year ended June 30, 2010, the Company recorded future income tax expense of $5,525,814 compared to future income tax recovery of $428,130 in fiscal 2009. The future income tax expense resulted primarily from the 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, 2010, 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 mineral properties and equipment and write-off of accounts payable, was $2,379,100 (2009-$985,493).

Total interest income during year ended June 30, 2010 was $36,036 compared to $80,256 during the last year. The decrease in interest income was attributable to considerably lower interest rates on the short-term investments and bank accounts.

Total general and administration expenses increased by $1,473,740 due to increases in consulting fees of $670,965, flow-through taxes of $579,035 and interest accrued on these taxes of $54,689, performance bonuses of $226,750, stock-based compensation of $125,011, regulatory fees of $2,935, rent of $1,590 and bank service charges of $1,122, offset by decreases in wages and benefits of $122,355, travel and promotion of $17,257, investor relations fees of $22,154, office and miscellaneous fees by $12,284, professional fees of $9,581 and transfer agent fees of $4,068.

The increase in consulting fees by $670,965 was primarily due to increased business development consulting services retained during the year. On July 1, 2009, the Company entered into four separate consulting agreements to provide business development consulting services to the Company for a period of six months for an aggregate monthly fee of approximately $57,021. One of these agreements was renewed on February 1, 2010 for an additional six months for a monthly fee of $21,675. During the year ended June 30, 2010, the Company paid consulting fees of $450,500 in respect of the above agreements. In addition, the Company also paid $226,715 in consulting fees related to financial advisory services and business development activities carried out in Europe.

The increase in flow-through taxes of $579,035 resulted from an amendment of eligible Canadian exploration expenditures previously renounced to the flow-through shareholders for fiscal 2009. The Company was unable to incur exploration expenditures between the September 2008 flow through share issuance date and December 31, 2009 to the extent it originally anticipated. It is the Company's intention to expend the balance of the flow-through funds raised in 2008 on eligible exploration in Canada during the period from January 1, 2010 through October 31, 2010. As a result of the expenditure shortfall and the amendment of the previous renunciations of explorations expenditures, the Company accrued $579,877 in part XII.6 tax for 2009 and an additional $54,689 in interest payable.

The Company paid cash bonuses totaling $226,750 to a company partially controlled by a director an officer of the Company; no such amounts were paid in fiscal 2009.

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, 2010, the Company recorded stock-based compensation expense of $1,279,122 (2009 - $1,154,111) on the vested portion of stock options granted to directors, officers and consultants of the Company. The increase in stock-based compensation expense during the year was primarily due to additional options granted as well as 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.

The increase in regulatory fees by $2,935 was primarily due to higher costs in annual listing fees.

The decrease in investor relations by $22,154 during the period was a result of decreased investor relations services.

The decrease in travel and promotion by $17,257 during the period was a result of fewer travel plans for investors' presentations and conferences, conference registration fees and other related costs.

The decreases in office and miscellaneous fees by $12,284 and wages and benefits by $122,355 were due to a reduction of office related expenditures and employees salaries, respectively.

The decrease in professional fees by $9,581 was a result of decreased legal services.

The decrease in transfer agent fees by $4,068 was a result of fewer transfer agent and shareholders services in connection with private placements.

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, 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)
June 30, 2009	31,606	107,235	0.00
March 31, 2009	12,038	(285,827)	(0.00)
December 31, 2008	8,636	(1,104,200)	(0.01)
September 30, 2008	27,976	(450,259)	(0.01)

The significant changes in loss for the quarter ended:

a) 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;

b) 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.

c) 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;

d) December 31, 2008 was due to stock-based compensation expense of $857,164 recorded on 3,527,500 stock options granted and 1,768,000 previously granted stock options re-priced during the period.

The June 2009 quarter resulted in net earnings due to future income tax recoveries of $428,130.

1.6/1.7 Liquidity and Capital Resources

The Company reported working capital of $9,737,215 at June 30, 2010 compared to a working capital of $6,279,367 at June 30, 2009, representing an increase in working capital by $3,457,848. Net cash increased by $2,892,603 from $6,389,394 at June 30, 2009 to $9,281,997 at June 30, 2010.

During the year ended June 30, 2010, the Company utilized its cash and cash equivalents as follows:

(a) $2,000,959 was used in operating activities, consisting primarily of general and administrative expenditures and change in non-cash items.

(b) $1,558,002 was used for deferred exploration of resource properties and $375,000 for an investment of 1,875,000 units at a price of $0.20 per unit of TNR Gold Corp. ("TNR").

(c) $849,500 was generated from the exercise of 3,492,500 stock options at a weighted average price of $0.24 per share.

(d) $3,450,000 was generated from the exercise of 5,750,000 share purchase warrants at a price of $0.60 per share.

(e) $2,767,617 was generated from the non-brokered private placement of 5,000,000 shares at a price of $0.60 per share including share issuance costs of $232,383.

(f) $240,553 was used for the purchase of 590,000 common shares of the Company at a weighted average price of $0.41 under the normal course issuer bid ("NCIB") commenced on July 31, 2009.

TNR is a diversified junior mining company focused on identifying and exploring existing properties in Argentina and Alaska and new prospective projects globally. TNR now has a total portfolio of 32 projects, of which 16 will be included in the proposed spin-off of International Lithium Corp. Management believes that this strategic investment into TNR and its proposed spin-off subsidiary, International Lithium Corp, will give the Company's shareholders diversification into the growing opportunities that rare metal industries are offering. Furthermore, the investment gives the Company an interest in TNR's stake in the significant Los Azules copper project in Argentina.

During the year ended June 30, 2010, the Company received TSXV approval to purchase at market price up to 4,423,445 of its common shares under the NCIB, which commenced on July 31, 2009. On August 1, 2010, the Company extended the

NCIB for another 12 months and received the TSXV approval to purchase at market price up to 5,135,570 common shares, being approximately 5% of the Company's issued and outstanding common shares.

The Company is engaging in a NCIB because it believes that the market price of its common shares 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 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 NCIB purchases to date are summarized as follows:

	August 1, 2009 to July 31, 2010	August 1, 2010 to September 27, 2010	Total repurchased
Number of shares	744,000	352,500	1,096,500
Purchase price	$ 311,501	$ 146,165	$ 457,666

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. Current assets excluding cash as at June 30, 2009 consisted of receivables of $83,730, which consisted of GST recoverable of $69,239 and interest receivable of $14,491, dues from related party of $50,000, and prepaid expenses of $693.

The Company 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. The CRA approved METC of $921,063, which was recorded under METC Recoverable with a corresponding reduction in Resource Properties on the consolidated balance sheet as at June 30, 2010. The amount was received subsequent to year-end.

Current liabilities as at June 30, 2010 consisted of accounts payable and accrued liabilities of $1,295,366 (June 30, 2009 - $241,980) and amounts due to related parties of $61,532 (June 30, 2009 - $2,470).

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, 2010:

(a) the Company paid or accrued $150,000 (2009 – $150,000) for management fees and $60,000 (2009 – $60,000) for administrative fees to a company partially controlled by a director and an officer of the Company.

(b) the Company paid cash bonuses totalling $226,750 (2009 - $Nil) to a company partially controlled by a director and an officer of the Company.

(c) the Company paid or accrued $148,000 (2009 - $108,000) for consulting and geological services fees, included in resource properties, to a company controlled by a director of the Company. The Company also paid a cash bonus of $1,500 (2009 - $Nil), included in wages and benefits in the consolidated statements of operations and deficit, to this director. As at June 30, 2010, $54,600 (2009 - $Nil) was due to this company.

(d) As at June 30, 2010, $6,932 (2009 - $2,470) was due to directors and officers of the Company. The amount resulted from expense reimbursement and is unsecured and non-interest bearing with no fixed terms of repayment. These amounts were fully repaid subsequent to the year end.

(e) The company received $50,000 for a loan repayment from a former director of the Company.

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 ended June 30, 2010,

(a) 5,750,000 share purchase warrants were exercised by Tongling Nonferrous Metals Group Holdings Co. Ltd. ("Tongling") at a price of $0.60 per share and 5,750,000 common shares were issued for total proceeds of $3,450,000. With the exercise of the warrants, Tongling now holds a 17.65% equity position in the Company.

(b) 300,000 stock options exercisable for a period of five years at a price of $0.50 were granted to consultants of the Company.

(c) the Company completed a private placement of 5,000,000 units at a price of $0.60 per unit for gross proceeds of $3,000,000. Each unit consists of one common share and one half of a common share purchase warrant. Each whole warrant entitles the holder to purchase, at any time within 18 months from closing, one common share of the Company at a price of $0.80. All shares issued pursuant to the private placement are subject to a hold period expiring on October 8, 2010. The Company paid $210,000 as a finder's fee and another $22,183 was paid in regulatory costs on this private placement.

Subsequent to the year ended June 30, 2010,

(a) 75,000 stock options were exercised at a price of $0.25 per share and 75,000 common shares were issued for total proceeds of $18,750.

(b) The Company repurchased 506,500 shares of its common shares for a total consideration of $217,113 at a weighted average price of $0.43 per share under normal course issuer bid. 1,029,000 common shares were returned to the Company's treasury for cancellation.

(c) The Company entered into an agreement with Translloyd Consulting GmbH ("Translloyd") for the provision of investor relations and communications services. Translloyd, based in Germany, is a boutique consulting firm that specializes in investor outreach in Europe for mineral exploration companies. Pursuant to the agreement, Translloyd will provide investor relations services to the Canada Zinc Metals, including, but not limited to, introducing the Company to investors in Europe. Translloyd's engagement, which is subject to regulatory approval, will be effective September 1, 2010, for a term of six months, thereafter renewable on a month to month basis. The Company will pay Translloyd a fee of $7,000 per month and reimburse it for approved expenses.

1.11 Proposed Transactions

Subsequent to the year ended June 30, 2010, the Company has entered into a financing arrangement with Tongling pursuant to which Tongling has subscribed, by way of a non-brokered private placement, to 31,386,224 units of Canada Zinc Metals at a price of $0.5735 per unit for gross proceeds of $18,000,000. Each unit consists of one common share and one half of a common share purchase warrant. Each whole warrant shall entitle the purchaser to purchase, at any time within 24 months from closing, one additional common share of the Company at a price of $0.675 during the first year and at a price of $0.775 during the second year. Upon completion of the private placement, Tongling will own approximately a 36% equity position in Canada Zinc Metals. The financing is subject to receiving the necessary approvals of the Tongling board of directors, the relevant Chinese regulatory departments, the TSXV and the shareholders of the Company.

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, 2010 and 2009.

Going concern issue

The Company's financial statements have been prepared on a going concern basis which assumes 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 continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its ongoing commitments and further its mineral exploration programs.

The Company may encounter difficulty sourcing future financing in light of the recent economic downturn. The current financial equity market conditions and the inhospitable funding environment make it difficult to raise capital through the private placements of shares. The junior resource industry has been severely affected by the world economic situation as it is considered speculative and high-risk in nature, making it even more difficult to fund. While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with any financing ventures.

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 unaudited interim consolidated financial statements for the three months ended March 31, 2011 which must include the interim results for the three months ended March 31, 2010 prepared on the same basis. IFRS uses a conceptual framework similar to Canadian GAAP but there are significant differences on recognition, measurement and disclosures.

Implementing IFRS will have an impact on accounting, financial reporting and supporting IT systems and processes. It may also have an impact on actual commitments involving GAAP based clauses, long-term employee compensation plans and performance metrics. Accordingly, the Company is in the process of developing its changeover plan which will include considerations such as measures to provide training to key finance personnel, to review contracts and agreements and to increase the level of awareness and knowledge amongst management, the Board of Directors and the Audit Committee.

As a first time adopter of IFRS, the Company is required to apply IFRS 1 "First time adoption of International Financial Reporting Standards". A number of exemptions are available under this Standard which the Company is currently evaluating. While the Company has commenced assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time. Key areas of accounting policy changes under assessment include, but not limited to, property, plant and equipment, valuation and impairment of resource properties, revenue recognition and stock based compensation. The analysis of possible changes is still in process, as such, no decisions have yet been made with regard to accounting policy choices.

1.14 Financial Instruments and Other Instruments

Please see Note 12 of the audited consolidated financial statements of the Company, as at and for the years ended June 30, 2010 and 2009.

1.15 Other Requirements

Summary of outstanding share data as at September 27, 2010:

(1) Authorized: Unlimited common shares without par value

	Issued and outstanding:	102,786,414
(2)	Stock options outstanding:	7,150,500
(3)	Share purchase warrants	2,500,000

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
September 27, 2010