CANADA ZINC METALS CORP.

Condensed Consolidated Interim Financial Statements

For the Three Months Ended September 30, 2013 and 2012

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

CANADA ZINC METALS CORP.

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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 28, 2013

CANADA ZINC METALS CORP.

Condensed Consolidated Interim Statements of Financial Position
As at September 30, 2013 and June 30, 2013
(Expressed in Canadian Dollars - Unaudited)

	Notes	September 30,2013	June 30, 2013
		(unaudited)	(audited)
Assets			
Current assets			
Cash and cash equivalents		**$ 11,648,676**	$ 13,028,707
Receivables	3	**210,201**	42,809
METC recoverable	9	**826,103**	826,103
Prepaid expenses		**23,865**	10,255
Marketable securities	4	**710,266**	1,078,980
		13,419,111	14,986,854
Other assets	5	**332,500**	332,500
Equipment and leasehold improvements	8	**371,630**	358,005
Long-term prepaid expenses		**145,287**	145,287
Exploration and evaluation assets	9	**65,409,498**	63,045,377
		$ 79,678,026	$ 78,868,023
Liabilities and Equity			
Current liabilities			
Trade payables and accrued liabilities	6	**$ 1,396,947**	$ 342,818
Due to related parties		**–**	18,310
Flow-through premium liability	7	**30,914**	276,493
		1,427,861	637,621
Deferred income tax liability		**1,761,000**	1,761,000
Equity			
Capital stock	10	**92,851,135**	92,555,610
Reserves	10	**12,137,686**	11,931,251
Deficit		**(27,494,978)**	(27,418,595)
Accumulated other comprehensive loss	4	**(1,004,678)**	(598,864)
		76,489,165	76,469,402
		$ 79,678,026	$ 78,868,023

Nature and continuance of operations (Note 1)
Subsequent Events (Note 15)
The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Approved on behalf of the Board of Directors:

"Peeyush Varshney"
Director

"Henry Giegerich"
Director

CANADA ZINC METALS CORP.

Condensed Consolidated Interim Statements of Changes in Equity
(Expressed in Canadian Dollars - Unaudited)

	Capital Stock							
	Number of common shares	Number of treasury Shares	Common shares Amount	Treasury shares Amount	Reserves (Note 10)	Deficit	Accumulated other comprehensive income (loss)	Total Equity
Balance, June 30, 2012	136,363,638	(666,500)	$ 90,969,839	$ (314,145)	$ 11,599,747	$ (25,556,729)	$ (135,017)	**$ 76,563,695**
Exercise of options	150,000	–	185,623	–	(148,123)	–	–	37,500
Shares repurchased and cancelled	(355,000)	–	(237,176)	–	105,213	–	–	(131,963)
Treasury shares cancelled	(666,500)	666,500	(432,354)	314,145	118,209	–	–	–
Share-based compensation	–	–	–	–	16,619	–	–	16,619
Change in fair value of securities	–	–	–	–	–	–	76,372	76,372
Net loss for the period	–	–	–	–	–	(364,498)	–	(364,498)
Balance, September 30, 2012	135,492,138	–	90,485,932	–	11,691,665	(25,921,227)	(58,645)	**76,197,725**
Flow-through private placement	7,500,000	–	3,000,000	–	–	–	–	3,000,000
Flow-through premium liability	–	–	(337,500)	–	–	–	–	(337,500)
Share issuance costs	–	–	(136,350)	–	–	–	–	(136,350)
Shares repurchased and cancelled	(693,000)	–	(456,472)	–	240,237	–	–	(216,235)
Share-based compensation (recovery)	–	–	–	–	(651)	–	–	(651)
Change in fair value of securities	–	–	–	–	–	–	(540,219)	(540,219)
Net loss for the period	–	–	–	–	–	(1,497,368)	–	(1,497,368)
Balance, June 30, 2013	142,299,138	–	92,555,610	–	11,931,251	(27,418,595)	(598,864)	**76,469,402**
Private placement (Note 10)	1,250,000	–	288,750	–	211,250	–	–	500,000
Share issuance costs (Note 10)	–	–	(3,250)	–	–	–	–	(3,250)
Exercise of options (Note 10)	50,000	–	20,500	–	(8,000)	–	–	12,500
Treasury shares (Note 10)	–	(49,000)	–	(10,475)	–	–	–	(10,475)
Share-based compensation (Note 10)	–	–	–	–	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**

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

CANADA ZINC METALS CORP.

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars - Unaudited)

	Notes	Three months ended September 30, 2013	2012
ADMINISTRATION EXPENSES			
Administration	12	$ **15,000**	$ 15,000
Bonuses	12	**10,000**	–
Consulting		**43,750**	56,250
Depreciation	8	**1,211**	1,260
Directors fees	12	**12,500**	12,500
Flow-through taxes		**12,957**	–
Interest and bank charges		**482**	1,267
Investor relations		**500**	39,380
Management fees	12	**73,500**	73,500
Office and miscellaneous		**28,778**	29,304
Professional fees		**17,563**	17,449
Regulatory fees		**5,800**	2,500
Rent		**15,000**	15,000
Share-based compensation	10	**3,185**	16,619
Transfer agent fees		**1,233**	1,235
Travel and promotion		**29,598**	24,003
Wages and benefits		**116,257**	105,228
		(387,314)	(410,495)
Interest income		**47,794**	47,989
Other income		**17,935**	–
Loss on sale of marketable securities		–	(1,992)
Write off of equipment and leasehold improvements		**(377)**	–
		65,352	45,997
Loss before income taxes		**(321,962)**	(364,498)
Deferred income tax recovery	7	**245,579**	–
Net loss for the period		**(76,383)**	(364,498)
Adjustment for change in fair value of marketable securities		**(405,814)**	76,372
Comprehensive loss for the period		$ **(482,197)**	$ (288,126)
Basic and diluted loss per common share		$ **(0.00)**	$ (0.00)
Weighted average number of common shares outstanding		**142,499,681**	135,641,551

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,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ **(76,383)**	$ (364,498)
Items not affecting cash:		
Depreciation	**1,211**	1,260
Share-based compensation	**3,185**	16,619
Loss on sale of marketable securities	**–**	1,992
Deferred income tax recovery	**(245,579)**	–
Write off of equipment and leasehold improvements	**377**	–
Changes in non-cash working capital items:		
Increase in receivables	**(167,392)**	(108,071)
Decrease (increase) in prepaid expenses	**(13,610)**	2,517
Increase (decrease) in due to related parties	**(11,651)**	8,643
Increase (decrease) in accounts payable and accrued liabilities	**29,760**	(10,027)
Cash used in operating activities	**(480,082)**	(451,565)
CASH FLOWS FROM INVESTING ACTIVITIES		
Marketable securities costs, net of proceeds on sale	**(37,100)**	(87,833)
Other assets	**–**	(8)
Equipment and leasehold improvements	**(37,057)**	(132,577)
Exploration and evaluation asset costs	**(1,324,567)**	(620,911)
Cash used in investing activities	**(1,398,724)**	(841,329)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock, net of issuance costs	**509,250**	37,500
Common shares repurchased	**(10,475)**	(131,963)
Cash generated from (used in) financing activities	**498,775**	(94,463)
Change in cash and cash equivalents during the period	**(1,380,031)**	(1,387,357)
Cash and cash equivalents, beginning of period	**13,028,707**	13,905,702
Cash and cash equivalents, end of period	$ **11,648,676**	$ 12,518,345

Supplemental disclosure with respect to cash flows (Note 11)
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 interim 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 interim 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, 2013, the Company has a working capital of $12,022,164 (June 30, 2013 - $14,625,726). 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 28, 2013 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, 2013 except for new standards, interpretations and amendments mandatory effective for the first time from January 1, 2013. 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, 2013.

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.

At the date of authorization of these financial statements, the following new standards, amendments and interpretation were adopted by the Company:

IFRS 10 Consolidated Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities.

IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Company.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method. As the Company does not currently have any partnerships in joint ventures or JCEs, the adoption of this standard had no impact on the financial statements of the Company.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The Company has not had any changes in its corporate structure during the period. The principles of consolidation and interest in subsidiaries are disclosed earlier in this note.

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

New standards and interpretations (cont'd)

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Company.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments, thereby affecting the condensed consolidated interim financial statements period. The Company provides these disclosures in Note 14.

IAS 1 Other Comprehensive Income

The amendment to IAS 1, Presentation of Financial Statements requires to group items within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified. For the periods presented, comprehensive loss includes holding gains and losses from financial instruments classified as available-for-sale. This amendment did not affect financial results of the Company and additional disclosure will be included in its annual consolidated financial statements for the year ended June 30, 2014.

The following new or amended standards and interpretations that are mandatory for the annual periods beginning on or after January 1, 2013 have not had any impact on the Company:

IFRS 7 Financial instruments: Amendments – Offsetting Financial Assets and Financial Liabilities;
IAS 19 Employee Benefits (Amendments) and
IFRIC 20 Stripping Costs in the Production Phases of a Surface Mine.

In addition, the Company adopted the following accounting policy related to farm-out arrangements:

IFRS 6 – Exploration and Evaluation Expenditures

The Company may occasionally enter into farm-out arrangements, whereby the Company will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures, which would have otherwise been undertaken by the Company. The Company does not record any expenditures made by the farmee on its behalf. Any consideration received from the agreement will be credited against the costs previously capitalized to the mineral interest given up by the Company, with any excess recorded as a gain or loss on disposal.

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

Significant accounting judgements, estimates and assumptions

The preparation of interim consolidated financial statements in conformity with IAS 34 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 the interim consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

Key Sources of Estimation Uncertainty

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting our consolidated financial statements include:

Share-based payments

We measure our share-based payment 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.

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

Significant accounting judgements, estimates and assumptions (continued)

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. 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.

Standards and interpretations issued but not yet effective

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

The Company has not early adopted these standards and is currently assessing the impact that these standards will have on its financial statements.

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

Standards and interpretations issued but not yet effective (cont'd)

(a) *IFRS 9*: New standard that replaces IAS 39 for classification and measurement of financial assets, effective for annual periods beginning on or after January 1, 2015;

(b) *IFRS 10* Investment Entities: Amendment: effective for periods on or after January 1, 2014;

(c) *IAS 32* Amendment to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 1, 2014; and

(d) *IFRIC 21* Levies: effective for periods on or after January 1, 2014.

3. RECEIVABLES

	September 30, 2013	June 30, 2013
Government Sales Tax credits	$ 131,240	$ 42,210
Interest accrued on GICs (Note 5)	1,574	539
Other	77,387	60
	$ 210,201	$ 42,809

Other receivables at September 30, 2013 consist of recoverable exploration expenditures.

4. MARKETABLE SECURITIES

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

	September 30, 2013	June 30, 2013
Common shares of public companies:		
Cost	$ 1,714,944	$ 1,677,844
Less: accumulated unrealized holding losses	(1,004,678)	(598,864)
Fair value	$ 710,266	$ 1,078,980

5. OTHER ASSETS

Other assets comprise reclamation bonds of $332,500 (June 30, 2013 – $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 1.06% payable to the Company at annual maturity dates.

6. TRADE PAYABLES AND ACCRUED LIABILITIES

	September 30, 2013	June 30, 2013
Trade payables	$ 1,313,502	$ 224,755
Accrued liabilities	82,995	118,063
	$ 1,396,947	$ 342,818

Accrued liabilities at September 30, 2013 include $71,675 (June 30, 2013 - $58,718) in flow-through Part XII.6 tax as a result of the "look-back" renunciation on the flow-through private placement completed by the Company in November 2012 (Note 10(b)).

The flow-through agreements require the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's resource properties. The Company renounced the full subscription amounts to the flow-through shareholders under the "look-back rule" for the 2012 calendar year, and is required to spend the amounts on eligible exploration expenditures by the end of the 2013 calendar year.

7. FLOW-THROUGH PREMIUM LIABILITY

	September 30, 2013	June 30, 2013
Balance, beginning of period	$ 276,493	$ –
Recorded	–	337,500
Amortized	(245,579)	(61,007)
Balance, end of period	$ 30,914	$ 276,493

The flow-through premium liability of $30,914 (June 30, 2013 - $276,493) arose in connection with the flow-through private placement of the Company completed in November 2012 (Note 10 (b)). The originally recorded flow-through premium liability of $337,500 was based on an estimated premium of $0.045 per a flow-through share issued.

As at September 30, 2013, the Company incurred $2,725,210 (June 30, 2013 - $541,395) in qualifying resource expenditures of the $3,000,000 raised through the flow-through financing. Accordingly, the Company partially amortized the flow-through premium liability to an aggregate of $306,586 (June 30, 2013 - $61,007) as a deferred income tax recovery.

The unamortized balance of 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 incurred applicable to the flow-through financing completed.

8. 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, 2012	$ 13,957	$ 15,045	$ 4,616	$ 19,000	$ 34,606	$ 160,158	$ 306,334	$ **553,716**
Acquisition	4,869	557	–	–	2,420	–	134,659	142,505
At June 30, 2013	18,826	15,602	4,616	19,000	37,026	160,158	440,993	**696,221**
Acquisition	543	–	–	–	–	36,514	–	37,057
Disposal	(520)	–	–	–	–	–	–	(520)
At September 30, 2013	$ 18,849	$ 15,602	$ 4,616	$ 19,000	$ 37,026	$ 196,672	$ 440,993	$ **732,758**
Accumulated depreciation:								
At June 30, 2012	$ 12,055	$ 4,712	$ 461	$ 15,675	$ 13,963	$ 78,355	$ 131,087	$ **256,308**
Depreciation for the year	2,459	2,277	923	1,829	6,556	17,645	50,219	81,908
At June 30, 2013	14,514	6,989	1,384	17,504	20,519	96,000	181,306	**338,216**
Depreciation for the period	546	434	231	207	1,248	4,025	16,364	23,055
Disposal	(143)	–	–	–	–	–	–	(143)
At September 30, 2013	$ 14,917	$ 7,423	$ 1,615	$ 17,711	$ 21,767	$ 100,025	$ 197,670	$ **361,128**
Net book value:								
At June 30, 2012	$ 1,902	$ 10,333	$ 4,155	$ 3,325	$ 20,643	$ 81,803	$ 175,247	**$ 297,408**
At June 30, 2013	$ 4,312	$ 8,613	$ 3,232	$ 1,496	$ 16,507	$ 64,158	$ 259,687	**$ 358,005**
At September 30, 2013	$ 3,932	$ 8,179	$ 3,001	$ 1,289	$ 15,259	$ 96,647	$ 243,323	**$ 371,630**

(1) License, vehicles, camp equipment and fixtures and camp upgrades are used for exploration and evaluation activities.
Depreciation for these items totaling $21,844 for the three months ended September 30, 2013 (2012 - $13,930) has been capitalized to Exploration and evaluation assets. Depreciation of the remaining items of $1,211 (2012 - $1,260) has been expensed.

9. 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.

The Company applies 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.

In September 2013, the Company entered into an option agreement (the "Agreement') with Teck Resources Limited ("Teck") that 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 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.

9. EXPLORATION AND EVALUATION ASSETS (cont'd)

	Akie Property	Kechika Regional	Total
Acquisition Costs:			
Balance, June 30, 2012	$ 24,175,329	$ 330,343	$ 24,505,672
Additions	–	91	91
Balance, June 30, 2013	24,175,329	330,434	24,505,763
Additions	–	1,648	1,648
Balance, September 30, 2013	**$ 24,175,329**	**$ 332,082**	**$ 24,507,411**
Deferred exploration costs:			
Balance, June 30, 2012	$ 34,088,951	$ 3,049,287	$ **37,138,238**
Camp equipment, depreciation	76,249	–	76,249
Camp operating	131,900	133,755	265,655
Drilling	30,459	–	30,459
Geology	194,779	87,739	282,518
Geotechnical program	2,244	–	2,244
Underground development	25,580	–	25,580
Community consultations	200,000	–	200,000
Environmental studies	202,364	–	202,364
Airborne survey	80,109	506,216	586,325
Less:			
METC	(270,018)	–	(270,018)
Balance, June 30, 2013	34,762,617	3,776,997	**38,539,614**
Airborne survey	–	167,636	167,636
Camp equipment, depreciation (Note 8)	21,844	–	21,844
Drilling	1,549,795	426,931	1,976,726
Geology	15,356	12,601	27,957
Community consultations	130,000	–	130,000
Environmental studies and permit compliance monitoring	38,310	–	38,310
Balance, September 30, 2013	**$ 36,517,922**	**$ 4,384,165**	**$ 40,902,087**
Total June 30, 2012	$ 58,264,280	$ 3,379,630	$ 61,643,910
Total June 30, 2013	$ 58,937,946	$ 4,107,431	$ 63,045,377
Total September 30, 2013	**$ 60,693,251**	**$ 4,716,247**	**$ 65,409,498**

10. CAPITAL STOCK AND RESERVES

(a) Authorized

Unlimited common shares without par value

(b) Issued and outstanding

During the three months ended September 30, 2013:

(i) the Company completed a private placement, in connection with the Agreement (Note 9), issuing to Teck 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 securities issued under the private placement are subject to resale restrictions expiring on January 17, 2014.

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 premium paid for the shares in excess of the market value was $211,250, or $0.169 per share. The Company recorded the premium in Equity reserves (Note 10(e)) until Teck exercises one of the Options of the Agreement and earns interest in the Property (Note 9). No gain or loss was recognised on the transaction.

(ii) 50,000 share options were exercised at a price of $0.25 per share and 50,000 common shares were issued for total proceeds of $12,500. In addition, a reallocation of $8,000 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;

(iii) the Company received TSXV approval for its new 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

(iv) the Company repurchased under the NCIB 49,000 of its common shares for a total consideration of $10,475 at a weighted average price of $0.21 per share, all of which were held in the Company's treasury at September 30, 2013.

10. CAPITAL STOCK AND RESERVES (cont'd)

(b) Issued and outstanding (cont'd)

During the year ended June 30, 2013:

(v) the Company completed a flow-through private placement of 7,500,000 units at a price of $0.40 per unit for gross proceeds of $3,000,000. Each unit consists of one flow-through common share and one-half share purchase warrant of the Company. Each whole warrant will entitle the holder to purchase one additional common share at a price of $0.60 for a period of 18 months from closing. The Company paid a finder's fee of $120,000 and regulatory filing fees of $16,350 in connection with the private placement;

(vi) the Company received TSXV approval for its new Normal Course Issuer Bid ("NCIB") application to purchase at market price up to 6,825,681 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, 2012 and will stay open for another 12 months;

(vii) the Company repurchased under the NCIB 1,048,000 common shares for a total consideration of $348,198 at a weighted average price of $0.33 per share;

(viii) the Company repurchased a total of 1,714,500 common shares under the NCIB, of which 666,500 were repurchased in fiscal 2012. The common shares were cancelled and returned to the Company's treasury. Upon the cancellation, $1,126,002 was recorded as a reduction to capital stock for the assigned value of the shares, and $463,659 was allocated to reserves;

(ix) an aggregate of 150,000 share options were exercised at a price of $0.25 per share and 150,000 common shares were issued for total proceeds of $37,500. In addition, a reallocation of $148,123 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.

(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 immediately.

10. CAPITAL STOCK AND RESERVES (cont'd)

(c) Share options (cont'd)

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

	Options Outstanding	Weighted Average Exercise Price
Balance, June 30, 2012	7,775,000	$ 0.50
Exercised	(150,000)	0.25
Expired	(445,000)	0.81
Forfeited	(32,500)	0.53
Outstanding, June 30, 2013	7,147,500	0.49
Exercised	(50,000)	0.25
Expired	(125,000)	0.25
Outstanding, September 30, 2013	6,972,500	$ 0.49

Share options outstanding and exercisable at September 30, 2013 are summarized as follows:

Number of Options	Exercise Price	Expiry Date	Number of Options Exercisable
130,000	$0.70	November 14, 2016	130,000
295,000	$1.05	February 11, 2018	295,000
300,000	$0.25	February 11, 2018	300,000
890,000	$0.25	October 31, 2018	890,000
700,000	$0.40	September 22, 2014	700,000
360,000	$0.40	October 9, 2019	360,000
795,000	$0.41	October 13, 2016	795,000
1,205,000	$0.63	January 15, 2020	1,205,000
300,000	$0.50	May 10, 2015	300,000
417,500	$0.53	November 8, 2020	417,500
1,430,000	$0.55	November 24, 2020	1,130,000
150,000	$0.60	January 7, 2015	150,000
6,972,500			6,672,500

No share options were granted during the three months ended September 30, 2013 and the years ended June 30, 2013 and 2012.

10. CAPITAL STOCK AND RESERVES (cont'd)

(c) Share options (cont'd)

During the three months ended September 30, 2013, the Company recorded share-based compensation expense of $3,185 (2012 – $16,619) for share options granted in prior years and vested during the current period.

Options granted with vesting terms conditional to achievement of certain exploration milestones are recalculated each period to adjust for the changes in the estimates which are accounted for prospectively, if any. The share-based compensation expense for the three months ended September 30, 2013 reflects a change in estimated length of the vesting periods for performance-based options.

(d) Warrants

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

	Warrants Outstanding	Weighted Average Exercise Price
Balance , June 30, 2012	18,115,612	$ 0.80
Issued (Note 10 (b)(v))	3,750,000	0.60
Expired	(18,115,612)	0.80
Balance, June 30, 2013	3,750,000	0.60
Issued (Note 10 (b)(i))	1,250,000	0.40
Balance, September 30, 2013	5,000,000	$ 0.55

The following table summarizes the warrants outstanding at September 30, 2013:

Number of Warrants	Exercise Price	Expiry Date
3,750,000	$ 0.60	May 30, 2014
1,250,000	$ 0.40	September 16, 2015
5,000,000		

10. CAPITAL STOCK AND RESERVES (cont'd)

(e) Reserves

	Note	Options and agent warrants	Finance warrants	Interest in optioned properties	Treasury shares	Total
Balance, June 30, 2012		$ 8,773,904	$ 1,993,026	$ –	$ 832,817	$ **11,599,747**
Exercise of options	10(b)(ix)	(148,123)	–	–	–	(148,123)
Treasury shares cancelled	10(b)(viii)	–	–	–	463,659	463,659
Share-based compensation		15,968	–	–	–	15,968
Balance, June 30, 2013		8,641,749	1,993,026	–	1,296,476	**11,931,251**
Exercise of options	10(b)(ii)	(8,000)	–	–	–	(8,000)
Share-based compensation	10(c)	3,185	–	–	–	3,185
Premium for shares issued pursuant to the Agreement with Teck	10(b)(i)	–	–	211,250	–	211,250
Balance, September 30, 2013		$ 8,636,934	$ 1,993,026	$ 211,250	$ 1,296,476	**$ 12,137,686**

11. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

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;
- reduction in exploration and evaluation expenditures of $Nil (June 30, 2013 - $270,018) in METC recoverable;
- 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.

Significant non-cash transactions for the three months ended September 30, 2012 included:

- exploration and evaluation expenditures of $269,207 (June 30, 2012 -$118,706) in accounts payable;
- depreciation of camp equipment and upgrades of $13,930 included in exploration and evaluation assets;
- an allocation of $148,123 from reserves to capital stock upon the exercise of stock options;
- unrealized gain of $76,372 on marketable securities due to changes in fair values, which was allocated to accumulated other comprehensive income loss.

12. RELATED PARTIES TRANSACTIONS

The remuneration of directors and other key management personnel during the period ended September 30, 2013 and 2012 were as follows:

Three months ended September 30,		2013		2012
Bonuses (ii)	$	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)		88,500		88,500
Share-based payments (vi)		3,185		14,321
Total	$	152,939	$	154,075

(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. Effective July 1, 2011, the agreement was amended to increase the monthly management fee to $24,500.

12. RELATED PARTIES TRANSACTIONS (cont'd)

During the three months ended September 30, 2013, the Company paid or accrued $73,500 (2012 – $73,500) for management fees and $15,000 (2012 – $15,000) for administrative fees to VCC;

(ii) the Company paid a bonus of $10,000 (2012 - $Nil) to a company controlled by directors and officers of the Company;

(iii) the Company paid or accrued $3,750 (2012 - $3,750) for consulting fees to a company controlled by a director;

(iv) the Company paid or accrued $12,500 (2012 - $12,500) in directors fees to five directors of the Company;

(v) the Company paid or accrued exploration and evaluation costs of $35,004 (2012 - $35,004) to a company owned by an officer of the Company; and

(vi) Share-based payments are 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, 2013, $Nil (June 30, 2013 - $18,310) was due to directors and officers of the Company for consulting fees and reimbursement of business expenses.

13. 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, 2013. The Company is not subject to externally imposed capital requirements.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

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) financial assets available-for-sale, (4) financial assets held-to-maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification. All financial instruments are initially recognized at fair value on the statement of financial position.

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, and marketable securities have been measured at fair value using Level 1 inputs.

The Company has classified its cash and cash equivalents as at FVTPL. Marketable securities are classified as available-for-sale. Receivables (excluding GST and HST receivable), and METC recoverable 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, 2013 are as follows:

	Loans & receivables	*Available for sale*	*Fair Value through Profit or Loss*	*Other financial liabilities*
Financial assets				
Cash and cash equivalents	$ –	$ –	$ 11,648,676	$ –
Receivables	78,961	–	–	–
Marketable securities	–	710,266	–	–
METC recoverable	826,103	–	–	–
Financial liabilities				
Trade payables and accrued liabilities	–	–	–	1,396,947
	$ 905,064	$ 710,266	$ 11,648,676	$ 1,396,947

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

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

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

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 $11,648,676. As all bank accounts are held with a major bank in Canada, there is a concentration of credit risk with one bank in Canada. This risk is managed by using a major bank that is a high credit quality financial institution 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, exploration tax credits and interest accrued on GIC investments. Other receivables, representing recoverable exploration expenditures, were collected subsequent to September 30, 2013.

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, 2013, the Company was holding cash deposits of $11,648,676 to settle current cash liabilities of $1,396,947. 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 earns interest income at variable rate of prime less 1.5%.

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

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.

15. SUBSEQUENT EVENTS

Subsequent to the period ended September 30, 2013, the Company received a Notice of Participation by Korea Zinc Co., Ltd. ("Korea Zinc") in the Agreement between the Company and Teck dated September 6, 2013 (Note 9).

Teck had the right under the Agreement to assign its rights to a 50/50 joint venture between Teck and Korea Zinc ("T-KZ JV"). Korea Zinc has elected to include the Agreement under the T-KZ JV and Teck and Korea Zinc will hold any interest which may be acquired under the Agreement pursuant to the T-KZ JV, which interest will be voted as a single block by the T-KZ JV operator.