Management's Discussion and Analysis

For the year ended December 31, 2015

As of March 30, 2016

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PRELIMINARY NOTES AND INTRODUCTION

This Management's Discussion and Analysis ("**MD&A**"), dated March 30, 2016, focuses upon the activities, results of operations, liquidity, financial condition and capital resources of Canadian Zinc Corporation (the "**Company**" or "**Canadian Zinc**" or "**CZN**") for the year ended December 31, 2015 compared to those of the previous year. In order to better understand the MD&A, it should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the years ended December 31, 2015 and 2014.

The Company's audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board. The Company reports its financial information in Canadian dollars and all monetary amounts set forth herein are expressed in Canadian dollars unless specifically stated otherwise.

The Company is considered to be in the exploration and development stage given that its exploration properties are not yet in production and, to date, have not earned any significant revenues. The recoverability of amounts shown for exploration and evaluation assets on the Company's balance sheet is dependent on the existence of economically recoverable mineral reserves, obtaining and/or maintaining the necessary permits to operate a mine, obtaining the financing to complete development and construction and future profitable mine production.

Cautionary Note Regarding Forward-Looking Statements: *This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation and "forward-looking statements" with the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, "**forward-looking statements**"), such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Forward-looking statements in this MD&A include statements with respect to:*

- *the Company's planned/proposed Prairie Creek Mine operations, which includes future mine grades and recoveries;*
- *the Company's plans for further exploration at the Prairie Creek Mine and other exploration properties;*
- *future cost estimates pertaining to further development of the Prairie Creek Mine and items such as long-term environmental reclamation obligations;*
- *financings and the expected use of proceeds thereof;*
- *the completion of financings and other transactions;*
- *the outlook for future prices of zinc, lead and silver; and*
- *the impact to the Company of future accounting standards and discussion of risks and uncertainties around the Company's business.*

Words such as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan", or similar expressions, are intended to identify forward-looking statements. Such forward-looking statements are made pursuant to the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995.

Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties which could cause actual results or events to differ materially from those reflected in the forward-looking statements, including risks relating to, among other things: mineral reserves, mineral resources (including with respect to the size, grade and recoverability of mineral resources), results of exploration, reclamation and other post-closure costs, capital and construction costs, mine production costs, the timing of exploration, development and mining activities, and the Company's financial condition and prospects not being consistent with the Company's expectations, changes in general economic conditions and conditions in the financial markets; changes in demand and prices for the minerals the Company expects to produce; inability to obtain and/or maintain permits or approvals; litigation; legislative, environmental and other judicial, regulatory, political and competitive developments in areas in which the Company operates; technological and operational difficulties (including failure of plant, equipment or processes to operate in *accordance with specifications or expectations) encountered in connection with the Company's activities; unavailability of materials and equipment, and the sources of such items; labour relations matters, industrial disturbances or other job action; inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; changing interest and foreign exchange rates; unanticipated events related to health, safety and environmental matters, political risk, social unrest, and changes in general economic conditions or conditions in the financial markets and other matters discussed under "Risk Factors"; "Liquidity, Financial Condition and Capital Resources"; and "Review of Financial Results"* herein.

These forward-looking statements are based on certain assumptions which the Company believes are reasonable, including that current zinc, lead, silver and other commodity prices will be sustained, or will improve; the proposed development of the Company's mineral projects will be viable operationally and economically and proceed as expected; any additional financing required by the Company will be available on reasonable terms; that general business and economic conditions will not change in a materially adverse manner; that all necessary governmental approvals for the planned exploration on the Prairie Creek Project will be maintained on acceptable terms; and the Company will not experience any material accident, labour dispute or failure of plant or equipment.

The above list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. Further information regarding these and other factors which may cause results to differ materially from those projected in forward-looking statements are included in the filings by the Company with securities regulatory authorities. The Company does not undertake to update any forward-looking statements that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.Readers should be aware that historical results are not necessarily indicative of future performance; actual results will vary from estimates and variances may be significant.

Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated or Inferred Resources: *The United States Securities and Exchange Commission ("**SEC**") permits U.S. mining companies, in their filings with the SEC, to disclose only those mineral deposits that a company can economically and legally extract or produce. The Company uses certain terms in this MD&A, such as "measured," "indicated," and "inferred" "resources," which the SEC guidelines prohibit U.S. registered companies from including in their filings with the SEC. U.S. Investors are urged to consider closely the disclosure in the Company's Form 20-F which may be obtained from Canadian Zinc, or from the SEC's website at www.sec.gov. "Inferred mineral resources" have significant uncertainty as to their existence, and as to their economic feasibility. United States investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically mineable. It cannot be assumed that all or any part of an inferred mineral resource would ever be upgraded to a higher category. United States investors are cautioned not to assume that all or any part of measured or indicated mineral resources will ever be converted into mineral reserves.*

Cautionary Note: *Mineral Resources that are not mineral reserves do not have demonstrated economic viability. Inferred mineral resources are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that all or any part of an inferred mineral resource will ever be upgraded to a measured or indicated mineral resource or to a mineral reserve.*

Additional information about the Company, including the Company's Annual Information Form, is available under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.canadianzinc.com. Information is also available through the EDGAR system accessible through the United States Securities and Exchange Commission's website www.sec.gov.

Qualified Person: Alan Taylor, P.Geo., Vice President of Exploration, Chief Operating Officer and Director of the Company, who is a Non-Independent Qualified Person as defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"), has prepared, supervised the preparation of or reviewed, the parts of this MD&A that are of a scientific or technical nature.

OVERVIEW

Canadian Zinc Corporation currently exists under the *Business Corporations Act* (British Columbia). The Company was incorporated in British Columbia, Canada, on December 16, 1965, under the *Companies Act* of British Columbia. On June 16, 2004, the Company's shareholders adopted new Articles to bring the Company's Charter documents up to date and into conformity with the new *Business Corporations Act* (British Columbia).

The address of the Company's registered office is Suite 1710, 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4N9. The Company's common shares are listed on the Toronto Stock Exchange under the symbol "CZN" and on the OTCQB tier of the OTC Link under the symbol "CZICF".

Prairie Creek Mine

The Company's key project is the 100%-owned Prairie Creek Mine, an advanced-staged, permitted, partially developed zinc-lead-silver property, located in the Northwest Territories, Canada (the "**Prairie Creek Property**", "**Prairie Creek Project**" or "**Prairie Creek Mine**").

The Prairie Creek Mine contains a NI 43-101 Measured and Indicated resource of 8.7 million tonnes grading 9.5% Zn; 8.9% Pb and 136 g/t Ag, together with an Inferred resource of 7.0 million tonnes grading 11.3% Zn, 7.7% Pb, and 166 g/t Ag. These are combined zinc plus lead grades of approximately 19%, which ranks Prairie Creek amongst the highest grade base metal deposits in the world.

The Prairie Creek Mine already has extensive infrastructure in place including five kilometres of underground workings on three levels, a 1,000 ton per day mill, a fleet of heavy duty and light duty surface vehicles, three surface exploration diamond drill rigs, camp accommodation, maintenance and water treatment facilities and a 1,000 metre long gravel airstrip.

Over the past seven years Canadian Zinc has successfully completed six environmental assessments and obtained all the significant regulatory permits and social licences required to complete construction and development at the mine site and a winter access road to allow commencement of mining and milling at Prairie Creek. An environmental assessment for the permit of an all season road into Prairie Creek is currently underway.

An updated 2016 Preliminary Feasibility Study, based on optimization work completed over the past three years, including the 2015 underground exploration program at Prairie Creek which increased total Measured and Indicated Resource tonnages by 32%, indicates a Base Case pre-tax Net Present Value ("**NPV**") of $509 million using an 8% discount rate, with an Internal Rate of Return ("**IRR**") of 32% and a post-tax NPV of $302 million, with a post-tax IRR of 26%.

The 2016 PFS indicates average annual production of 60,000t of zinc concentrate and 55,000t of lead concentrate containing 86M lbs of zinc, 82M lbs of lead and 1.7M ounces of silver, yielding average annual after tax earnings before interest taxes depreciation and amortization ("**EBITDA**") of $90M per year and cumulative EBITDA of $1.4 billion over the 17 year life of the Project.

During 2015 an underground exploration program at Prairie Creek successfully increased resources with total Measured and Indicated Resource tonnages increased by 32% to 8.7 million tonnes at combined grade of approximately 19% Pb and Zn plus 136 g/t Ag, while total Inferred Resource tonnages remained relatively unchanged. The 2016 PFS estimated a new mineral reserve of 7.6 million tonnes of Proven and Probable Reserves at a combined grade of 17% Pb and Zn plus 128 g/t Ag, which represents a 46% increase in reserves compared to the previous 2012 PFS.

Canadian Zinc's primary objective is to bring the Prairie Creek Mine into production at the earliest opportunity and in pursuit of that objective to secure the necessary financing to complete the development and construction of the Project.

Lead / Zinc Exploration in Central Newfoundland

Canadian Zinc owns an extensive mineral land package in central Newfoundland covering three large Volcanogenic Massive Sulphide ("**VMS**") projects with known mineral deposits and excellent exploration potential, including the South Tally Pond Project, which hosts the Lemarchant deposit; the Tulks South Project, which hosts the Boomerang and Domino deposits and the Hurricane and Tulks East prospects; and the Long Lake Project.

The Company's exploration strategy in Newfoundland is to continue to build on its existing polymetallic resource base with the aim of developing either a stand-alone mine, similar to the past-producing mine at Buchans or the Duck Pond mine, or a number of smaller deposits that could be developed simultaneously and processed in a central milling facility.

PRAIRIE CREEK PROJECT

An updated Pre-Feasibility Study ("**2016 PFS**"), based on optimization work undertaken over the past three years, was completed in March 2016 and supersedes the 2012 Pre-Feasibility Study ("**2012 PFS**") completed by SNC Lavalin. The 2016 Pre-Feasibility Study was completed by AMC Mining Consultants (Canada) Ltd., and Tetratech Inc. A new Technical Report has been compiled to summarize the PFS and supersedes the June 15, 2012 Technical Report (subsequently revised July 23, 2014 and filed on SEDAR).

Updated Preliminary Feasibility Study

The 2016 PFS update was undertaken to incorporate the increased resources and longer mine life derived from the 2015 underground exploration program which increased total Measured and Indicated Resource tonnages by 32%, incorporation of an all season road to access the mine, advanced engineering details and updated capital and operating costs and to follow up on a number of other recommendations listed in the 2012 PFS.

The Company engaged AMC Mining Consultants to complete the resource and reserve estimation, and produce a comprehensive underground mine plan and associated underground capital and operating costs. Tetratech Inc. completed a comprehensive capital cost estimate for refurbishing the mill and associated surface infrastructure.

The updated 2016 PFS is indicates a Base Case pre-tax NPV of $509 million using an 8% discount rate, with an IRR of 32% and a post-tax NPV of $302 million, with a post-tax IRR of 26%.

The pre-tax and post-tax net present values, at 5% and 8% discount rates, and internal rates of return, are illustrated in the table below, all at a Canadian/US exchange rate of 1.25:1 (except the Base Case which is also shown at an exchange rate of 1.375:1). The table also demonstrates the sensitivities of the Prairie Creek Project to zinc, lead and silver prices and to the Canadian/US dollar exchange rate.

Metal Prices		Pre-Tax				Post-Tax			
Zinc/Lead US$/lb	Silver US$/oz	Undiscounted $M	NPV (5%) $M	NPV (8%) $M	IRR %	Undiscounted $M	NPV (5%) $M	NPV (8%) $M	IRR %
0.80	17.00	449	237	151	16.7	258	121	64	12.5
0.90	18.00	783	459	330	24.8	474	268	184	19.8
1.00	**19.00**	**1,118**	**682**	**509**	**31.9**	**685**	**412**	**302**	**26.1**
1.00 [1]	**19.00 [1]**	**1,428**	**889**	**676**	**38.0**	**877**	**543**	**409**	**31.4**
1.10	20.00	1,453	904	688	38.4	892	553	417	31.8
1.20	21.00	1,788	1,127	867	44.5	1,106	699	536	37.4
1.30	22.00	2,123	1,349	1,046	50.3	1,315	842	653	42.6
Note 1: Foreign Exchange assumed to be $1.375CAD:$1.00US on this line only.									

The 2016 PFS indicates average annual production of approximately 60,000 tonnes of zinc concentrate and 55,000 tonnes of lead concentrate, containing approximately 86 million pounds of zinc, 82 million pounds of lead and 1.7 million ounces of silver, and yielding average annual EBITDA of $90 million per year and cumulative EBITDA earnings of $1.4 billion over an initial mine life of 17 years, using Base Case metal price forecasts of US$1.00 per pound for both zinc and lead and US$19.00 per ounce for silver.

Pre-Production Capital Cost refers to capital costs incurred until the first processing of mined ore, and has been estimated at a total of $216 million, excluding contingency, and $244 million including a contingency of $28 million, excluding working capital. Working Capital has been estimated at $30 million, excluding contingency, and $36 million including a contingency of $6 million.

Sustaining Capital over the full life of the mine has been estimated at $70 million, of which approximately 90% is incurred in the first five years, and relates largely to ongoing mine development as the mine is expanded to deeper levels and to the remaining balance of capital lease payments. The financial model indicates that the sustaining capital can be financed from operational cash flows.

Highlights of the 2016 Prairie Creek Prefeasibility Study Update

(All costs are in Canadian dollars unless indicated otherwise, t=tonne, M=million, g=gram, lb=pound, lbs=pounds, oz=ounces, tpd=tonnes per day, dmt=dry metric tonnes, LOM=life of mine, CDN=Canadian, US=United States).

- Post-tax Net Present Value, using an 8% discount, of $302M, with a post-tax internal rate of return of 26%, based on base case metal price forecasts of US$1.00/lb for both zinc and lead and US$19.00/oz silver, for the life of mine ("**LOM**") production at an exchange rate of $1.25CDN:$1.00US.
- Average EBITDA of $90M per year and cumulative EBITDA of $1,432M over the LOM.
- 17 year mine life based exclusively on a defined mineral reserve of 7.6 million tonnes, grading 8.9% zinc and 8.3% lead, with 128 g/t silver, including a defined Mineral Reserve in the Main Quartz Vein of 5.2 million tonnes, grading 9.4% zinc, 10.4% lead and 160 g/t silver.
- Average annual production of 60,000 dmt of zinc concentrate and 55,000 dmt of lead concentrate containing 86M lbs of zinc, 82M lbs of lead and 1.7M ounces of silver.
- Pre-production capital cost is estimated to be $216M of which $59M will be incurred in year 1 and $157M in year 2, with an additional contingency of $28M.
- Average LOM cash operating costs per tonne of ore mined (before transportation costs) are estimated at $165/t.

The 2016 PFS does not take into consideration the Inferred Resources of 7.0 million tonnes of 11.3% zinc, 7.7% lead and 166 g/t silver, which is currently too speculative geologically to have economic considerations applied to them, but could have the potential to more than double the presently considered mine life. The Prairie Creek orebody continues open-ended at increasing depths to the north.

Recommendations for Optimization

A number of recommendations for further optimization and potentially enhanced economics are identified in the 2016 PFS including:

- Early completion of construction, engineering and mine development programs to reduce start-up times. This would include preliminary earthworks on water storage pond, waste rock pile, foundations, and upgrades of existing infrastructure in tandem with completing further engineering of new structures.
- Further optimization of transportation scheme to reduce closure periods and maximize usage
- Complete permitting of the all season access road.
- Additional mill studies to further optimize the mill circuit capacity to increase both ore throughput and metal recoveries since there is a high level of confidence that daily mine feed rate could be increased.
- Further metallurgical tests to optimize process flowsheet, particularly reagent regimes.
- Further study of on-site or off-site processes to reduce deleterious components of concentrate thereby reducing smelting penalties.
- Studies to optimize the mine operation by automation and adoption of latest technology.
- Completion of detailed structural geology study to assist in ore control and better target future exploration.
- Definition drilling to convert some of the existing Inferred Mineral Resources to Indicated or Measured category to increase LOM.
- Additional underground paste backfill strength studies.
- Additional hydrology studies to better design, size and cost water management facilities.
- Utilizing LNG to partially replace use of diesel to power electrical generation, with the goal of reducing operating costs and further reducing potential environmental impact..

2015 Underground Exploration Program

In 2015, Canadian Zinc completed its underground exploration diamond drill program at the Prairie Creek Mine totaling 5,484 metres of diamond drill coring in 21 drill holes.

The results of the 2015 underground exploration drilling program have been very positive, with all holes intercepting the MQV structure and/or Stockwork mineralization, with some excellent grades and widths. The objectives of testing for new areas of mineralization in proximity to the existing underground workings and increasing the projected life of the mine by converting part of the currently Inferred Resource to an Indicated category have been met.

Assay results have now been received for all drill holes and the detailed interpretation of the results and findings have been compiled and modelled. Some of the highlights of the 2015 diamond drilling program include:

- A previously unknown quartz vein fault structure was discovered in the footwall of the MQV. This second vein system has been intersected in five holes and appears to be defining a structural transition zone which offsets the general strike trend of the upper part of the MQV.
- Hole PCU-15-65, first intersected the MQV grading 4.9% Pb, 22.7% Zn, and 164 g/t across 1.2m. It then intersected multiple intercepts of STK mineralization, one of which graded 24.7% Pb, 32.7% Zn, and 311 g/t Ag across 2.4m, and further down another graded 9.5% Pb, 38.1% Zn and 381 g/t Ag across 1.5m. That same hole intersected the new second quartz vein grading 4.6% Pb, 13.8% Zn, and 92 g/t Ag across 2.9m of estimated true width.

- Hole PCU-15-72, the most northern hole, returned substantial MQV mineralization including 17.8% Pb, 33.7% Zn and 247 g/t Ag over 7.5m and an additional intersection of STK mineralization, which graded 6.9% Pb, 12.0% Zn, 116 g/t Ag over 24.5m of true width, and the intersection of the second vein which graded 5.6% Pb, 3.8% Zn and 88 g/t Ag over 4.5m.
- Numerous holes intersected extensions to the previously known STK zone, which occurs mostly outside, but adjacent to, the calculated Indicated Resource. These intersections will add to the STK resource. The STK intercepted and sampled during this drill program has also indicated areas within this resource of significant grades and widths that could be targeted for early selective mining.
- Detailed underground chip sampling of the Northwest Drift in the 870m Level workings returned composite grades of 5.6% Pb, 14.2% Zn and 119 g/t Ag across a true width of 4.4m along the strike length of 71.8m further demonstrating the potential for early, selective mining of the STK mineralization.
- Mineralization remains open to the North into the already defined Inferred Resource.

Results from the underground exploration program were reported in the Company's press releases dated May 5, 2015; June 9, 2015; June 23, 2015 and August 11, 2015.

The results of the 2015 underground exploration drilling program were successful in meeting the objectives of locating new areas of mineralization in proximity to the existing underground workings and increasing the projected life of the mine by converting part of the currently Inferred Resource to an Indicated category.

Following completion of the 2015 underground exploration program, a new mineral resource estimate was completed by AMC Mining Consultants in September 2015, which demonstrated an increase in overall resource tonnages in the Indicated and the Inferred categories.

- Total Measured and Indicated Resource tonnages increased by 32% to 8.7 million tonnes at combined grade of approximately 19% Pb and Zn plus 136 g/t Ag.
- Total Inferred Resource tonnages remained relatively unchanged with an increase in Stockwork replacing upgraded Main Quartz Vein resource.

The most recent Mineral Resource estimate was previously announced in a press release dated September 17, 2015. The Mineral Resource was estimated by AMC following completion of the successful 2015 underground exploration program at Prairie Creek which increased total Measured and Indicated Resource tonnages by 32%.

A single block model was created to encompass the three mineral domains: Main Quartz Vein ("**MQV**"), Stockwork ("**STK**") and Stratabound ("**SMS**"). The summary results of the resource estimate for the three zones combined, at a cut off of 8% Zn equivalent ("**ZnEq**"), are shown in the table below.

September 2015 Mineral Resource Prairie Creek Mine

Mineral Zone	Classification	Tonnes (t)	Silver (g/t)	Lead (%)	Zinc (%)
Main Quartz Vein (MQV)	Measured	1,313,000	211	11.5	13.2
	Indicated	4,227,000	168	11.6	9.2
	Measured & Indicated	5,540,000	178	11.6	10.2
	Inferred	5,269,000	199	8.7	12.9
Stockwork (STK)	Measured	169,000	116	5.3	12.6
	Indicated	1,953,000	61	3.5	6.6
	Measured & Indicated	2,122,000	66	3.6	7.1
	Inferred	1,610,000	70	4.6	6.2
Stratabound (SMS)	Indicated	1,042,000	54	5.2	10.8
	Measured & Indicated	1,042,000	54	5.2	10.8
	Inferred	170,000	60	6.3	11.2
TOTAL	Measured	1,482,000	200	10.8	13.2
	Indicated	7,222,000	123	8.5	8.7
	Measured & Indicated	8,704,000	136	8.9	9.5
	Inferred	7,050,000	166	7.7	11.3

Notes: Mineral Resources are stated as of 10 September 2015. Mineral Resources include those Resources converted to Mineral Reserves. Stated at a cut-off grade of 8% ZnEq based on prices of US$1.00/lb for both zinc and lead, and US$20/oz for silver. Average processing recovery factors of 78% for Zn, 89% for Pb, and 93% for Ag. Average payables of 85% for Zn, 95% for Pb, and 81% for Ag. ZnEq% = (grade of Zn in %) + [(grade of lead in % * price of lead in $/lb * 22.046 * recovery of lead in % * payable lead in %) + (grade of silver in g/t* (price of silver in US$/Troy oz/ 31.10348) * recovery of silver in % * payable silver in %)] / (price of zinc in US$/lb*22.046 * recovery of zinc in % * payable zinc in %). $ Exchange rate = 1 CAD/USD. The September 2015 Prairie Creek Mine Mineral Resource estimate was completed by Gregory Z. Mosher, P.Geo, Qualified Person ("QP"), as defined by National Instrument 43-101 ("NI 43-101") of AMC Mining Consultants (Canada) Ltd.

MOUs signed for Concentrate Production

As announced On March 3, 2016 Canadian Zinc has signed agreements with Korea Zinc and Boliden for the sale of zinc and lead concentrates to be produced at Canadian Zinc's 100% owned Prairie Creek Mine. These offtake arrangements with two of the pre-eminent smelting companies in the world, confirming the marketability of Prairie Creek's zinc and lead concentrates, represent a major step forward in the development of the Prairie Creek Mine and move Canadian Zinc closer to production.

Canadian Zinc has entered into a Memorandum of Understanding with Korea Zinc Co., Ltd ("**Korea Zinc**") for the sale to Korea Zinc of approximately 20,000 to 30,000 wet metric tonnes of zinc sulphide concentrates, approximately 15,000 to 20,000 wet metric tonnes of lead sulphide concentrates and approximately 5,000 tonnes of lead oxide concentrates, per year, for a minimum period of five years from the date of startup of the Prairie Creek Mine, with exact annual quantiles to be mutually agreed.

Canadian Zinc has also entered into a Memorandum of Understanding with Boliden Commercial AB, ("**Boliden**") for the sale to Boliden of a minimum of 20,000 dry metric tonnes and up to 40,000 dry metric tonnes of zinc sulphide concentrates, per year, for a minimum of five years from the start of regular deliveries, with exact annual quantities to be mutually agreed.

The MOUs with each of Korea Zinc and Boliden set out the intentions of Canadian Zinc and each of Korea Zinc and Boliden to enter into concentrate sales agreements for the concentrates to be produced from the Prairie Creek Mine on the general terms set out in the MOUs, including commercial terms which are to be kept confidential.

These sale agreements will represent all of the planned production of zinc concentrate and about half of the planned production of lead concentrate for the first five years of operation at the Prairie Creek Mine. It is expected that shipments will be made from the Port of Vancouver with the exact shipping schedule and lot sizes in each delivery to be mutually agreed within the project's shipping season.

The sales agreements will provide that treatment charges will be set annually at the annual benchmark treatment charges and scales, as agreed between major smelters and major miners. Payables, penalties and quotational periods will be negotiated in good faith annually during the fourth quarter of the preceding year, including industry standard penalties for mercury contained in the zinc concentrate based on indicative terms and agreed limits specified in each MOU.

Korea Zinc Co., Ltd. is a Korea-based world class general non-ferrous metal smelting company principally engaged in the manufacture and marketing of non-ferrous metal products.

Korea Zinc owns and operates zinc smelters in Korea and Australia and a lead smelter in Korea and its metal products consist of zinc products, including zinc slab ingots, zinc alloy jumbo blocks, zinc anode ingots and zinc die-casting ingots and precious metal products, including gold and silver products. Korea Zinc is leading the world resource market as the global number one in terms of zinc production and market share.

Boliden is a metals company with a commitment to sustainable development. The roots are Nordic, but the business is global. The company's core competence is within the fields of exploration, mining, smelting and metals recycling. Boliden has a total of approximately 4,900 employees and a turnover of SEK 40 billion. Its shares is listed on NASDAQ OMX Stockholm, segment Large Cap.

Boliden is one of the world's biggest zinc mining and smelting companies owning and operating zinc smelters in Norway and Finland and is Europe's leading copper and nickel company. Boliden is the world's fifth largest zinc mining company and the sixth largest zinc smelting company. Boliden is also the eleventh biggest lead mining company in the world and a medium-sized lead smelting company in terms of primary lead.

In negotiating these arrangements for the future sale of Prairie Creek concentrates, Canadian Zinc has secured the annual offtake and sale of a minimum of 40,000, and potentially up to 70,000 metric tonnes, of zinc concentrates and 20,000 to 25,000 tonnes of lead concentrates, per year, and with the flexibility for any remaining unallocated concentrate being available for third party or spot market sales.

Prairie Creek Permitting Update

The transportation plan utilized in the 2012 PFS envisaged the use of the access road from the mine site to the Liard Highway only in the winter months of each year, both for the outbound transportation of concentrates and for the inbound transportation of equipment and supplies, including diesel fuel. This winter road plan would necessitate a large investment in working capital to finance consumables and supplies and also a large build up in concentrate inventory awaiting transportation and sale, and would also involve a major mobilization and logistical exercise.

Over the past year, Canadian Zinc has been working to identify optimum transportation routes and methods, along with the associated costs in pursuit of possible improved economics and less risk. Consideration is now being given to the construction and use of an all season road which would enable the transportation of both supplies and concentrates in smaller volumes spread throughout the year.

In April 2014, the Company submitted an application to the Mackenzie Valley Land and Water Board and to Parks Canada for Land Use Permits to permit the possible future upgrade of the current winter access road to all season use. The application is now undergoing environmental assessment before the Mackenzie Valley Review Board ("**MVRB**").

In April 2015, Canadian Zinc submitted its Developer's Assessment Report ("**DAR**") to the MVRB. The MVRB completed a preliminary review of the DAR in response to which the Company provided supplementary information to the MVRB partly in the form of a comprehensive DAR Addendum, which was submitted to the MVRB in September 2015 and followed by additional Terrain Analysis data which was submitted in November 2015. The Review Board concluded that the environmental assessment could proceed on existing information but requested some additional information which was subsequently submitted. In February 2016, the Company received Information requests from interested parties which the Company is in the process of responding to. Once all responses to the information requests are submitted a Technical Session will be scheduled and held in Yellowknife.

The all season road will reduce energy costs and also enable the consideration of more environmentally friendly alternative energy sources. Local gas fields in the area may be producing LNG in the near future, which may provide an opportunity to reduce reliance on diesel fuel. An all season road would also have environmental and safety benefits, in that spreading out the trucking schedule over the full year would avoid high or congested traffic in winter months, therefore lower the risk of any accidents or spills.

Incorporation of an all season road for future operations has significant financial implications, both in additional capital cost but also in potential savings and lower finance costs.

The Company anticipates the environmental assessment process for this all season road application will take most of the year 2016 to complete.

In June 2015, the Mackenzie Valley Land and Water Board approved the Company's application that the Type "A" Water Licence be held in abeyance until more certainty develops around the actual commencement of construction and the mine development schedule and also approved the Company's applications for amendments to the timing schedules of the various reclamation security deposits to be provided under the Water Licence and the Land Use Permit. The Company, accordingly, deposited a total of $1.55 million as security with the Government of the Northwest Territories in August of 2015 to increase the financial assurance relating to current reclamation and closure obligations of the Prairie Creek Mine site as it now exists with its current infrastructure under the Company's existing surface leases, land use permits and Type "B" Water Licence.

In November 2015, Canadian Zinc and Parks Canada signed a Memorandum of Understanding Phase III ("**MOU**") regarding the operation and development of the Prairie Creek Mine and the management of Nahanni National Park Reserve. The Phase III MOU, which is valid for five years from November 2015, renews the previous MOUs signed between the Parties in 2008 and 2012.

In the renewed MOU, Parks Canada and Canadian Zinc agree to work collaboratively, within their respective areas of responsibility, authority and jurisdiction, to achieve their respective goals of managing Nahanni National Park Reserve and an operating Prairie Creek Mine.

In the renewed MOU, Canadian Zinc and Parks Canada further agree to make every reasonable effort to address issues of common interest and build a strong working relationship, including convening a Technical Team, which will, among other things, better identify, define and consider issues of common interest including, among other things, development and use of the access to and from the Prairie Creek Mine through Nahanni National Park Reserve and operation of the Prairie Creek Mine.

NEWFOUNDLAND PROPERTIES

Canadian Zinc owns an extensive land package in central Newfoundland that includes three VMS projects, each with defined deposits, which are being explored by Canadian Zinc. Key deposits on each project are listed below:

South Tally Pond Project - Lemarchant deposit; Indicated Mineral Resource of 1.24 million tonnes grading 5.4% zinc, 0.5% copper, 1.2% lead, 1.0 g/t gold and 59.27 g/t silver plus an additional Inferred Mineral Resource of 1.34 million tonnes grading 3.7% zinc, 0.4% copper, 0.9% lead, 1.0 g/t gold and 50.4 g/t silver (Giroux Consultants 2012);

Tulks South Project - Boomerang-Domino deposit: Indicated Mineral Resource of 1.36 million tonnes grading 7.1% zinc, 3.0% lead, 0.5% copper, 110 g/t silver and 1.7 g/t gold plus an additional Inferred Mineral Resource of 0.69 million tonnes grading 6.5% zinc, 2.8% lead, 0.4% copper, 95 g/t silver and 1.0 g/t gold (Snowden 2007); and the Tulks East deposit; and

Long Lake Project - Long Lake deposit: Indicated Mineral Resource of 0.48 million tonnes grading 7.8% zinc, 1.6% lead, 0.97% copper, 49 g/t silver and 0.57 g/t gold plus an additional Inferred Mineral Resource of 78,000 tonnes grading 5.7% zinc, 1.2% lead, 0.7% copper, 34 g/t silver and 0.48 g/t gold (SRK, 2012).

The Company's exploration strategy in Newfoundland is to continue to build on its existing polymetallic resource base with the aim of developing either a stand-alone mine, similar to the past-producing mines at Buchans and Duck Pond, or a number of smaller deposits that could be developed simultaneously and processed in a central milling facility.

On June 30, 2015, the Company entered into a collaboration agreement with Buchans Minerals Corporation ("**Buchans Minerals**"), a wholly owned subsidiary of Minco Plc (AIM: MIO), whereby the two Companies will share research data on their respective central Newfoundland Zn-Pb-Cu-Ag-Au deposits. The collaboration agreement is focused on seven VMS deposits located in central Newfoundland. Four of the deposits are held the Company (Lemarchant, Boomerang-Domino, Tulks East, and Long Lake) and three of the deposits are held by Buchans Minerals (Bobbys Pond, Daniels Pond and Tulks Hill).

The seven deposits have demonstrated resources of various sizes and quality, are all located near the communities of Millertown and Buchans, NL and within trucking distance (30-90 km) of the recently closed Duck Pond Cu-Zn Mine. Individually at this time, the various deposits are not large enough to support stand-alone operations, but could potentially be developed with improving economic factors and by utilizing a central mill facility.

The intent and objective of the research is to determine the technical and economic viability of developing the companies' deposits into producing operations by utilizing a central milling facility. The concept is based on the potential that collectively, the satellite deposits can be economically mined, pre-concentrated, trucked and then milled simultaneously or sequentially through a central mill.

In conjunction with the collaboration agreement, the Company applied and was subsequently awarded research funding by the Research & Development Corporation of Newfoundland and Labrador ("**RDC**") in December, 2015. The funding was provided to undertake a research program to complete physical and metallurgical bench scale studies on the seven VMS deposits located in central Newfoundland. The RDC is providing funding of $535,000 for the project through the GeoEXPLORE Industry-led R&D Technology Development and Demonstration Program. The total cost of the research project is estimated at $735,000 with Buchans Minerals and the Company each contributing up to $100,000

The bench scale testing program will be followed-up by the development of a process simulation and cost assessment model to evaluate and identify the key factors controlling the earning potential of a centralized milling concept for processing of the satellite base metal deposits. Results from the modelling will be used to help optimize the exploration and development budgets, by focusing on the key factors that are critical to realizing the economic potential of the base metal deposits in central Newfoundland.

Thibault & Associates Inc., an applied process chemical engineering firm located in Fredericton, New Brunswick was awarded the contract to complete bench scale physical/metallurgical studies and the process simulation and cost modelling.

Work completed on the RDC funded research program to December 31, 2015 includes:

- Diamond drilling was completed in December to obtain fresh metallurgical samples from four of the seven VMS deposits. These included Canadian Zinc's Boomerang-Domino and Lemarchant deposits and Buchans Minerals' Bobbys Pond and Daniels Pond deposits. The metallurgical samples and blending instructions were submitted to Thibault & Associates Inc. for mineralogical investigation, grindability characterization, acid generation assessment and bench scale flotation testing.
- Twelve samples (5-10 kg each) were collected and submitted to Thibault & Associates Inc. in December for bench scale Dense Media Separation ("DMS") testing. The DMS samples include four (4) samples from the Boomerang-Domino deposit, two (2) samples from the Lemarchant deposit, two (2) samples from the Bobbys Pond deposit and one (1) sample from each of the Tulks East, Long Lake, Tulks Hill and Daniels Pond deposits. The DMS testing is designed to assess the amenability of mineralized samples from the deposits to physical upgrading (pre-concentration) at each site as a potential means of reducing transportation costs from mine site to the milling facility and to maximize head grade to reduce processing costs.

Subsequent to December 31, 2015, the bench-scale Dense Media Separation test program was completed in February, 2016. Highlights of the bench scale test results indicate five (5) of the semi-massive sulphide samples (Long Lake, Domino, Bobbys Pond and Daniels Pond) and one (1) footwall stockwork mineralization sample (Lemarchant) achieved a technically viable DMS separation with a pre-concentrate weighing 60-80% of the original sample weight. The remaining six (6) pyritic massive sulphide and/or barite samples (Boomerang, Lemarchant, Tulks East, Tulks Hill) were not considered technically amenable to upgrading by DMS.

The metallurgical test work including mineralogical investigation, grindability characterization, acid generation assessment and bench scale flotation testing is in progress. The program is scheduled to be completed by November 2016.

MARKETABLE SECURITIES – VATUKOULA GOLD MINES PLC

As at December 31, 2015, the Company held 12,573,380 shares of Vatukoula Gold Mines plc ("**Vatukoula**"), an unlisted company operating a gold mine in Fiji. The estimated fair value of these shares was $936,000 based upon the offer by Zhongrun International Mining Co. Ltd. ("**Zhongrun**"), the major shareholder of Vatukoula, to purchase all of the shares of Vatukoula that it did not already own through a matched bargain trading facility. In January 2016, the Company sold all of the 12,573,380 shares of Vatukoula held by the Company to Zhongrun through the matched bargain trading facility for cash of $936,000.

METAL PRICES

Metal prices will play a very important part in the Company's ability to finance and develop the Prairie Creek Project.

The prices of lead, zinc and silver, expressed in US dollars, were generally lower in 2015 than in 2014. Metal prices rose during the first half of the year, but declined later in the year as economic indicators signaled lower growth rates in China.

The US dollar strengthened significantly against most of the world's currencies in 2015, largely due to the relatively stronger performance by the US economy and expectations of US interest rate rises which resulted in declining local costs in producing countries measured in US dollars.

Zinc

Zinc prices on the LME averaged US$0.87 per pound for the year, down US$0.11, or 11%, per pound from the 2014 average on weak global demand for galvanized steel (which accounts for more than half of end use zinc consumption) and strong refined production growth in China. The price of zinc rose during the spring, reaching a high of just over US$2,400/tonne (US$1.09/lb), before falling again and by the end of the year had fallen back to US$1,600/tonne (US$0.73/lb) despite falling London Metal Exchange ("LME") stocks and announced production cuts.

Global mine production in 2015 grew by 3.2% to 13.4 million tonnes of contained zinc, while global smelter production rose by 4.9% to 13.9 million tonnes.

Initial data compiled by the International Lead and Zinc Study Group ("ILZSG") for the year 2015 show that the global market for refined zinc metal recorded a surplus during the first half of the year but was in deficit during the second half. Other sources reported that in 2015, global refined zinc metal demand was 14.1 million tonnes, which was an increase of 1.5% over 2014 levels. Refined zinc metal demand in China is estimated to have grown 3.7% in 2015 to 6.7 million tonnes corresponding to approximately 47% of global consumption. Demand fell in the rest of the world by just over 1%.

The ILZSG is anticipating that global demand for refined zinc metal will increase by 3.3% to 14.37 million tonnes in 2016. This growth will be primarily driven by rises in China where usage is forecast to increase by 4.9% in 2016 mainly as a consequence of further rises in galvanised steel sheet output.

Wood Mackenzie believes that 2016's global zinc mine production will fall 2.1% over 2015 to 13.1 million tonnes. Mine production in the rest of the world is expected to contract by about 8% in 2016 following the closure of the Century and Lisheen mines and the cutbacks by other operators including Glencore which in October 2015 announced a reduction mine production by 500,000 tonnes. Despite some mine production increases, closures of large long-life mines and production curtailments announced by major suppliers are expected to reduce annual global mine production by more than 1.2 million tonnes of contained zinc in 2016.

Wood Mackenzie is also forecasting an increase in global zinc refined metal demand in 2016 of 3.6% to 14.6 million tonnes, exceeding current estimates for global supply, keeping the refined market in deficit and further reducing global stockpiles of zinc metal.

Metals Bulletin Research has lowered their expectations for Chinese refined production of zinc for 2016, reflecting a greater reliance on imported zinc concentrates following the drop in Chinese domestic mine output in 2015. Metals Bulletin suggests there will be deeper annual supply deficits and expect a shortfall of 180,000 tonnes in 2016, which rises to 400,000 tonnes by 2018. The main risk identified that could change this outlook is the uncertainty in the global economic recovery which could push the timing of these forecast deficits further into the future.

Lead

The prices of lead on the LME averaged US$1783/t (US$0.80/lb) during 2015, 14.9% lower than during 2014. Global demand for lead totaled 11.1 M tonnes, corresponding to an increase during the year of just under 1%. There was a modest increase in demand for batteries, both for new vehicles and for the replacement market. Lead demand in China remained virtually unchanged, year on year.

Preliminary data compiled by the ILZSG indicates that in the global market for refined lead metal supply exceeded demand during 2015. A reduction in global lead mine production of 12.1% was due mainly to a significant 25.2% fall in Chinese production. A slowdown in the production and sales of e-bikes, which account for about a third of Chinese refined lead metal usage, is continuing to adversely affect demand in China.

Chinese imports of lead contained in lead concentrates in 2015 increased by 5.9% compared to 2014 to total a record 1.03 million tonnes.

The ILZSG is forecasting global demand for refined lead metal to increase by 2.6% to 11.11 million tonnes in 2016 due to increased usage in the automotive and industrial battery sectors.

Metals Bulletin suggested that lead could become one of the leading metals in 2016 as supply fundamentals continue to tighten. Auto sales in the three largest auto markets of the USA, China and Europe remain upbeat, but as lead prices increase, so too does the potential for additional scrap lead to enter the supply chain.

Silver

Precious metal prices in 2015 were also generally lower than in 2014, reflecting a stronger US dollar and expectations of continued low global rates of inflation. Silver prices continued to fall in 2015, in line with investor sentiment for gold and weak industrial demand. The gold/silver price ratio ended the year at 76 (compared with an average of 66 the past three decades).

Reduced silver intensity in the electronic and photovoltaic sectors, combined with declining trends in photographic applications, contributed to declining consumption. Mine supply of primary silver is down owing to reductions in Australia, but production continues to expand elsewhere.

Longer Term Metal Price Outlook

With the Century mine in Australia and the Lisheen mine in Ireland now closed, almost 1.5 billion lbs. of annual zinc production, representing almost 5% of global production, has been removed from supply. Glencore has announced plans to cut zinc production by 500,000 tonnes, Nyrstar has announced plans to sell all of that company's mining assets which would cut its zinc concentrate production by 400,000 tonnes and a number of Chinese smelters have announced agreed smelter output reductions. According to published reports, closures and reductions announced since 2013 have removed, or potentially will remove, approximately 4.9 billion lbs. of annual zinc production, representing approximately 15% of the global supply and well above the most optimistic forecasts of foreseeable zinc mine additions.

CRU noted that closures, contractions and cutbacks occurring outside of China are expected to lead to a loss in zinc production of approximately 1.6 million tonnes between 2015 and 2020. Additional closures are also expected in light of the decline in the zinc price, and given the current zinc price and exchange rates; zinc production from Chinese mines is seen as being especially vulnerable. Taking into account only the anticipated closures, total zinc stocks are expected to plummet, and given the expected modest growth in demand zinc supply, CRU expects the zinc market to stay tight for the foreseeable future.

Wood Mackenzie is forecasting an increase in global zinc refined metal demand in 2016, exceeding current estimates for global supply, keeping the refined market in deficit and further reducing global stockpiles of zinc metal.

The ILZSG is forecasting global demand for refined lead metal to increase due to increased usage in the automotive and industrial battery sectors and Metals Bulletin Research suggested that lead could become one of the leading metals in 2016 as supply fundamentals continue to tighten.

The long term outlook for both lead and zinc remains very positive and these fundamentals, with the continuing Canadian-US dollar exchange rate which improves metal prices expressed in Canadian dollars, impact favorably on the Prairie Creek Project.

(Sources: Published information extracted from: International Lead and Zinc Study Group; World Bank Group; CRU; Wood Mackenzie; Metals Bulletin Research; Boliden 2015 Annual Report; Teck 2015 Annual Report)

OUTLOOK

Canadian Zinc's focus for 2016 will be to continue to advance the Prairie Creek Mine towards production.

The updated 2016 Pre-Feasibility Study indicates a robust project at consensus forecasts for the long term prices of lead and zinc and there is good potential for additional project optimization, enhanced economics and further extending the mine life.

The 2016 PFS, with the Base Case economic model, indicates a Pre Tax Net Present Value, using an 8% discount of $509 million, with an internal rate of return of 32% and Post-tax Net Present Value ("NPV"), using an 8% discount, of $302 million, and a post-tax internal rate of return ("IRR") of 26% with an initial mine life of 17 years and payback period of three years.

The development of the Prairie Creek Mine will require substantial financing. The pre-production capital cost has been estimated at a total of $244 million including a contingency of $28 million. Several commercial banks have expressed indicative interest in providing senior, secured project financing for the Project. It is expected that the 2016 PFS, and the financial model, will be shared with select banks to solicit indicative terms of financing. In parallel to bank financing, alternative funding structures will also be explored with royalty and streaming finance providers, who have expressed an indicative interest to provide a structured funding package. These could include royalty financing, stream financing, commodity related financing or other financing instruments.

At December 31, 2015, Canadian Zinc had working capital of $2.48 million and expects it will be able to meet its minimum commitments for 2016. Canadian Zinc does not currently generate any cash flow from its operations and will need to generate additional financial resources in the short term to fund its corporate administration costs and working capital and to continue the development of the Prairie Creek Project and in the longer term to put the Prairie Creek Mine into production. The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors. There is a risk that additional financing will not be available to the Company on a timely basis or on acceptable terms. These conditions indicate the existence of material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. The Company is currently evaluating various opportunities and seeking additional sources of financing. There is no assurance that such financing will be available on a timely basis or on acceptable terms. Careful management and preservation of cash is a top priority. Site programs have been reduced to a minimum. Cost reduction measures have been implemented across the Company, including reductions in staff, corporate salaries and expenses and directors fees.

The long term outlook for lead and zinc remains very positive and, supported by the results of the 2016 PFS, Canadian Zinc will continue to evaluate all alternatives and possibilities for raising the senior financing necessary to complete the development and construction and put the Prairie Creek Mine into production. However the ability to raise financing is impacted by conditions beyond the control of the Company, including depressed commodity prices, continued uncertainty in the capital markets and the current lack of investor interest in the resource sector.

SELECTED ANNUAL FINANCIAL INFORMATION

The following summary financial information has been derived from the consolidated financial statements of the Company.

	Year ended December 31, 2015	2014	2013
Statement of Comprehensive Loss			
Comprehensive loss	$ (8,262)	$ (12,434)	$ (6,911)
Basic and diluted loss per share	(0.04)	(0.06)	(0.04)
Statement of Financial Position			
Cash, cash equivalents and short-term investments	1,702	13,815	10,381
Marketable securities	936	450	1,328
Total assets	11,183	21,899	19,272
Total liabilities	2,276	4,854	3,587
Shareholders' equity	8,907	17,045	15,685

(thousands of Canadian dollars except per share amounts)

The Company is at the exploration and evaluation stage and does not generate revenue or cash flows from operations. There have been no distributions or cash dividends declared or paid. The losses in all years represent exploration and evaluation expenditures incurred on the Company's mineral properties as well as losses on marketable securities.

FOURTH QUARTER

During the fourth quarter of 2015 the Company incurred a loss of $49,000 (Q4 2014 - $3,677,000) mainly due to recording a gain on marketable securities and changes in the decommissioning provision which were offset by ongoing exploration and evaluation expenses associated with the Prairie Creek Property. Exploration and evaluation expenses incurred in the fourth quarter of 2015 amounted to $486,000 (Q4 2014 - $3,549,000) as the Company continued engineering and mine planning activities associated with the updated preliminary feasibility study. In the fourth quarter of 2014, the Company initiated an underground exploration program at the Prairie Creek Mine sites which was completed in July 2015. The Company also incurred a gain on marketable securities of $486,000 during the fourth quarter of 2015 versus a loss of $76,000 in the comparable period. The gain on changes in the decommissioning provision was $246,000 during the fourth quarter of 2015 compared to no gain or loss in the fourth quarter of 2014.

SUMMARY OF QUARTERLY RESULTS

(Unaudited) Quarter ended	Investment Income	Net Loss	Net Loss per Common Share – basic and diluted
December 31, 2015	$ 7	$ (49)	$ -
September 30, 2015	20	(1,778)	(0.01)
June 30, 2015	32	(2,613)	(0.01)
March 31, 2015	48	(3,822)	(0.02)
December 31, 2014	67	(3,677)	(0.02)
September 30, 2014	38	(3,659)	(0.02)
June 30, 2014	28	(3,071)	(0.02)
March 31, 2014	36	(2,027)	(0.01)

(prepared in accordance with IFRS; thousands of Canadian dollars except per share amounts)

The Company completed equity financings in the third quarter of 2014 which increased cash, cash equivalents and short-term investments and provided the Company with increased investment income. Investment income decreased in all other periods as the Company funded its operating activities. In addition, the rate of return for such investments has remained low for all eight quarters.

The net losses in all quarters were significantly affected by the Company's exploration and evaluation costs which, in accordance with the Company's accounting policy, are expensed as incurred. All quarters, except the fourth quarter of 2015 and the first quarter of 2014, were affected by a loss in the fair market value of the Company's marketable securities. The fourth quarter of 2015 was impacted by a gain on changes in the decommissioning provision.

REVIEW OF FINANCIAL RESULTS

This review of the results of operations should be read in conjunction with the audited consolidated financial statements of the Company for the years ended December 31, 2015 and 2014 and other public disclosure documents of the Company.

For the year ended December 31, 2015, the Company reported a net loss and comprehensive loss of $8,262,000 compared to a net loss and comprehensive loss of $12,434,000 for the year ended December 31, 2014.

Included in the loss for the year ended December 31, 2015, were exploration and evaluation expenditures of $7,650,000 compared to $9,996,000 for the previous year. The net loss in the year ended December 31, 2015 included a gain of $486,000 on the Company's marketable securities compared to a loss of $878,000 for the comparative year of 2014 and a gain on changes to the decommissioning provision of $246,000 compared to no gain or loss in the comparative year of 2014. Excluding the gain or loss on marketable securities and the gain on changes to the decommissioning provision, the Company recorded a loss of $8,994,000 for the year ended December 31, 2015 compared to a loss of $11,556,000 the previous year.

Exploration and Evaluation Costs

For the year ended December 31, 2015, the Company expensed $7,317,000 on its exploration and evaluation programs at Prairie Creek compared to $7,982,000 for the year ended December 31, 2014. Diamond drilling costs for the Prairie Creek Project in the year ended December 31, 2015 amounted to $3,102,000 compared to $1,163,000 in the year ended December 31, 2014. While mine planning and feasibility studies costs amounted to $1,045,000 in 2015 compared to $3,301,000 for the previous year.

For the year ended December 31, 2015, the Company also expensed $333,000 on its exploration and evaluation properties in central Newfoundland compared to $2,014,000 for the comparative year. In the final quarter of 2015, the Company started a research program to complete physical and metallurgical studies on the Company's mineral deposits in Newfoundland. This program is being partially funded by the Research & Development Corporation of Newfoundland and Labrador.

Revenue and Investment Income

The Company does not generate any cash flows from operations. To date the Company has not earned any significant revenues other than interest and related investment income. Investment income for the year ended December 31, 2015 was $107,000 versus $169,000 for the comparative year.

Administrative Expenses

The Company recorded administrative expenses (excluding share-based compensation and depreciation) of $1,740,000 for the year ended December 31, 2015 compared to $2,226,000 for the comparative year with the reduction the result of cost saving measures implemented during the year.

Share-Based Compensation

Share-based compensation was $124,000 for the year ended December 31, 2015 versus $23,000 for the comparative year. The increase is due to issuing 3,650,000 Restricted Share Units to senior officers and 276,340 Deferred Share Units to directors both issued in conjunction with a reduction in the cash component of compensation paid to such senior officers and directors.

Other Income (Expenses)

The Company reported a gain on marketable securities of $486,000 for the year ended December 31, 2015 compared to loss of $878,000 for the year ended December 31, 2014. The Company's marketable securities were sold in January 2016 for proceeds equal to the carrying value as of December 31, 2015.

The Company also recorded a gain on the change in the decommissioning provision of $246,000 for the current year with no comparable gain or loss in the previous year.

LIQUIDITY, FINANCIAL CONDITION AND CAPITAL RESOURCES

At December 31, 2015, the Company had a positive working capital balance of $2,482,000 including cash and cash equivalents of $1,674,000, short term investments of $28,000 and marketable securities of $936,000. In January 2016, the Company's marketable securities were liquidated for cash of $936,000.

The Company's restricted cash, as at December 31, 2015, increased to $2,075,000 from $525,000 at December 31, 2014 as the Company posted a security deposit in the amount of $1,550,000 with the Government of the Northwest Territories as financial assurance in respect of existing reclamation obligations at the Prairie Cree Mine site.

At December 31, 2014, the Company had cash and cash equivalents of $8,792,000, short term investments of $5,023,000, marketable securities of $450,000, and a positive working capital balance of $12,353,000.

There was no cash inflow from financing activities for year ended December 31, 2015 versus $14,830,000 for the comparative year. During the comparable period 28,572,000 common shares were issued at $0.35 per share and 15,134,000 flow-through shares at $0.38 per share for total net proceeds of $14,473,000. Additionally, 1,513,134 common shares were issued upon the exercise of employee stock options at exercise prices of $0.23 and $0.30 per common share for total proceeds of $357,000.

At the end of August 2015, the Company posted a security deposit in the amount of $1,550,000 with the Minister of Environment and Natural Resources of the Northwest Territories as financial assurance in respect of existing reclamation obligations at the Prairie Creek Mine.

Accounts payable and accrued and other liabilities at December 31, 2015 were $451,000 compared to $2,140,000 as at December 31, 2014. The Company has no long term debt.

The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors. Additional financing will be required in the short term to continue the development of the Prairie Creek Project and in the longer term to put the Prairie Creek Mine into production. There is no assurance that such financing will be available on a timely basis or on acceptable terms. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations, exploration and development activities. The Company is currently evaluating various opportunities and seeking additional sources of financing. These conditions indicate the existence of material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. This is discussed in more detail in the "Risk Factors" section in this MD&A.

The following table reflects the Company's aggregate contractual commitments as of December 31, 2015:

(thousands of Canadian dollars)		Payment due by period			
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Operating lease obligation [1]	$ 246	$ 157	$ 89	$ -	$ -
Decommissioning provision [2]	2,728	-	-	-	2,728
Annual fees and taxes [3]	750	75	150	225	300
Total Contractual Obligations	$ 3,724	$ 232	$ 239	$ 225	$ 3,028

(1) Represents obligations under operating leases for office space and equipment.
(2) The decommissioning liability obligation represents undiscounted costs which are anticipated to be predominantly incurred at the end of the life of the Prairie Creek Mine.
(3) Includes the annual fees related to the Company's mining leases, surface leases and mineral claims which total approximately $45,000 per annum and property taxes of approximately $30,000 per annum.

FINANCING - USE OF PROCEEDS

During 2014, the Company completed an equity financing, which closed July 31, 2014, by way of a short form Prospectus dated July 23, 2014, raising gross proceeds of $15.8 million. The following table details how the net proceeds of the financing have been used up to December 31, 2015 compared to the anticipated use of the net proceeds set out in the Prospectus, including additional net proceeds derived from the sale of additional flow-through shares upon the exercise, in part, by the Underwriters of their over-allotment option.

	Net Use of Proceeds	
	Prospectus	**Actual**
Prairie Creek Mine Development Programs	$ 8,000	$ 6,689
Exploration Programs	5,751	5,751
General and Administrative	722	2,033
Total	$ 14,473	$ 14,473

(Unaudited, thousands of Canadian dollars)

OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company has 218,047,709 common shares issued and outstanding. In addition, there are outstanding stock options, share units and warrants for a further 673,800, 3,926,340 and 16,908,360 common shares respectively.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements as at the date of this MD&A.

TRANSACTIONS BETWEEN RELATED PARTIES

During the year ended December 31, 2015, the Company incurred rent expense in the amount of $24,000 (2014 - $24,000 and 2013 - $24,000) with a corporation in which the Chairman of the Company is also a director. These transactions were within the normal course of business and have been recorded at amounts agreed to by the transacting parties. At December 31, 2014, $2,000 was owed to related parties and was included in accounts payable and accrued and other liabilities (December 31, 2015 - $nil).

During the year ended December 31, 2015, the Company incurred short-term employee remuneration and benefits to officers and directors in the amount of $690,000 (2014 - $850,000 and 2013 - $1,278,000) and share-based compensation with officers and directors in the amount of $124,000 (2014 - $2,000 and 2013 - $13,000).

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Management uses its best estimates for these purposes, based on assumptions that it believes reflect the most probable set of economic conditions and planned courses of action. Actual results may differ from these estimates. The critical accounting estimates used in determining the Company's financial results and position are listed below.

Decommissioning provision (environmental estimates)

The Company recognizes provisions for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of exploration and evaluation assets and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a decommissioning provision is recognized at its present value in the period in which it is incurred, which is generally when an environmental disturbance occurs or a constructive obligation is determined. Upon initial recognition of the provision, a corresponding amount is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using the unit-of-production method. Subsequent to initial recognition the carrying value of the provision is increased for the passage of time and adjusted for changes to the current market-based discount rate and the amount or timing of the underlying cash flows needed to settle the obligation. This accretion expense is recognized in profit or loss as finance costs. Changes to estimated future decommissioning costs are recognized in the consolidated statement of financial position by either increasing or decreasing the decommissioning provision and the related asset.

Various assumptions are used in determining the liability including current mine plans, future retirement costs and estimates of resources. The estimates used require extensive judgment as to the nature, cost and timing of the work to be completed and may change with future changes to cost structures, environmental laws and requirements and remediation practices employed. Management evaluates the decommissioning provision estimates at the end of each reporting period to determine whether the estimates continue to be appropriate.

The Company's undiscounted decommissioning provision for the Prairie Creek site, as it currently exists, is $2,728,000 (December 31, 2014 - $3,142,000), being the estimated future net cash outflows of the reclamation and closure costs, including a 25% contingency and inflation rate of 2% per annum, required to satisfy the obligations, settlement of which will occur subsequent to closure of the mine through to 2035. The discounted decommissioning provision is discounted using a risk free rate of 2.03% (December 31, 2014 – 2.22%).

Reclamation and closure costs for the Prairie Creek Property have been estimated based on an Abandonment and Restoration Plan agreed to by the Mackenzie Valley Land and Water Board and the Company based upon current obligations under existing surface leases, land use permits and class "B" Water Licence for reclamation and closure of the Prairie Creek Mine site as it now exists with the current infrastructure and assuming a mine life of 16 years. The Company will recognize an increased decommissioning liability for additional reclamation and closure costs upon undertaking future development, construction and mining activities. The new water licences and land use permits issued in 2013 together provide for the posting, in stages, of a total of approximately $20.4 million in respect of security deposits or financial assurance required to secure expected decommissioning liabilities.

Exploration and evaluation asset policy

Significant judgement must be exercised in determining when a project of the Company moves from the exploration and evaluation phase and into the development phase. The existence and extent of proven or probable mineral reserves; retention of regulatory permits and licences; the availability of development financing; current and future metal prices; and market sentiment are all indications leading to the Company's project moving to the development phase. Exploration and evaluation costs are capitalized as deferred development expenditures and included within exploration and evaluation assets upon a project moving to the development phase. There are currently no projects that have moved to the development phase. The Company evaluates the status of each project at the end of each reporting period to determine the current phase of each project and whether to subsequently capitalize applicable costs.

Impairment of long-lived assets

The carrying value of property, plant and equipment at December 31, 2015 was $777,000 (December 31, 2014 - $782,000) and for exploration and evaluation assets was $5,398,000 (December 31, 2014 - $5,628,000).

The Company assesses at each date of the consolidated statement of financial position the carrying amounts of non-financial assets to determine whether there is an indication that those assets have suffered an impairment loss. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the greater of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments for the time value of money and risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive income or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized.

As at December 31, 2015, management carried out an impairment assessment and determined that, notwithstanding the Company's history of losses, and based upon best estimates available, no impairment of the carrying value of exploration and evaluation assets was indicated.

In assessing the future estimated cash flows management uses various estimates including, but not limited to estimated future operating and capital costs as well as future commodity prices and estimates based upon indicated and inferred resources. By their very nature, there can be no assurance that these estimates will actually be reflected in the future construction or operation of a mine. The ultimate recoverability of amounts deferred for exploration and evaluation assets is dependent upon, amongst other things, obtaining the necessary financing to complete the development of, and obtaining the necessary permits to operate, a mine.

Company acquisitions

Identifying a purchase transaction as being a business combination or an asset purchase requires judgment regarding whether the set of assets acquired and liabilities assumed constitutes a business based on the particular circumstances.

FINANCIAL INSTRUMENTS

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("**FVTPL**").

Financial assets classified as loans and receivables are measured at amortized cost less impairment. The Company has classified its other receivables as loans and receivables.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company has classified its cash and cash equivalents, short-term investments, marketable securities and restricted cash as FVTPL. The Company designated its marketable securities as FVTPL upon initial recognition in accordance with an investment strategy that management uses to evaluate performance on a fair value basis.

Financial assets classified as held-to-maturity are measured at amortized cost. The Company has no financial assets classified as held-to-maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has no financial assets classified as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or classified as other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through the consolidated statement of comprehensive income or loss. The Company has no financial liabilities classified as FVTPL.

The following table reflects the Company's categories of financial instruments as at the specified date:

		December 31, 2015	December 31, 2014
Cash and cash equivalents	FVTPL	$ 1,674	$ 8,792
Short-term investments	FVTPL	28	5,023
Marketable securities [(1)]	FVTPL	936	450
Other receivables	Loans and receivables	54	368
Restricted cash	FVTPL	2,075	525
Accounts payable	Other financial liabilities	(298)	(1,303)
Accrued and other liabilities	Other financial liabilities	(153)	(837)

(1) Classified under Level 3 fair value hierarchy

In respect of financial assets, the Company's policy is to invest cash at floating rates of interest and cash reserves are to be maintained in cash equivalents in order to maintain liquidity. Fluctuations in interest rates impact the value of cash equivalents. Included in the net loss for the year ended December 31, 2015, is investment income on the Company's cash and cash equivalents and short-term investments. As at December 31, 2015, with other variables unchanged, 1% increase or decrease in the Prime rate would have resulted in a decrease or increase, respectively, to net loss of approximately $71,000. The Company does not have any debt obligations which expose it to interest rate risk.

Fluctuations in foreign currencies may impact profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company held marketable securities denominated in U.K. pounds sterling. Based upon the marketable securities held at December 31, 2015, and assuming no changes in number of shares or stock price, for every $0.01 fluctuation in exchange rate between the Canadian dollar and U.K. pound sterling, the Company's net income or loss would increase or decrease by $4,000, respectively.

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 does not currently generate any revenues from sales to customers nor does it hold derivative type instruments that would require a counterparty to fulfil a contractual obligation resulting in a credit risk. The Company has never held any asset-backed paper instruments. The Company seeks to place its cash and cash equivalents, short-term investments and restricted cash with reputable financial institutions.

The Company considers the following financial assets to be exposed to credit risk: cash and cash equivalents, short-term investments, marketable securities and restricted cash. The carrying value of these financial assets at December 31, 2015 is $4,713,000 (December 31, 2014 - $14,790,000). At December 31, 2015, the Company's cash and cash equivalents, short-term investments and restricted cash were invested with three financial institutions.

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations as they fall due. The Company ensures that there is sufficient capital in order to meet short-term business requirements. The Company's policy is to invest cash at floating rates of interest, while cash reserves are maintained in cash equivalents in order to maintain liquidity after taking into account the Company's holdings of cash equivalents, money market investments, marketable securities and receivables. As at December 31, 2015, the Company had positive working capital of $2,482,000 (December 31, 2014 - $12,353,000). Given positive working capital, the Company believes it will be able to meet its current obligations. However, the Company will require significant additional funding in the future in order to complete the development of the Prairie Creek Mine site and bring the mine into production. Accordingly, there is a risk that the Company may not be able to secure adequate funding on reasonable terms, or at all, at that future date.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's disclosure controls and procedures are designed to provide reasonable assurance that material items requiring disclosure by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislations is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filing, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate to allow timely decisions regarding required disclosure.

As required under National Instrument 52-109 and based on current securities legislation in Canada and the United States, the CEO and the CFO of the Company have evaluated the design and effectiveness of the Company's disclosure controls and procedures as of December 31, 2015, and have concluded that such disclosure controls and procedures were operating effectively at that date.

It should be noted that, while the Company's CEO and CFO believe that the Company's disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures can prevent all errors or mistakes. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Management's Report on Internal Control over Financial Reporting

Management is responsible for designing, establishing and maintaining a system of internal controls over financial reporting to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner in accordance with IFRS.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities. The Audit Committee fulfills its role of ensuring the integrity of the reported information through its review of the interim and annual consolidated financial statements.

There are inherent limitations in the effectiveness of internal controls over financial reporting, including the possibility that misstatements may not be prevented or detected. Accordingly, even effective internal controls over financial reporting can provide only reasonable assurance with respect to consolidated financial statement preparation. Furthermore, the effectiveness of internal controls can change with circumstances. The Company has paid particular attention to segregation of duties matters surrounding its internal controls over financial reporting as the Company has only limited staff resources at the present time such that "ideal" segregation of duties is not feasible. This risk is dealt with by management identified compensating controls such as Board oversight or senior management review where appropriate. At the present time, the Company does not anticipate hiring additional accounting or administrative staff as this is not considered necessary or practical and accordingly, will continue to rely on review procedures to detect potential misstatements in reporting of material to the public.

The CEO and the CFO have evaluated the design and effectiveness of internal controls over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework). Based on this evaluation, as at December 31, 2015, the Company believes that its internal controls over financial reporting were designed and operating effectively to provide reasonable, but not absolute, assurance that the objectives of the control system are met. There have been no material changes to internal controls since the year ended December 31, 2015.

The Company's management, including the CEO and CFO, believe that any internal controls over financial reporting, including those systems determined to be effective and no matter how well conceived and operated, have inherent limitations and can provide only reasonable, not absolute, assurance that the objectives of the control system are met with respect to consolidated financial statement preparation and presentation. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

KPMG LLP, an independent registered public accounting firm, has audited the Company's consolidated financial statements for the year ended December 31, 2015, and expressed an unqualified opinion thereon. KPMG LLP has also expressed an unqualified opinion on the Company's internal control over financial reporting as of December 31, 2015.

RISK FACTORS

In conducting its business, Canadian Zinc faces a number of risks and uncertainties, many of which are beyond its ability to control or predict. Because of these risks and uncertainties, actual results may differ materially from those expressed or implied by forward-looking statements, and investors are cautioned not to place undue reliance on such statements, which speak only as of the date hereof. Investors are urged to review the discussion of risk factors associated with the Company's business as set out in the Company's Annual Information Form dated as of the date of this MD&A, as well as in the Company's audited consolidated financial statements (under the headings "Nature of Operations and Going Concern" and "Significant Accounting Policies" and elsewhere within that document) for its most recently completed financial year, being the year ended December 31, 2015, and its other disclosure documents, all as filed on the SEDAR website at www.sedar.com.

Additional risks and uncertainties not currently known to the Company or that the Company currently deems to be immaterial may also impair the Company, and the Company's failure to successfully address any such risks and uncertainties could have a material adverse effect on its business, financial condition and/or results of operations, and the future trading price of its common shares may decline and investors may lose all or part of their investment. The risk factors outlined in this section and elsewhere in this MD&A should be carefully considered by investors when evaluating an investment in the Company.

The management of Canadian Zinc has sought to manage risks within its control using several key components:

Corporate Values: Canadian Zinc promotes its corporate values throughout the Company and has a written Code of Business Conduct and Ethics (the "**Code**") that is distributed to all employees and signed by them to acknowledge receipt and compliance with the Code. A copy of the Code is available on the Company's website and is also available at no charge upon written request.

Policies: Canadian Zinc maintains a set of corporate policies designed to provide guidelines and determine authority levels for certain transactions.

Internal Reporting: Canadian Zinc holds regularly scheduled board meetings and also provides reports, on a monthly basis, to the board of directors. The Company believes that the frequency of regular reporting and meetings, supplemented by additional meetings as needed, provides for effective and timely risk management and oversight.

Whistleblower System: Canadian Zinc has a system in place, using a third-party independent service provider, where employees or other interested stakeholders may report any potential ethical concerns. The reports can be made on a confidential basis and any concerns reported are received by the Chairman of the Audit Committee. Should a matter be reported, the audit committee has been empowered to seek assistance from any personnel it deems relevant and also external legal counsel. All employees receive a copy of the whistleblower policy upon commencing employment with Canadian Zinc and are required to acknowledge receipt thereof.

Though the following are major risk factors identified by management, they do not comprise a definitive list of all risk factors related to the Company's business, financial condition and/or operating results.

Permitting, Environmental and Other Regulatory Requirements

The operations of Canadian Zinc require licences and permits from various governmental and regulatory authorities. Canadian Zinc holds all necessary licences and permits under applicable laws and regulations for the operation of the Prairie Creek Mine. Canadian Zinc believes that it is presently complying in all material respects with the terms of its current licences and permits. However, such licences and permits are subject to change in various circumstances. There can be no guarantee Canadian Zinc will be able to maintain all necessary licences and permits as are required to explore and develop its properties, including the Prairie Creek Property, commence construction or operation of mining facilities or properties under exploration or development.

The Prairie Creek Project is located in an environmentally sensitive and remote area in the Mackenzie Mountains of the Northwest Territories, within the watershed of the South Nahanni River. The South Nahanni River is considered to be of global significance, is highly valued as a wilderness recreation river and is a designated World Heritage Site. The South Nahanni River flows through the Nahanni National Park Reserve.

The Prairie Creek Property is encircled by the Nahanni National Park Reserve; however, an area of approximately 300 square kilometres immediately surrounding the Prairie Creek Mine is specifically excluded from the Park. In 2009 new legislation entitled *"An Act to Amend the Canada National Parks Act to enlarge Nahanni National Park Reserve of Canada"* was enacted, which also authorized the Minister of Environment to enter into leases, licences of occupation or easements over Nahanni Park lands for the purposes of a mining access road leading to the Prairie Creek Mine area, including the sites of storage and other facilities connected with that road. The Company has obtained permits from the Parks Canada Agency for the purposes of accessing the Prairie Creek Mine area. There can be no guarantee Canadian Zinc will be able to maintain all necessary permits on acceptable terms.

Canadian Zinc's activities are subject to extensive federal, provincial, territorial and local laws and regulations governing environmental protection and employee health and safety. Canadian Zinc is required to obtain governmental permits and provide bonding requirements under federal and territorial water and mine regulations. All phases of Canadian Zinc's operations are subject to environmental regulation. These regulations mandate, among other things, the maintenance of water and air quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner, which will require stricter standards and enforcement, increased fines and penalties for non-compliance, and more stringent environmental assessments of proposed projects. United Nations proposals for a global treaty on mercury, intended to result in reduced global emissions of mercury, may place restrictions on the production, use and international movement of mercury and mercury-containing wastes which may, if adopted, result in restrictions on shipment of concentrates or other mineral products containing by-product or trace mercury. There is no assurance that future changes in environmental laws or regulations, if any, will not adversely affect Canadian Zinc's operations.

Environmental laws and regulations are complex and have tended to become more stringent over time. These laws are continuously evolving. Any changes in such laws, or in the environmental conditions at the Prairie Creek Property, could have a material adverse effect on Canadian Zinc's financial condition, liquidity or results of operations. Canadian Zinc is not able to determine the impact of any future changes in environmental laws and regulations on its future financial position due to the uncertainty surrounding the ultimate form such changes may take. The Company does not currently consider that its expenditures required to maintain ongoing environmental monitoring obligations at the Prairie Creek Property are material to the results and financial condition of the Company. However, these costs could become material in the future and would be reported in the Company's public filings at that time.

Although Canadian Zinc makes provision for reclamation costs, it cannot be assured that such provision is adequate to discharge its obligations for these costs. As environmental protection laws and administrative policies change, Canadian Zinc will revise the estimate of its total obligations and may be obliged to make further provisions or provide further security for mine reclamation costs. The ultimate amount of reclamation to be incurred for existing and past mining interests is uncertain. Additional discussion on the impact of reclamation costs is included in this MD&A in the section "Critical Accounting Estimates".

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. The Company must obtain various regulatory approvals, permits and licences relating to the Prairie Creek Property and there is no assurance that such approvals will be obtained. No assurance can be given that new rules and regulations will not be enacted or made, or that existing rules and regulations will not be applied, in a manner which could limit or curtail production or development.

Regulatory approvals and permits are currently, and will in the future be, required in connection with Canadian Zinc's operations. To the extent such approvals are required and not obtained; Canadian Zinc may be curtailed or prohibited from proceeding with planned exploration or development of its mineral properties or from continuing its mining operations.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Failure to comply with applicable environmental and health and safety laws can result in injunctions, damages, suspension or revocation of permits and imposition of penalties. There can be no assurance that Canadian Zinc has been or will be at all times in complete compliance with all such laws, regulations and permits, or that the costs of complying with current and future environmental and health and safety laws and permits will not materially adversely affect Canadian Zinc's business, results of operations or financial condition. Environmental hazards may exist on the properties, including the Prairie Creek Property, on which Canadian Zinc holds interests which are unknown to Canadian Zinc at present and which have been caused by previous owners or operators of the properties.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on Canadian Zinc and cause increases in exploration expenses, capital expenditures or production costs or require abandonment or delays in the development of mining properties.

The Prairie Creek Project has, on numerous occasions, experienced significant delays in obtaining permits and licences necessary for the conduct of its operations. If at any time permits essential to operations are not obtained, or not obtained in a timely manner, or are cancelled or revoked, there is a risk that the Company may not be able to operate a mine at the Prairie Creek Property.

Political and Legislative

Canadian Zinc conducts its operations in Canada and specifically in the Northwest Territories and the province of Newfoundland and Labrador. The Mackenzie Valley in the Northwest Territories of Canada is in an area which is claimed by the Dehcho First Nations as their traditional territory. The Dehcho have not settled their land claim with the Federal Government of Canada. The Dehcho and the Federal Government both claim legal title to this territory and legal title to the land remains in dispute. The Company's operations are potentially subject to a number of political, legislative and other risks. Canadian Zinc is not able to determine the impact of political, legislative or other risks on its business or its future financial position.

Canadian Zinc's operations are exposed to various levels of political, legislative and other risks and uncertainties. These risks and uncertainties include, but are not limited to, cancellation, renegotiation or nullification of existing leases, claims, permits and contracts; expropriation or nationalization of property; changes in laws or regulations; changes in taxation laws or policies; royalty and tax increases or claims by governmental, Aboriginal or other entities; retroactive tax or royalty claims and changing political conditions; government mandated social expenditures; governmental regulations or policies that favour or require the awarding of contracts to local or Aboriginal contractors or require contractors to employ residents of, or purchase supplies from, a particular jurisdiction or area; or that require that an operating project have a local joint venture partner, which may require to be subsidized; and other risks arising out of sovereignty or land claims over the area in which Canadian Zinc's operations are conducted.

The mineral exploration, mine development, and proposed mining, processing activities of Canadian Zinc, and the anticipated production, transportation and sale of mineral concentrates are subject to extensive federal, territorial, international and local laws, regulations and treaties, including various laws governing prospecting, development, production, transportation taxes, labour standards and occupational health, mine safety, toxic substances including mercury, land use, water use and other matters. Such laws and regulations are subject to change and can become more stringent and costly over time. No assurance can be given that new laws, rules and regulations will not be enacted or that existing laws, rules and regulations will not be applied in a manner which could limit or curtail exploration, development, mining, processing, production and sale of concentrates. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a substantial adverse impact on Canadian Zinc.

There was a major change to the legislative and regulatory framework and regulations in the Mackenzie Valley between 1998 and 2000. There can be no assurance that these laws and regulations will not change in the future in a manner that could have an adverse effect on the Company's activities and/or its financial condition. In 2007, the Federal Government announced the Northern Regulatory Improvement Initiative to improve the current regulatory regime in the north of Canada and in May 2010 announced an Action Plan to improve northern regulatory regimes, which anticipate changes to the current legislative framework and regulatory processes.

On April 1, 2014 *The Northwest Territories Devolution Act* which provides for the devolution of lands and resource management from the Government of Canada to the Government of the Northwest Territories (GNWT) came into force. Devolution in the Northwest Territories means the transfer of decision-making and administration for land and resource management in the NWT from the Government of Canada to the Government of the Northwest Territories. The Territorial government is now responsible for the management of onshore lands and the issuance of rights and interests with respect to onshore minerals and oil and gas. The GNWT now has the power to collect and share in resource revenues generated in the territory. *The Northwest Territories Devolution Act* includes certain amendments to the *Mackenzie Valley Resource Management Act*, which impose additional regulations and obligations on mining operations in the Mackenzie Valley.

In relation to Northwest Territories specifically, a number of policy and social issues exist which increase Canadian Zinc's political and legislative risk. The Government of Canada and Government of the Northwest Territories are facing legal and political issues, such as land claims and social issues, all of which may impact future operations. This political climate increases the risk of the Government making changes in the future to its position on issues such as mining rights and land tenure, which in turn may adversely affect Canadian Zinc's operations. Future government actions cannot be predicted, but may impact the operation and regulation of the Prairie Creek Mine. Changes, if any, in Government policies, or shifts in local political attitude in the Northwest Territories may adversely affect Canadian Zinc's operations or business.

Canadian Zinc's exploration, development and production activities may be substantially affected by factors beyond Canadian Zinc's control, any of which could materially adversely affect Canadian Zinc's financial position or results of operations. The occurrence of these various factors and uncertainties cannot be accurately predicted. The Company is not able to determine the impact of these risks on its business.

Financing and Going Concern

The successful development of the Company's properties will depend upon the Company's ability to obtain financing through private placement financing, public financing, the joint venturing of projects, bank financing or other means. Additional financing will be required in the short term to fund its corporate administration costs and working capital and to continue the development of the Prairie Creek Project and in the longer term to put the Prairie Creek Mine into production. There is no assurance that the Company will be successful in obtaining the required financing.

Securities of junior and small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and global and market perceptions of the attractiveness of particular industries. The share price of Canadian Zinc is likely to be significantly affected by short-term changes in metal prices. Other factors unrelated to Canadian Zinc's performance that may have an effect on the price of its shares include the following: the extent of analytical coverage available to investors concerning Canadian Zinc's business may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of common shares; the size of Company's public float may limit the ability of some institutions to invest in the Company's securities; and a substantial decline in the price of the common shares that persists for a significant period of time could cause the Company's securities to be delisted from an exchange, further reducing market liquidity.

As a result of any of these factors, the market price of the Company's shares at any given point in time may not accurately reflect Canadian Zinc's long-term value. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. Canadian Zinc may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Canadian Zinc does not currently generate any cash flow from its operations and will need to generate additional financial resources in the short term to fund its corporate administration costs and working capital and to continue the development of the Prairie Creek Project and in the longer term to put the Prairie Creek Mine into production. The ability of the Company to carry out its planned business objectives is dependent on its ability to raise adequate financing from lenders, shareholders and other investors. There is a risk that additional financing will not be available to the Company on a timely basis or on acceptable terms. The Company is currently evaluating various opportunities and seeking additional sources of financing. There is no assurance that such financing will be available on a timely basis or on acceptable terms.

There are no assurances that the Company will continue to be able to obtain additional financial resources and/or achieve positive cash flows or profitability. Canadian Zinc has a history of losses with no operating revenue other than minor interest income, and had working capital of $2,482,000 as at December 31, 2015. The Company has not achieved profitable operations, has an accumulated deficit since inception and expects to incur further losses in the development of its business. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and its exploration and development activities. These conditions indicate the existence of material uncertainties which cast significant doubt about the Company's ability to continue as a going concern. .Failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would differ significantly from the going concern basis.

The development of the Prairie Creek Mine will require substantial additional financing. The 2016 Preliminary Feasibility Study estimated that the additional capital required to install the planned new facilities and to bring the Prairie Creek Mine into production will aggregate $216 million, plus a contingency of $27 million for a total of $243 million. Working capital required upon commencement of production is estimated to be $30 million plus a contingency of $6 million for a total of $36 million.

Supported by the results of the 2016 Preliminary Feasibility Study, Canadian Zinc will continue to evaluate all alternatives and possibilities for raising the financing necessary to complete the development and construction and put the Prairie Creek Mine into production. However the ability to raise financing is impacted by conditions beyond the control of the Company, including depressed commodity prices, continued uncertainty in the capital markets and the current lack of investor interest in the resource sector. There are no assurances that the Company will continue to be able to obtain such financing on a timely basis or on acceptable terms.

Metal Prices and Marketability of Minerals

The market price of metals and minerals is volatile and cannot be controlled. Metal prices have fluctuated widely, particularly in recent years. If the price of metals and minerals should drop significantly, the economic prospects for the Prairie Creek Project could be significantly reduced or rendered uneconomic. There is no assurance that, a profitable market may exist for the sale of products, including concentrates from the Prairie Creek Project. Factors beyond the control of the Company may affect the marketability of minerals or concentrates produced. It is expected that the zinc concentrates to be produced from the Prairie Creek Mine will contain relatively high levels of mercury. United Nations proposals for a global treaty on mercury, intended to result in reduced global emissions of mercury, may place restrictions on the production, use and international movement of mercury and mercury-containing wastes which may, if adopted, result in restrictions on shipment of concentrates or other mineral products containing by-product or trace mercury.

The marketability of minerals is affected by numerous other factors beyond the control of the Company, including quality issues, impurities, deleterious elements, government regulations, royalties, allowable production and regulations regarding the importing and exporting of minerals, the effect of which cannot be accurately predicted.

Factors tending to affect the price of metals include:

- The relative strength of the U.S. dollar against other currencies;
- Government monetary and fiscal policies;
- Expectations of the future rate of global monetary inflation and interest rates;
- General economic conditions and the perception of risk in capital markets;
- Political conditions including the threat of terrorism or war;
- Speculative trading;
- Investment and industrial demand; and
- Global production and inventory stocks.

The effects of these factors, individually or in aggregate, on the prices of zinc, lead and/or silver is impossible to predict with accuracy. Fluctuations in metal prices may adversely affect Canadian Zinc's financial performance and results of operations. Further, if the market price of zinc, lead and/or silver falls or remains depressed, Canadian Zinc may experience losses or asset write-downs and may curtail or suspend some or all of its exploration, development and mining activities.

Furthermore, sustained low metal prices can halt or delay the development of new and existing projects; reduce funds available for mineral exploration and may result in the recording of a write-down of mining interests due to the determination that future cash flows would not be expected to recover the carrying value.

Metal prices fluctuate widely and are affected by numerous factors beyond Canadian Zinc's control such as the sale or purchase of such commodities by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major mineral and metal producing countries throughout the world.

Future production, if any, from Canadian Zinc's mining properties is dependent on mineral prices that are adequate to make these properties economic. The prices of metals have fluctuated widely in recent years, and future or continued serious price declines could cause continued development of and commercial production from Canadian Zinc's properties to be impracticable. Depending on the price of metal, cash flow from mining operations may not be sufficient and Canadian Zinc may never commence commercial production and may lose its interest in, or may be forced to sell, its properties.

The zinc concentrates to be produced from the Prairie Creek Mine will contain, to varying degrees, relatively high levels of mercury. Canadian Zinc has signed MOUs with Korea Zinc and Boliden for the sale of zinc concentrates. The MOUs set out the intentions of Canadian Zinc and each of Korea Zinc and Boliden to enter into concentrate sales agreements for the concentrates to be produced from the Prairie Creek Mine on the general terms set out in the MOUs, including commercial terms which are to be kept confidential. The sales agreements will provide that treatment charges will be set annually at the annual benchmark treatment charges and scales, as agreed between major smelters and major miners. Payables and penalties will be negotiated in good faith annually during the fourth quarter of the preceding year, including industry standard penalties based on indicative terms and agreed limits specified in each MOU.

Treatment and refining charges, including deductibles and penalties, vary with smelter location, and individual smelter terms and conditions. The economic model used in the 2016 Preliminary Feasibility Study has been prepared assuming average blended indicative treatment charges and penalties, however, no smelter or concentrate buyer has contractually committed to the assumed treatment charges or penalties. There can be no assurance that the assumed terms will be available to the Company.

In addition to adversely affecting Canadian Zinc's reserve or resource estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. The need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Currency fluctuations may affect the costs that Canadian Zinc incurs at its operations. Zinc, lead and silver are sold throughout the world based principally on the U.S. dollar price, but operating expenses are incurred in currencies other than the U.S. dollar. Appreciation of the Canadian dollar against the U.S. dollar increases the cost of production in U.S. dollar terms at mines located in Canada.

Exploration and Evaluation

The business of exploring for minerals and mining involves a high degree of risk. There is no assurance the Company's mineral exploration activities will be successful. Few properties that are explored are ultimately developed into producing mines. In exploring and developing its mineral deposits the Company is subjected to an array of complex economic factors and technical considerations. Unusual or unexpected formations, formation pressures, power outages, labour disruptions, flooding, explosions, cave-ins, landslides, environmental hazards, and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration and development programs. Such risks could materially adversely affect the business or the financial performance of the Company.

There is no certainty that the expenditures made by Canadian Zinc towards the search and evaluation of mineral deposits will result in discoveries of commercial quantities of ore. The exploration for and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programs planned by Canadian Zinc will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices which are highly cyclical; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in Canadian Zinc not receiving an adequate return on invested capital.

A specific risk associated with the Prairie Creek Property is its remote location. Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important factors, which affect capital and operating costs. Unusual or infrequent weather phenomena, government or other interference in the maintenance or provision of such infrastructure could adversely affect Canadian Zinc's operations, financial condition and results of operations.

Mining operations generally involve a high degree of risk. Canadian Zinc's mining operations will be subject to all the hazards and risks normally encountered in the development and production of minerals, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Mining and milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability.

Uncertainty in the Estimation of Mineral Reserves and Mineral Resources

The figures for Mineral Reserves and Mineral Resources contained in this document are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that Mineral Reserves and Mineral Resources can be mined or processed profitably. There are numerous uncertainties inherent in estimating Mineral Reserves and Mineral Resources, including many factors beyond Canadian Zinc's control. Such estimation is a subjective process, and the accuracy of any reserve and resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. In addition, there can be no assurance that mineral or metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Inferred mineral resources do not have demonstrated economic viability. Due to the uncertainty which may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to measured and indicated mineral resources as a result of continued exploration.

Fluctuation in metal prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of any such resource or reserve estimate. The volume and grade of resources mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of Mineral Reserves or Mineral Resources, or of Canadian Zinc's ability to extract these Mineral Reserves or Mineral Resources, could have a material adverse effect on Canadian Zinc's results of operations and financial condition.

Mineral reserve and mineral resource estimates are imprecise and depend partly on statistical inferences drawn from drilling and other data which may prove to be unreliable. Future production could differ dramatically from reserve or resource estimates for many reasons including the following:

- Mineralization or formations could be different from those predicted by drilling, sampling and similar examinations;
- Declines in the market price of metals may render the mining of some or all of Canadian Zinc's Mineral Reserves or Mineral Resources uneconomic;
- Increases in operating mining costs and processing costs could adversely affect reserves or resources; and
- The grade of reserves or resources may vary significantly from time to time and there can be no assurance that any particular level of metal may be recovered from the reserves or resources.

Any of these factors may require Canadian Zinc to reduce its Mineral Reserve or Mineral Resources estimates.

Insurance and Uninsured Risks

Canadian Zinc's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to Canadian Zinc's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although Canadian Zinc maintains insurance to protect against certain risks in such amounts as it considers reasonable, its insurance will not cover all the potential risks associated with the Company's mining operations. Canadian Zinc may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Canadian Zinc or to other companies in the mining industry on acceptable terms. In particular, the Company is not insured for environmental liability or earthquake damage.

Canadian Zinc might also become subject to liability for pollution or other hazards which may not be insured against, or which Canadian Zinc may elect not to insure against, because of premium costs or other reasons. Losses from these events may cause Canadian Zinc to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Title Matters

Mining leases and surface leases issued to the Company by the Government have been surveyed but other parties may dispute the Company's title to its mining properties. The mining claims in which the Company has an interest have not been surveyed and, accordingly, the precise location of the boundaries of the claims and ownership of mineral rights on specific tracts of land comprising the claims may be in doubt. These claims have not been converted to lease, and are, accordingly, subject to regular compliance with assessment work requirements. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements.

While the Company has investigated its title to all its mining leases, surface leases and mining claims and, to the best of its knowledge, title to all properties is in good standing, this should not be construed as a guarantee of title and title may be affected by undetected defects. The validity and ownership of mining property holdings can be uncertain and may be contested. There are currently a number of pending Aboriginal or Native title or Treaty or traditional land ownership claims relating to Northwest Territories. The Company's properties at Prairie Creek are subject to Aboriginal or Native land claims. Title insurance generally is not available, and Canadian Zinc's ability to ensure that it has obtained secure title to individual mineral properties or mining concessions may be severely constrained. Canadian Zinc's mineral properties may be subject to prior unregistered liens, agreements, transfers or claims, including Native land claims, and title may be affected by, among other things, undetected defects. No assurances can be given that there are no title defects affecting such properties.

Executives and Conflicts of Interest

Canadian Zinc is dependent on the services of key executives, including its President and Chief Executive Officer, its Vice President of Exploration and Chief Operating Officer and its Chief Financial Officer. Due to the relatively small size of the Company, the loss of these persons or Canadian Zinc's inability to attract and retain additional highly skilled or experienced employees may adversely affect its business and future operations.

Certain of the directors and officers of the Company also serve as directors and/or officers of, or have significant shareholdings in, other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving Canadian Zinc will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the *Business Corporations Act* (British Columbia) and other applicable laws.

To the extent that such other companies may participate in ventures in which Canadian Zinc may participate, the directors of Canadian Zinc may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for the approval of such participation or such terms.

From time to time several companies may collectively participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. Under the laws of the Province of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not Canadian Zinc will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Acquisitions

From time to time Canadian Zinc undertakes evaluations of opportunities to acquire additional mining assets and businesses. Any resultant acquisitions may be significant in size, may change the scale of Canadian Zinc's business, and may expose Canadian Zinc to new geographic, political, operating financial and geological risks. Canadian Zinc's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, to acquire them on acceptable terms, and integrate their operations successfully with those of Canadian Zinc. Any acquisition would be accompanied by risks, such as a significant decline in metal prices; the ore body proving to be below expectations; the difficulty of assimilating the operation and personnel; the potential disruption of Canadian Zinc's ongoing business; the inability of management to maximize the financial and strategic position of Canadian Zinc through the successful integration of acquired assets and businesses; the maintenance of uniform standards, control, procedures and policies; the impairment of relationships with employees, customers and contractors as a result of any integration of new management personnel; and the potential unknown liabilities associated with acquired assets and business. In addition Canadian Zinc may need additional capital to finance an acquisition. Debt financing related to any acquisition will expose Canadian Zinc to the risk of leverage, while equity financing may cause existing shareholders to suffer dilution. There can be no assurance that Canadian Zinc would be successful in overcoming these risks or any other problems encountered in connection with such acquisitions.

Competition

The mining industry is competitive in all of its phases. There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. Canadian Zinc faces strong competition from other mining companies in connection with the acquisition of properties, mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. Many of these companies have greater financial resources, operational experience and technical capabilities than Canadian Zinc. As a result of this competition, Canadian Zinc may be unable to maintain or acquire attractive mining properties on terms it considers acceptable or at all. Consequently, Canadian Zinc's operations and financial condition could be materially adversely affected.

Requirements of the Sarbanes-Oxley Act and Similar Canadian Regulations

Since 2007, the Company has documented and tested its internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 ("**SOX**"), which requires an annual assessment by management of the effectiveness of the Company's internal control over financial reporting and an attestation by the Company's independent auditors addressing internal controls over financial reporting.

Due to its size, its limited staff resources and financial constraints, the Company is exposed to certain potential deficiencies in its internal controls over financial reporting. If the Company is unable to maintain the adequacy of its internal control over financial reporting, as such standards are modified, supplemented, or amended from time to time; the Company may not be able to ensure that it can conclude on an ongoing basis that it has effective internal controls over financial reporting in accordance with Section 404 of SOX. The Company's inability to satisfy the requirements of Section 404 of SOX on an ongoing, timely basis could result in the loss of investor confidence in the reliability of its consolidated financial statements, which in turn could harm the Company's business and negatively impact the trading price of its common shares. In addition, any inability to implement required new or improved controls, or difficulties encountered in their implementation, could impact the Company's operating results or cause it to be unable to meet its reporting obligations. Future acquisitions (if any) may provide the Company with challenges in implementing the required processes, procedures and controls in the acquired operations. Acquired companies may not have disclosure controls and procedures or internal control over financial reporting that are as thorough or effective as those required by securities laws currently applicable to the Company.

No evaluation can provide complete assurance that the Company's internal control over financial reporting will detect or uncover all failures of persons within the Company to disclose material information otherwise required to be reported. The effectiveness of the Company's controls and procedures could also be limited by simple errors or faulty judgments. In addition, as the Company continues to develop, the challenges involved in implementing appropriate internal controls over financial reporting will increase and will require that the Company continue to enhance its internal controls over financial reporting. Although the Company will be required to devote substantial time and will incur substantial costs, as necessary, in an effort to ensure ongoing compliance, the Company cannot be certain that it will be successful in continuing to comply with Section 404 of SOX.

History of Losses and No Assurance of Profitable Operations

The Company has incurred losses since inception of $109,515,000 through December 31, 2015, which includes $80,247,000 of exploration and development expenditures on the Prairie Creek property and central Newfoundland properties which have been expensed in accordance with the Company's accounting policies. There can be no assurance that the Company will be able to operate profitably during future periods. If the Company is unable to operate profitably during future periods, and is not successful in obtaining additional financing, the Company could be forced to cease its exploration and evaluation programs and mine development activities as a result of insufficient cash resources.

Shareholder Dilution

As of December 31, 2015, there were 218,047,709 common shares outstanding. As of December 31, 2015, the Company had 973,800 share purchase options and 16,908,360 warrants outstanding allowing the holders to purchase 17,882,160 common shares. Directors and officers of the Company hold 400,000 of these share purchase options, contractors and employees of the Company hold 573,800 share purchase options and third-party entities hold 16,908,360 share purchase warrants. In addition, 3,926,340 share units are outstanding allowing the holders to receive an equal amount of common shares upon payout. Directors and officers of the company hold 3,026,340 of these share units with the balance being held by contractors and employees of the Company.

As of March 30, 2016, there were 218,047,709 common shares outstanding and the Company had 673,800 share purchase options and 16,908,360 warrants outstanding allowing the holders to purchase 17,582,160 common shares. In addition, 3,926,340 share units are outstanding allowing the holders to receive an equal amount of common shares upon payout. The exercise or payout of all of the existing share purchase options; share units and warrants would result in percentage ownership dilution to the existing shareholders.

Potential Future Equity Financings

The Company has used equity financing in order to meet its needs for capital and may engage in equity financings during future periods. Subsequent issuances of equity securities or securities convertible into or exchangeable or exercisable for equity securities would result in further percentage ownership dilution to existing shareholders and could depress the price of the Company's shares.

DIVIDENDS AND DISTRIBUTIONS POLICY

No dividends have been paid by the Company to date. The Company anticipates that it will retain all future earnings and other cash resources for the future operation and development of its business and the Company does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Company's board of directors after taking into account many factors, including the Company's operating results, financial condition and current and anticipated cash needs.

ADDITIONAL INFORMATION

Additional information relating to the Company, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, is contained in the Company's information circular for its most recent Annual Meeting of Shareholders that involved the election of directors, which may be found on SEDAR at www.sedar.com. Information is also available through the EDGAR system accessible through the United States Securities and Exchange Commission’s website www.sec.gov.