



MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The Management's Discussion and Analysis of financial condition and results of operations ("MD&A") provides a detailed analysis of Canadian Zinc's business and compares its financial results for the first quarter of 2007 with those of the first quarter of 2006. In order to better understand the MD&A, it should be read in conjunction with the unaudited Financial Statements and related notes for the quarter ended March 31, 2007 and in conjunction with the audited Financial Statements and notes for the year ended December 31, 2006, and Management's Discussion and Analysis for the year 2006. The Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and filed with appropriate regulatory authorities in Canada. This MD&A is made as of May 11, 2007.

Management's Discussion and Analysis contains certain forward-looking statements with respect to the Company's activities and future financial results that are subject to risks and uncertainties that may cause the results or events predicted in this discussion to differ materially from actual results or events.

ADDITIONAL INFORMATION

Additional information relating to the Company including the Company Annual Information Form for the year 2006 dated March 30, 2007 is available under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.canadianzinc.com.

1. OVERVIEW

Canadian Zinc Corporation is a development stage company listed on the Toronto Stock Exchange under the symbol "CZN" and is engaged in the business of exploration and development of natural resource properties. The Company's principal focus is the exploration and development of the Prairie Creek Mine, a large high-grade zinc/lead/silver property located in the Northwest Territories of Canada.

The Prairie Creek Mine is partially developed with an existing 1000 tpd mill and related infrastructure. The Prairie Creek Property hosts a major mineral deposit containing an estimated, in situ, 3 billion pounds of zinc, 2.2 billion pounds of lead and approximately 70 million ounces of silver, with significant exploration potential. Zone 3 of the deposit, as currently known, contains an historically estimated resource of 3.6 million tonnes (measured and indicated) grading 11.8% zinc, 9.7% lead, 0.3% copper and 141.5 grams silver per tonne and 8.3 million tonnes (inferred) grading 12.8% zinc, 10.4% lead and 0.4% copper and 169.2 grams silver per tonne.

The Company's principal focus is its efforts to advance the Prairie Creek project towards production. In 2006 the Company carried out major programs at Prairie Creek including driving a new internal decline about 400 meters long and starting a major underground exploration and infill drilling program which is continuing into the first half of 2007. A total of \$7.9 million was invested in Prairie Creek in 2006. During the first quarter of 2007 the Company invested \$1,763,043 on the Prairie Creek project, principally on underground exploration drilling.

The Prairie Creek project is located in an environmentally sensitive remote area in the Mackenzie Mountains of the Northwest Territories, within the watershed of the South Nahanni River and in proximity but outside of the Nahanni National Park Reserve. Although the Company holds permits for the exploration and development of the Prairie Creek property the Company does not have all the permits necessary to operate the mine. The Company has experienced long delays in obtaining permits to date and anticipates continuing delays and difficulties with its permitting activities. During the first quarter of 2007 the Company was actively engaged in permitting activities and subsequent to the end of the quarter obtained from the Mackenzie Valley Land and Water Board a Land Use Permit for winter use of the road which connects the Prairie Creek Mine with the Laird Highway.

Canadian Zinc is in a strong financial condition. At March 31, 2007 the Company had cash, cash equivalents and short term investments of \$27.6 million compared to \$29 million at December 31, 2006.

2. REVIEW OF FINANCIAL RESULTS

For the first quarter of 2007, the Company reported a net loss of \$64,468, compared to a loss of \$155,146 in the first quarter of 2006, with the improvement attributable to higher interest income. See *detailed analysis below*.

Exploration and Development Expense

The Company capitalizes all exploration and development costs relating to its resource interests. During the first quarter of 2007 the Company expended \$1,763,043 on exploration and development on the Prairie Creek Property, the principal component of which was underground drilling. During the first quarter of 2006, the Company expended \$250,499 on the Prairie Creek Property.

The 2007 program, which ran successfully throughout the winter months, includes the continuation of underground drilling program which commenced in 2006. A total of 10,000 meters of underground drilling is planned from drill stations at 50 meter intervals along a new 400 meter internal decline. At March 31, 2007, 5,286 meters of drilling had been completed with encouraging results. The drilling program will continue until at least mid year.

Continued progress was made on permitting at Prairie Creek. On April 10, 2007, the Mackenzie Valley Land and Water Board issued Land Use Permit MV2003F0028 to operate a winter road from the Prairie Creek mine site to the Liard Highway. The permit is valid for a period of five years to April 10, 2012.

Particulars of the deferred exploration and development costs are shown in Note 3 to the Financial Statements.

Revenue and Interest Income

The Company is in the exploration and development stage and does not generate any cash flow. To date the Company has not earned any significant revenues other than interest income. Interest income in the first quarter of 2007 was \$320,006 compared to \$181,361 in the first quarter of 2006, the increase being attributable to higher cash balances invested.

Administrative Expenses

Administrative expenses for the quarter were \$383,554 compared to \$335,415 in the first quarter of 2006, with the increase arising from higher management expense and project evaluation costs.

Income Tax

The Company is currently not taxable and had no income tax expense for the first quarter of 2007 or 2006. In the first quarter of 2007 the Company applied the accounting treatment by the Canadian Institute of Chartered Accountants Emerging Issues Committee Recommendation #146 requiring the tax effect of the renunciation of \$8 million of Canadian exploration expenses upon the issue in 2006 of flow through shares to be recorded in the 2007 fiscal period. The net effect of the adoption of Emerging Issue Committee 146 has resulted in the recognition of a future tax liability in respect of the issue of flow through shares of \$2,729,600 and a corresponding reduction in shareholder equity.

Related Party Transactions

The Company had no related party transactions in the first quarter of 2007 or 2006 other than executive compensation.

3. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Canadian Zinc's accounting policies are described in Note 2 to the audited financial statements for the year ended December 31, 2006. The critical accounting policies and judgements that underly estimates that are involved in preparing the Company's financial statements and the uncertainties that could impact the results of operations, financial condition and future cash flows are described in Management's Discussion and Analysis for the year ended December 31, 2006 .

4. SUMMARY OF QUARTERLY RESULTS

	<i>Revenue \$</i>	<i>Net Earnings (Loss) \$</i>	<i>Net Earnings (Loss) per Common Share \$</i>
2007			
First Quarter	320,006	(64,468)	(0.00)
2006			
Fourth Quarter	304,193	(966,375)	(0.02)
Third Quarter	237,104	(38,749)	(0.00)
Second Quarter	225,490	(326,146)	(0.00)
First Quarter	181,361	(155,146)	(0.00)
2005			
Fourth Quarter	119,509	(133,163)	(0.01)
Third Quarter	80,686	(87,923)	(0.00)
Second Quarter	75,812	(159,896)	(0.00)
First Quarter	53,108	(1,586,330)	(0.02)

The higher losses in the fourth quarter of 2006 and the first quarter of 2005 are attributed to a non-cash expense in respect of stock based compensation on the issue during those quarters of stock options to directors and employees.

5. LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Canadian Zinc does not generate any cash flow and has no income other than interest income. The Company relies on equity financings for its working capital requirements and to fund its planned exploration, development and permitting activities. Interest income in the first quarter of 2007 was \$320,006, compared to \$181,361 in the first quarter of 2006.

Source of Cash - Financing Activities

During the first quarter the Company generated \$103,500 from the exercise of stock options. In the first quarter of 2006 cash flow from financing activities was \$9,609,858 from the issue of Units and the exercise of stock options.

Use of Cash – Investing Activities

In the first quarter of 2007 cash used in operating activities was \$63,548 which largely represents corporate and operating expenses (net of interest income), whilst cash used in investing activities was \$1,763,043 in exploration and development made on the Prairie Creek Property, \$26,253 on the purchase of equipment and \$30,000 as the final payment of security deposit for the performance of abandonment and reclamation obligations. Details of the Company's deferred exploration and development costs are included in Note 3 to the financial statements and show the major components of expenditure.

In the first quarter of 2006 cash used in operating activities was \$154,054, again largely representing corporate and operating expenses, whilst cash used in investing activities was \$284,400 principally in exploration and development made on the Prairie Creek Property.

Liquidity, Financial Condition and Capital Resources

Canadian Zinc's cash, cash equivalents and short term investments decreased from \$29,087,082 at December 31, 2006 to \$27,564,346 at March 31, 2007. The Company's working capital as at March 31, 2007 decreased to \$27,362,817 from \$29,142,161 at December 31, 2006. The decrease in each case was mainly attributable to the funds being used for the Prairie Creek exploration program. The Company is in a strong financial position to carry out its planned exploration, development and permitting activities. Canadian Zinc is in a debt free position and has no off balance sheet financing structures in place.

At March 31, 2007 the Company had 108,040,212 common shares outstanding, with an authorized capital of unlimited common shares with no par value, compared to 107,590,212 common shares outstanding at December 31, 2006.

At March 31, 2007 the Company also had 11,995,493 share purchase warrants outstanding exercisable at prices of \$0.72, \$0.93, \$1.00 and \$1.15 per share and with expiring dates of January 30, 2008 and November 23, 2008.

In the first quarter of 2007, options on a total of 450,000 shares were exercised under the Company's Stock Option Plan, leaving 4,330,000 options outstanding exercisable at prices of \$0.60, \$0.89 and \$0.90 per share and with expiring dates of January 14, 2010, June 27, 2011 and December 13, 2011. Each option entitles the holder to acquire one common share.

6. RISKS AND UNCERTAINTIES

In conducting its business, Canadian Zinc faces a number of risks and uncertainties. These are described in detail under the heading "Risk Factors" in the Company's Annual Information Form for the year 2006, dated March 30, 2007, which is filed on SEDAR and which may be found at www.SEDAR.com and which is incorporated herein by reference. The principal risks and uncertainties faced by the Company are summarized in Management's Discussion and Analysis for the year ended December 31, 2006.

7. OUTLOOK

Canadian Zinc is currently in an exploration and development phase. At March 31, 2007 the Company held cash and short-term investments of \$27.6 million placing the Company in a strong financial position to carry out its planned exploration, development and permitting activities.

Plans for 2007 include continuing the Company's ongoing underground exploration and infill drilling programme, as well as a large exploration program on the Prairie Creek property outside the immediate currently known resource area. At the same time ongoing technical and metallurgical studies will continue to advance the project towards commercial production. The Company will also continue with its permitting activities. The application for the Land use Permit and Water Licence for the commercial operation of the Prairie Creek Mine will be filed during the year. A budget of \$9.0 million has been approved for the planned Prairie Creek programs for 2007.

CAUTIONARY NOTE - Forward Looking Information:

Some of the statements contained in this document are 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 may be identified by such terms as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". 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. Actual results relating to, among other things, mineral reserves, mineral resources, results of exploration, reclamation and other post-closure costs, capital costs, mine production costs and the Company's financial condition and prospects, could differ materially from those currently anticipated in such statements by reason of factors such as changes in general economic conditions and conditions in the financial markets, changes in demand and prices for the minerals the Company expects to produce delays in obtaining permits, litigation, legislative, environmental and other judicial, regulatory, political and competitive developments in areas in which the Company operates, technological and operational difficulties encountered in connection with the Company's activities, labour relations matters, costs and changing foreign exchange rates and other matters discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations". Other delays in factors that may cause actual results to vary materially include, but are not limited to, the receipt of permits or approvals, changes in commodity and power prices, changes in interest and currency exchange rates, geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral resources) unanticipated operational difficulties (including failure with plant, equipment or processes to operate in accordance with specifications or expectations) cost escalation, unavailability of materials and equipment, industrial disturbances or other job action, and 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. 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. There is no certainty that mineral resources will be converted into mineral reserves. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. The Company does not currently hold a permit for the operation of the Prairie Creek Mine. 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.