MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2005

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 2005 financial results with those of the previous two years. In order to better understand the MD&A, it should be read in conjunction with the Financial Statements for the year ended December 31, 2005 and related notes. 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 has been prepared as of March 30, 2006.

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's Annual Information Form for the year 2005, dated March 30, 2006, is available under the Company's profile on SEDAR at **www.sedar.com**, and on the Company's website at **www.canadianzinc.com.**

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1. OVERVIEW

Canadian Zinc Corporation is a public 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 a 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.

In 2001 the Company completed a preliminary scoping study designed to outline and guide the redevelopment of the existing mine and mill on the Prairie Creek Property. The Prairie Creek Project is located in an environmentally sensitive remote area in the Mackenzie Mountains, within the watershed of the South Nahanni River and in proximity to, but outside the Nahanni National Park Reserve. The mine is located in the Northwest Territories in an area which is claimed by the DehCho First Nations as their traditional territory. No land claim settlement agreement has been reached between Canada and the DehCho. 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’s operations are potentially subject to a number of political, legislative, permitting and environmental risks. The Company has experienced long delays in obtaining permits to date and anticipates continuing delays and difficulties with its permitting activities.

Throughout the years 2003, 2004 and 2005, the Company’s principal focus was its efforts to advance the Prairie Creek Project towards development, principally in the permitting process. Steady progress in permitting the mine was made during 2005, whilst the Company carried out an extensive site preparation program investing a total of $1.4 million on mine development.

During 2005 the Company raised $5,276,944 (net) through the private placement of shares and exercise of share purchase warrants.

Canadian Zinc is in strong financial condition. At December 31, 2005 the Company had cash and short term deposits of $16.1 million (which was increased to approximately $25 million at January 31, 2006) and is debt free.

2. SELECTED ANNUAL FINANCIAL INFORMATION

The following selected annual financial information has been derived from the financial statements of the Company, which have been prepared in accordance with Canadian generally accepted accounting principles. All amounts are in Canadian dollars.

	2005	2004	2003
Net earnings (loss)……………………………………….	$(1,967,312)	$(679,127)	$(904,860)
Per common share:			
Net earnings (loss)……………………………………...	(0.03)	(0.01)	(0.02)
Diluted net earnings (loss)……………………………..	(0.03)	(0.01)	(0.02)
Total assets…………………………………………….	$34,634,580	$29,963,979	$26,744,636
Cash and short-term investments……………………...	$16,063,876	$12,907,997	$13,339,442
Long-term debt and capital leases………………………..	Nil	Nil	Nil
Shareholders equity ……………………………………..	$33,343,959	$28,590,903	$26,417,405

The Company is at the exploration and development stage and does not generate revenue or cash flow. The loss for each of the years 2003, 2004 and 2005 largely represents administrative expense. Cash and short term investments increased as a result of financings completed during the years. Total assets increased as a result of increases in cash and expenditures on resource properties.

3. REVIEW OF OPERATIONS AND FINANCIAL RESULTS

For 2005, the Company reported a net loss of $1,967,312 compared to a net loss of $679,127 in 2004 and a loss of $904,860 in 2003. The loss for 2005 included a non-cash charge of $1,314,000 in respect of stock based compensation arising on the issue during the year of stock options to employees and directors.

Exploration and Development

The Company capitalizes all exploration and development costs relating to its resource interests. During 2005 the Company expended $1,426,212 (excluding amortization and accretion) on exploration and development on the Prairie Creek Property, the principal components of which were site preparation, camp operations, metallurgy, transportation, lease rentals and permitting. During 2004 and 2003 the Company expended $2,120,663 and $217,326, respectively, on the Prairie Creek Property.

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

During 2005 the Company carried out an extensive site preparation program at the Prairie Creek Property investing a total of $1.4 million on mine development. The underground workings were rehabilitated and a new electrical substation installed underground in preparation for the planned decline and underground drilling program. Important site maintenance and environmental work was also carried out including the installation of a new water treatment plant and construction of a new water polishing pond. A major metallurgical testing program was also carried out with encouraging results.

Steady progress in permitting the Prairie Creek mine was made during the year.

The Company’s application to the Mackenzie Valley Land and Water Board for an extension of the area covered by the existing 2001 surface exploration Land Use Permit was referred for Environmental Assessment to the Mackenzie Valley Environmental Impact Review Board. This assessment was completed during the year with the issue of a report by the Review Board recommending that the project be approved.

The appeal to the Supreme Court of the Northwest Territories against the decision of the Water Board that the Company’s application for a Land Use Permit to use the existing road which connects the Prairie Creek mine with the Liard Highway was not exempt from the environmental assessment was heard by the Court late in 2004. Judgment was issued in May 2005 in which the Court overturned that decision of the Water Board and ruled that the road undertaking is exempt from Environmental Assessment.

An appeal filed in the Federal Court in October 2003 by the First Nations seeking judicial review of the decision of the Water Board to issue a Water Licence to the Company in September 2003 was heard during 2005 and the Court directed the Water Board to reissue the Water Licence to the Company.

The Company’s permitting activities will continue during 2006. The application for the Land Use Permits and Water Licence for the commercial operation of the Prairie Creek Mine will be filed during the year. It is estimated that the remaining permitting work will take approximately two years and will cost $3.0 to $5.0 million, depending on the level of environmental and assessment work required.

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 2005 was $329,115 compared to $330,076 in 2004 and $28,380 in 2003, the increase being attributable to higher cash balances invested throughout the full year.

Administrative Expenses

Administrative expenses for 2005 (excluding stock based compensation and amortization) were $979,310 compared to $1,005,409 in 2004 and $874,121 in 2003. The major components of expenses were management compensation, shareholder and investor communication, professional fees, and listing and regulatory fees.

Stock Based Compensation

In 2003 the Company adopted the fair value method of accounting for stock options granted to employees and directors. In 2005 the Company recorded a stock based compensation expense of $1,314,000 in respect of the grant of stock options to employees and directors. There was no stock based compensation expense in 2004. The Company charged $54,000 in respect of stock based compensation to operations during 2003.

Amortization and Write-offs

Amortization of mining plant and equipment of $36,988 ($42,837 - 2004; $4,070 - 2003) and asset retirement obligation of $128,720 ($128,719 – 2004; $24,400 – 2003) was capitalized to deferred exploration and development costs. Amortization expense of $3,117 compared to $3,794 in 2004 and $5,119 in 2003 relates to the amortization of office equipment.

Asset Retirement Obligations

The Company follows the policy of recognizing the fair value of liabilities for asset retirement obligations in the period in which they are incurred. A corresponding increase to the carrying amount of the related asset is generally recorded and amortized over the life of the asset. During 2004 the Company provided $1,043,189 in asset retirement obligations related to the Prairie Creek property and a corresponding increase in resource interests assets. During 2003 the Company provided $144,000 in asset retirement obligations and a corresponding increase in assets. Amortization of the asset retirement obligation of $128,720 and asset retirement accretion of $74,216 (totaling $202,936) was capitalized to deferred exploration and development costs in 2005 compared to a total of $195,536 in 2004, and $28,390 in 2003.

Income Tax

The Company is not taxable and had no income tax expense for 2005, 2004 or 2003. The Company provided a valuation allowance equal to the future tax assets because the timing of the utilization of future tax assets is indeterminable.

Transactions with Related Parties

The Company had no related party transactions in 2005, 2004 or 2003 other than directors fees, executive compensation and consulting fees totaling $356,433, $235,312 and $286,256, respectively, paid to directors and corporations controlled by directors.

Financial Instruments

Cash equivalents usually consist of liquid investments which are readily convertible into cash. The Company places its cash and cash equivalents with high credit quality financial institutions which invest the funds in high quality financial instruments. The Company is not exposed to significant interest or currency risks arising from these financial instruments.

4. 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 2005, dated March 30, 2006, 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 below.

Political and Legislative

Canadian Zinc conducts its operations in the Mackenzie Valley in the Northwest Territories of Canada in an area which is claimed by the Deh Cho First Nations as their traditional territory. No land claim settlement agreement has been reached between Canada and the Deh Cho and title to the land is in dispute. The Company's operations are potentially subject to a number of political and legislative risks and the Company is not able to determine the impact of these risks on its business. The Company's operations and exploration activities are subject to extensive federal, provincial, territorial and local laws and regulations. Such laws and regulations are subject to change and can become more stringent and costly over time.

In 2000 there was a major change to the legislative and regulatory framework and regulations in the Mackenzie Valley. 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 financial condition.

Permitting and Environment

The Prairie Creek Project is located in an environmentally sensitive remote area in the Mackenzie Mountains, within the watershed of the South Nahanni River and in proximity to, but outside, the Nahanni National Park Reserve.

The Company is required to obtain various permits to carry on its activities and is subject to various reclamation and environmental conditions. Canadian Zinc does not have all of the permits necessary to operate the Prairie Creek Mine and there can be no assurance that it will be able to obtain those permits or obtain them within a reasonable time. The Company has experienced long delays in obtaining permits to date. The Company anticipates continuing difficulties and delays with its permitting activities and faces ongoing opposition and legal challenges from certain interests.

Exploration and Development

Exploration for minerals and development of mining operations involve many risks, most of which are outside the Company's control. In addition to the normal and usual risks of exploration and mining, the Prairie Creek Property is situated in a remote location and does not have the benefit of infrastructure or easy access.

Metal Prices and Market Sentiment

The prices of metals fluctuate widely and are affected by many factors outside the Company's control. The relative prices of metals, and future expectations for such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. Metal price fluctuations may be either exacerbated or mitigated by international currency fluctuations which effect the metal price received in terms of the domestic currency in which they are produced. The Company relies on equity financings for its working capital requirements and to fund its exploration, development and permitting activities. The Company does not have sufficient funds to put the Prairie Creek Property into production from its own financial resources. There is no assurance that such financing will be available to the Company, or that it will be available on acceptable terms.

5. SUMMARY OF QUARTERLY RESULTS AND FOURTH QUARTER 2005

	Revenue $	*Net Earnings (Loss) $*	*Net Earnings (Loss) per Common Share $*
2005		*(Unaudited)*	
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)
2004		*(Unaudited)*	
Fourth Quarter	82,579	(230,314)	(0.01)
Third Quarter	83,134	(63,978)	(0.00)
Second Quarter	83,635	(135,300)	(0.00)
First Quarter	80,728	(249,535)	(0.00)

In the fourth quarter of 2005 expenditure on the Prairie Creek property was $381,339. The Company generated gross proceeds of $5,675,000 before expenses from financing activities through the private placement of 9,963,457 flow through shares.

6. 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 2005 was $329,115 compared to $330,076 in 2004 and $28,380 in 2003.

Source of Cash - Financing Activities

During 2005 the Company generated $5,276,944 net proceeds from financing activities through the issue of a total of 10,352,270 shares.

During 2004 the Company generated $2,444,625 from the exercise of share purchase warrants and employee stock options on a total of 4,612,010 shares.

During 2003 the Company generated $14,573,510 gross proceeds from financing activities through the issue of 29,844,763 common shares in private placements, the exercise of options and the conversion of share purchase warrants.

Use of Cash - Investing Activities

In 2005 cash used in operating activities was $650,195 which largely represents corporate and operating expenses, whilst cash used in investing activities was $1,474,155, including payment of a $30,000 deposit for the performance of reclamation obligations and $1,426,212 on development activities. All of the investment in exploration and development was made on the Prairie Creek Property. Details of the Company's deferred exploration and development costs are given in note 3 to the financial statements which shows the major components of expenditure.

In 2004 cash used in operating activities was $675,333 which largely represents corporate and operating expenses, whilst cash used in investing activities was, $2,196,320 including a payment of a $30,000 deposit for the performance of reclamation obligations, $45,657 for the purchase of equipment and $2,120,663 of exploration and development costs.

In 2003, cash used in operating activities was $845,741 which largely represents corporate and operating expenses, whilst cash used in investing activities was, $352,704 including a payment of $130,000 deposit for the performance of reclamation obligations and $217,326 exploration and development costs.

Liquidity, Financial Condition and Capital Resources

Canadian Zinc's cash position, including term deposits was $16,063,876 at December 31, 2005 compared to $12,907,997 at December 31, 2004 and $13,339,442 at December 31, 2003. The increase in 2005 was attributable to funds raised during the year. The Company's working capital increased to $16,039,646 at December 31, 2005 compared to $12,757,628 at December 31, 2004 and $13,184,656 at December 31, 2003. Subsequent to the end of the year the Company raised a further $9.6 million gross proceeds from the private placement of shares, increasing the Company cash position to approximately $25 million at January 31, 2006.

Canadian Zinc is debt free. The Company is in its strongest ever financial position and is well financed to carry out its planned exploration, development and permitting activities. At December 31, 2005 the Company had committed to incur Canadian exploration expenditures of $5.675 million during 2006 in respect of which the Company has renounced to certain subscribing shareholders the applicable Canadian exploration expenditure (CEE) tax deductions.

At December 31, 2005 the Company had 79,747,212 common shares outstanding, with an unlimited authorized capital, compared to 69,394,942 common shares at December 31, 2004 and 64,482,932 common shares at December 31, 2003. During 2004 at a meeting of shareholders the Company's authorized capital was increased from 200,000,000 common shares of no par value to an unlimited number of common shares of no par value. All common shares have one vote and rank equally for the payment of dividends or distribution of capital.

In January 2005 options on a total of 3,650,000 shares exercisable at a price of $0.60 per share for five years from January 14, 2005 were granted to employees, directors and other service providers under the Company's Stock Option Plan.

At December 31, 2005 the Company had 4,000,000 stock options exercisable between $0.23 to $0.60 with expiring dates of March 18, 2007 and January 14, 2010 and 788,350 share purchase warrants outstanding exercisable at prices between $0.55 to $0.85 per share and with expiry dates of October 27, 2007 and December 30, 2006.

Off-Balance Sheet Arrangements

Canadian Zinc has no off balance sheet arrangements or off-balance financing structures in place.

Contractual and Other Obligations

The Company had no material contractual or other financial or lease obligations at December 31, 2005.

7. CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Canadian Zinc's accounting policies are described in Note 2 to the financial statements. Management considers the following to be the most critical in understanding the judgments that are involved in preparing the Company's financial statements and the uncertainties that could impact its results of operations, financial condition and future cash flows.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. The most significant estimates are related to the carrying value of resource interests and its recoverability, site restoration costs and asset retirement and related obligations. Actual results could differ from those estimates.

Resource Interests

In accordance with its accounting policies the Company capitalizes exploration and development costs incurred on its Prairie Creek Property. Upon commencement of production capitalized costs will be subject to depreciation and depletion over the estimated useful life of the project. Management's estimates of the recoverable reserves and resources, operating and capital costs and future metal prices are all subject to risks and uncertainties which may affect the assessment of recoverability of amounts recorded for resource interests. The Company includes both measured and indicated resources and some inferred resources in its carrying value impairment calculations. These resources have not been estimated in accordance with National Instrument 43-101.

Asset Retirement Obligations

The Company follows the policy which requires that the fair value of liabilities for an asset retirement obligation be recognized in the period in which they are incurred. The Company's exploration and development activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and, over time, have become and are becoming more restrictive. Future changes to environmental laws and regulations could increase the extent of reclamation and remediation work required to be performed by the Company.

Stock Based Compensation

In 2003 the Company adopted the fair value accounting based method for stock options. The fair value of stock options is determined by the widely used Black-Scholes option pricing model which was developed for use in estimating the fair value of freely traded options which are fully transferable and have no vesting restrictions. The Company's options have characteristics that are significantly different from those of traded options and changes in any of the assumptions used can materially affect fair value estimates.

Metal Prices and Exchange Rates

The Company estimates the future prices of the metals it expects to produce based on historical trends and published forecasts. The long-term metal prices used by the Company in the Scoping Study of the Prairie Creek Project completed in 2001 were: Zinc - US$0.50; Lead - US$0.25; and Copper - US$0.90 respectively, per pound; and US$5.50 per ounce of silver, and an exchange rate of US$0.66 to CDN$1.00. The Scoping Study has not been updated.

8. DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2005. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports filed or submitted by the Company under Canadian securities legislation is recorded, processed, summarized and reported within the time period specified in those rules.

9. OUTLOOK

Canadian Zinc is currently in an exploration and development phase. At December 31, 2005 the Company held cash and deposits of $16.1 million (which subsequent to year end was increased to approximately $25 million at January 31, 2006), placing the Company in a strong financial position to carry out its planned exploration, development and permitting activities.

Demand for zinc, lead and silver, the principal minerals at Prairie Creek, increased in 2005 with strong global growth led by China and inventories of zinc and lead metal declined as prices strengthened. Business conditions for Canadian Zinc are expected to be positive as demand for primary metals, allied to a continuing shortage in supply, will help to sustain metal prices, which in turn should encourage investor interest in mining and exploration companies.

Plans for 2006 include continuing the Company's exploration programme on the Prairie Creek property, outside the immediate currently known resource area, and initiating the planned underground decline development and underground drilling programme. At the same time ongoing technical and metallurgical studies will be carried out to advance the project towards commercial production. A budget of $5.7 million has been approved for the Prairie Creek project for 2006.

The Company will also continue with its permitting activities and expects during the year to file an application for the Land Use Permits and Water License for commercial operation of the Prairie Creek mine.

The Company has also undertaken the review of a number of other new mining investment opportunities during 2005 and this activity will continue in 2006.

10. CAUTIONARY NOTE:

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.